

Levelling the playing field

How companies use data for competitive advantage

A report from the Economist Intelligence Unit
Sponsored by SAP





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Preface

Levelling the playing field: How companies use data to create advantage is an Economist Intelligence Unit report sponsored by SAP. The Economist Intelligence Unit conducted the survey and analysis, and wrote the report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

The report's quantitative findings come from a survey of 602 senior executives, conducted in September 2010. The Economist Intelligence Unit's editorial team designed the survey. Robert Hertzberg is the author of the report, and Debra D'Agostino is the editor. Mike Kenny is responsible for the design.

To supplement the quantitative survey results, we conducted in-depth interviews with business executives around the world. We would like to thank all interviewees for their time and insights.

December 2010



Executive summary

The data that companies collect used to be considered intellectual property, to be protected and shared only with a select few. Today, there is an abundance of data—some would say an overabundance—with a wide array of tools to analyse it. Executives are beginning to realise that, if the deluge of information is to be exploited to the full, information should be widely shared, not hoarded. Only then can firms gain the insights that will put them ahead of their rivals.

Nearly all companies realise that the way to gain a competitive advantage is to obtain better data, interpret them quickly, and distribute them in easier-to-use formats. However, there are many obstacles to the effective use of data and few companies surmount them all—a fact that results in a lot of unused corporate data. Indeed, only 17% of companies use 75% or more of the data they collect.

How are companies using information to beat their rivals and create a more level playing field? This paper examines how their practices are evolving and offers examples of data use at some highly successful companies. Below is a list of its major findings:

- **Leading companies are keenly focused on data.** Of the 38% of respondents who say their company performs ahead of its peers, 74% say that data are “extremely valuable” in achieving competitive advantage. The best corporate users of data devote substantial time to figuring out what sort of information they should track and who within their companies needs it. They also invest in technology and training to make sure individual workers are able to capitalise on the data they have collected.
- **Accuracy trumps detail.** Accuracy and timeliness are the most important attributes of data, ahead of the amount of detail the data offers. This is because getting the basic insight—about a new prospect, a change in the price of some raw material, or an emerging problem at a manufacturing plant—is more important than being able to analyse every detail about it.
- **Information supports competition in myriad ways.** Seventy-seven percent of respondents say data make an important contribution to their customer support/customer relations efforts, and 71% say it helps them support their sales processes. Operations, cost management and product development are all aided by data as well. A less common benefit—cited by around half of all companies—is the contribution that business insights have made to helping executives strengthen awareness of a company’s brand.



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- **Yet most companies remain awash in unused data.** In fact, only 27% of respondents say their firms do a better job of using information than most of their competitors. A large amount of data sitting on a company's servers, unused, is not uncommon and can be a sign of a sub-optimal data strategy. In some cases, however, there are good reasons to hold on to older data. Financial service firms often need archived data as a defence against litigation; others may want data for future data-mining purposes. One healthcare company in our study, with the help of archived data, was able to identify an extremely high level of risk associated with an antibiotic being used for infants.
- **A top-down approach may stifle competitiveness.** Companies sometimes end up unintentionally approaching data from a management perspective and ignoring its value to others lower down the hierarchy. The companies that find ways to "democratise" their data often gain an advantage. Indeed, 77% of the companies that aim their data initiatives at all employees, regardless of level, say they've found ways to make data extremely valuable to their business. Only 65% of companies where the data initiatives are intended primarily for managers agree.

Who took the survey?

The survey that underlies this report is based on responses from 602 business executives around the world in a wide range of industries. Twenty-four percent were CEOs, presidents or managing directors; 9% were CFOs; 5% were CIOs. Twenty-nine percent of the survey takers were from the Asia-Pacific region, 27% from North America and 26% from Western

Europe. Around half of the respondents work for companies with more than US\$500m in annual revenue.

While every sector benefits from data, some industries see them as even more critical than others. Eighty-three percent of financial service companies and 78% of consumer goods companies, for example, say data are extremely valuable. Further down the list are retail companies (71%), healthcare and pharmaceutical companies (61%) and manufacturers (60%).



Introduction: Unlocking value

Within companies, there is now far more information available than at any time in the past. Wal-Mart, the world's largest public firm, maintains a data warehouse of more than 2.5 petabytes—that is around 500m floppy disks. And Google processes roughly 24 petabytes each day.

A surfeit of data, however, is not always a guarantee of success. More often, advantage comes from having the right kinds of data, or from drawing connections between seemingly unrelated data. The opportunity to connect the dots better than rivals is available to any company, regardless of size, industry or geographic location.

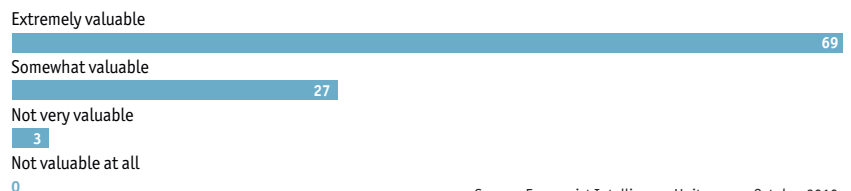
Just how important are data in creating competitive advantage? Almost 70% of managers and executives say data are “extremely valuable” in this regard. In fact, of the 38% of respondents who say their company outperforms its peers, 74% say that data are “extremely valuable” in achieving competitive advantage. Executives’ belief in data is so strong that more of them say they rely on it to make everyday business decisions than say they rely on their own experience or on the advice of colleagues. This high regard for data is often justified: when companies use data well, they can increase their market share, boost their revenue, drive down costs and fine-tune their product lines. The key, of course, is knowing which data matter, who within a company needs them, and finding ways to get that data into users’ hands.

Companies continue to struggle with two common problems: poor organisation and poor processes for sharing data. They must also find effective policies for security—neither restricting access too tightly nor being careless about who uses business information and how.

Being able to implement a differentiating strategy requires sophistication and resources, so perhaps it is unsurprising that bigger companies tend to be more successful in this regard. Among companies taking our survey with more than US\$10bn in sales, more than three in four say data are “extremely valuable” in helping them gain an edge over their rivals. Among companies with less than US\$500m in revenue, the percentage is lower—66%. Yet there is an opportunity to level the playing field.

In the industry that your company is in, how valuable is data to competitive advantage?

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.



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Critical data characteristics

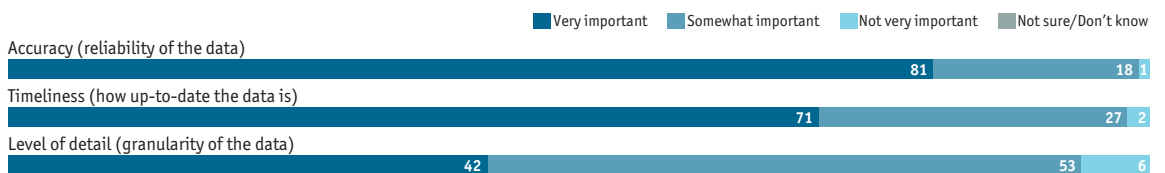
“If you have bad data, people won’t come back [to use them].”

Patrick Kern, P&G’s director of business intelligence

Of the three main attributes of internal data—accuracy, timeliness and level of detail—accuracy is by far the most important for most executives. Eighty-one percent of survey respondents describe accuracy as “very important”. Perhaps as a result, many firms have implemented practices to improve their efforts regarding data quality. Procter and Gamble (P&G), a US\$79bn US consumer products company, which uses data for everything from tracking the sales of individual brands to determining the productivity of its diaper factories, scrubs its data—sometimes with the help of offshore contractors—before distributing them. “If you have bad data, people won’t come back [to use them],” says Patrick Kern, P&G’s director of business intelligence. “So it’s critical.”

How important are each of the following in determining the value of your business data:

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

Until a few years ago, at Arla Foods, a Denmark-based dairy co-operative with US\$8.3bn in annual revenue, it was not uncommon for managers, frustrated by the inaccuracy of some of the company’s centrally distributed data, to keep “shadow books” with their own information—primarily regarding levels of spending on the company’s various cost centres. In the past two years, the company has begun an initiative to improve its data consolidation practices; all of its divisions are now required to collect and report accounting data in the same way.

Probably the biggest challenge in this area, says Jens Roed Andersen, Arla’s chief information security officer, has been to overcome the cultural issue of low confidence in company-wide information. “It will take some time until people figure out they can rely on these data,” he says. Arla is using both carrots and sticks to bring about this cultural shift. It is feeding the data into existing systems and encouraging employees to see how they can make their jobs easier. At the same time, Arla’s executive team is sending a clear message that the data are critical for tactical and strategic planning. “There needs to be pressure from above,” Mr Andersen says.



After accuracy, the next-most critical attribute is timeliness, according to 71% of respondents. P&G endeavours to disseminate information in real time, particularly if there is information that might affect the costs of its products, such as a change in the price of a commodity, like oil. To the extent that the company can do this, “we can make critical business decisions ahead of our competition,” says Mr Kern.

Further down on the list of important data attributes is the level of detail, or granularity (cited as “very important” by just 42% of respondents). In one sense, it seems counterintuitive that executives would assign a low value to the completeness of the data they receive. However, in a world in which no business decision is ever risk-free, and circumstances are constantly changing, the smart move may be to make a quick, practical decision based on information already in hand. “You have to be pragmatic about what you know and what you don’t know,” says Julian Garrido, president of Andritz Hydro Inepar, a Brazilian maker of power turbines. “Sometimes you need to understand that you are going to take the decision without 100% of the information you need.”

Who owns the data strategy? Usually not IT

One measure of how important data have become is that the strategies surrounding its use are no longer set by the technology department. According to six out of 10 respondents, business executives either have sole responsibility for their companies’ data strategies, or share that responsibility with IT executives. Less than 20% of CIOs or IT managers have primary responsibility for his or her company’s data strategy.

At a time when workers are more tech-savvy and platforms more intuitive, could it be that the artificial walls separating “IT” from “the business” are coming down? Anecdotal evidence suggests this is the case. Asian Paints, for instance, has become so reliant on information systems for running its supply chain that it almost never refers to anything as an “IT project”. Instead, the Mumbai, India-based company thinks of such projects as business improvements or innovations, says Chief Information Officer Manish Choksi.



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Creating competitive advantage

Seventy-seven percent of respondents say data make an important contribution to their customer support/customer relations efforts.

Star Gas, the largest distributor of heating oil in the US, uses data to figure out what to charge for a delivery. When a customer places a new order, Star Gas looks at data that tell the company the margin it can make at given price levels, and assesses the level risk that the customer may take his or her business elsewhere. General managers also have aggregated information so they know the impact a delivery will have on their overall profitability for the month.

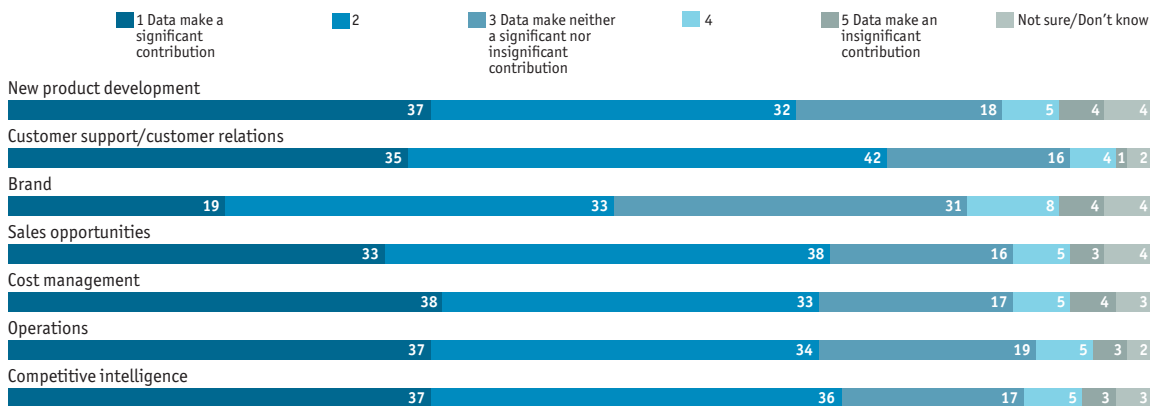
While Star Gas has been conducting this sort of customer-focused analysis for years, the previous method, of conducting the analysis using spreadsheets, suffered from inconsistencies and sometimes took days to put together. The analysis is now automated, and can produce actionable information in 30 seconds to a minute, says Michel Nahon, Star Gas's director of customer analytics and pricing. The better use of data really started paying off in 2009, when Star Gas returned to an annual profit, despite lower sales and the worst economic downturn in decades.

Of course, effective pricing is only one potential benefit of data; there are many others. Seventy-seven percent of respondents say data make an important contribution to their customer support/customer relations efforts, and 71% say they help them support their sales processes.

Please rate the contribution that internal corporate data make to the following:

Rate on a scale of 1 to 5, where 1=Data makes a significant contribution and 5=Data makes an insignificant contribution.

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.



BT uses data to get it right the first time

BT is a former monopoly that still has a large share of the telecommunications market in Britain, but in order to compete with smaller rivals that can offer fixed line and broadband service for less, it emphasizes customer care and the quality of its telecommunications services.

Data use is a basic tool in helping BT (which holds assets of £21bn or US\$34.3bn) distinguish itself in the service areas it has identified as important. For instance, the company tracks “right first time” measures in its handling of new retail and wholesale customers, paying particularly close attention to what happens after a new prospect contacts the company. Among the things that are measured are: the frequency with which customers abandon a call while waiting on hold for someone to take their order; the percentage of installation visits in which a BT service technician arrives on schedule; and whether a customer makes a request for help in the 28 days after

the first bill goes out. Similarly, BT tracks the number of complaint calls received after a service issue has theoretically been addressed.

Mark Ogden, who as enterprise information platform director is responsible for overseeing business intelligence development at BT, says the company uses data from multiple sources, within the limits of industry regulation, to track “right first time” performance. Ogden adds that “right first time” has “evolved into a data set that helps the company in multiple ways, from figuring out if a particular employee is falling short, to identifying customers who have had bad experiences and may therefore be vulnerable to offers from rivals”.

Such customers receive tailored offers, and their incoming calls are automatically routed to more experienced call-centre staff and given a higher priority. After all, as Mr Ogden says, “winning new customers is harder than retaining existing ones”.

In the last year, the “right first time” programme has cut business complaints by 33% and has led to “a massive reduction in the number of people querying its bills,” Ogden notes. These are significant advantages to a company that is constrained in its ability to compete solely on price.

BT, a British telecommunications company, exemplifies the use of data to improve customer relations. It has adopted measures to “get it right the first time”, tracking such things as potential new customers who abandon a call after being put on hold, and the frequency with which a complaint about a bill is resolved with a single call. These measures have played a very important role in helping BT differentiate itself in areas other than price.

Con-way, a US\$4.3bn transportation and logistics company based in Ann Arbor, Michigan, also uses data to set pricing, especially for its “less than truckload” freight business. Jackie Baretta, the company’s chief information officer, says the information that has been most useful has shown “the kind of freight we were moving per customer and how much it was costing us to move it,” as well as how much Con-way was being paid for the service. While, as Ms Baretta says, pricing is still more of an art than a science, the greater insight into data has helped the company adjust prices as needed. She says it has also enabled Con-way to “get from Point A to Point B faster than the competition”.

Tesco, a British supermarket retailer, has used business information to increase market share—an enviable achievement. In the mid-1990s Tesco introduced a loyalty card that entices shoppers by giving

In the past two years, has your organisation been able to gain competitive advantage over its rivals by improving its internal data-sharing efforts?

(% respondents)



41

Source: Economist Intelligence Unit survey, October 2010.



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“We see our ability to set pricing as one of our competitive advantages in the marketplace.”

David Stewardson, executive manager, Suncorp

money back for every pound they spend. At the time, the company had less than 20% of the grocery market, nearly the same share at its top rival. Today, the loyalty card has 16m active members in Britain and Tesco’s market share has risen above 30%.

Aside from enhancing loyalty by offering shoppers a built-in discount, the Tesco Clubcard has produced some clear data benefits. For one thing, Tesco’s direct marketers can do a more effective job of sending out flyers. This ensures, for example, that “vegetarians don’t get meat offers,” says Clive Humby, who originally developed the card and now operates the loyalty programme for Tesco and a few smaller clients. The card also helps with purchasing decisions. The data reveal, for example, which brands of tuna sell better than others. The Clubcard has also been instrumental in helping Tesco create Tesco Finest and Tesco Value, the two highest-revenue grocery brands in the UK. “These brands would not have been developed without an understanding of customer data,” Mr Humby says.

Meanwhile, better use of business information has allowed Suncorp Group, a full-service financial firm based in Brisbane, Australia, to increase revenue by cross-selling more products. When a customer contacts one of Suncorp’s call centres, the system tells the operator what other products the customer might be interested in, based on the customer’s previous transactions and profile. For example, perhaps the customer who already has motorcycle insurance with Suncorp would be interested in travel insurance—and travellers’ cheques for the trip he or she is planning. Suncorp calls this the “next best offer”. Suncorp also uses data to keep many costs down.

Suncorp uses data to manage insurance risks

All insurance firms use statistics to assess various types of risk, from the possibility of floods to car crashes or fires. Suncorp, Australia’s biggest insurer, goes a lot further in using data to gain an advantage over rivals.

David Stewardson, Suncorp’s executive manager in the commercial insurance business technology department, says the company analyses data to anticipate which customers might be on the verge of switching to a competitor. The point is not to keep every customer in the fold; rather, it is to hold on to the most profitable customers and let the unprofitable ones go. (Suncorp has multiple inputs to consider, since the company also runs a banking arm and a wealth-management unit.)

Claims, of course, represent a huge part of every

insurer’s expenses. And Mr Stewardson says Suncorp’s provider database—with information on everything from automobile body shops to carpenters and plumbers—allows it to separate the providers that offer good value for the dollar, from those that do not. This, in turn, helps Suncorp boost profits, and keeps customers premiums from rising too much.

In the critical area of determining premium levels, Suncorp’s systems have a high level of sensitivity, says Mr Stewardson. “We see our ability to set pricing as one of our competitive advantages in the marketplace,” he notes. “For instance, we know from the history of claims the likelihood that a claim might be raised.”

A good example is flood insurance. Suncorp looks at data on the altitude of farms above sea level to help it gauge the relative risk of insuring the thousands of kilometres of fences that ring the typical Australian farm. “Lower farms are more subject to floods,” Stewardson says. Farmers in those places, he adds, pay more for insurance.



Then there are the many companies that use data to reduce costs or improve their operations. Asian Paints is an example of the former: since 2001 India's largest paint manufacturer has been using the data it gathers from sales orders to limit the amount of working capital it has tied up in inventory. It also uses past sales data to plan for the peaks in demand that happen every October, ahead of the Diwali Hindu festival, when Indians tend to repaint their homes and offices.

Novo Nordisk, a Danish pharmaceuticals company, relies on manufacturing data to improve overall operations. Over the years, it has developed 58 key performance indicators (KPIs) across its business with inputs of varying complexity. Among other things, these can help point the company toward best practices. For example, says Kasper Damsø, head of business intelligence at Novo Nordisk, not long ago the company's production line KPI indicated "that one plant's production lines was performing better" than others. The company put in a team of experts to look at that line's practices "and moved all the other sites to the way the best performing plant did it."

A less common benefit, cited by around half of all companies, is the contribution that business insights make to strengthening awareness of a company's brand. One company that relies on data in this way is Mednax, an operator of neonatal intensive care units, based in Fort Lauderdale, Florida. Doctors know what is expected of them—they have goals for things like the number of grams gained daily by very low-birth-weight infants, and the length of stay required before an infant is ready to go home. For Mednax, the steady progress towards clinical outcomes that can be articulated in statistical terms improves the company's brand image, allowing the company to attract more doctors. "Our business development people use this extremely effectively for attracting new practices to the company," says Alan R. Spitzer, a senior vice-president who oversees Mednax's centre for research education and quality. High clinical scores for its paediatric centres also help the company in negotiations with insurers—another competitive advantage.

In Latin America, good data use means big advantages

According to survey respondents in Latin America, companies in that region seem to derive more value from data than their peers in North America. Seventy-three percent of respondents in Latin America say they derive great competitive advantage from their use of data. In North America, the number of executives who say their data efforts are "extremely valuable" is significantly lower, at 63%.

Respondents in Latin America also rely on data for things that North American businesspeople do not. Sales is one example: more than 80% of Latin American respondents say data make a contribution

to the sales opportunities. In North America, that figure is only 59%. Meanwhile, 51% of Latin American respondents say data make "a significant contribution" to helping their companies understand what the competition is doing; only 27% of North Americans say the same.

In another striking difference, 50% of Latin American respondents see structured corporate data becoming "much more important" in their everyday work over the next two years. Only 29% of North American respondents expect that to happen.

Respondents in Latin America also see themselves as slightly better than their North American peers at using data: 32% of Latin American respondents put themselves in the top quartile among data users, compared with 27% in North America.



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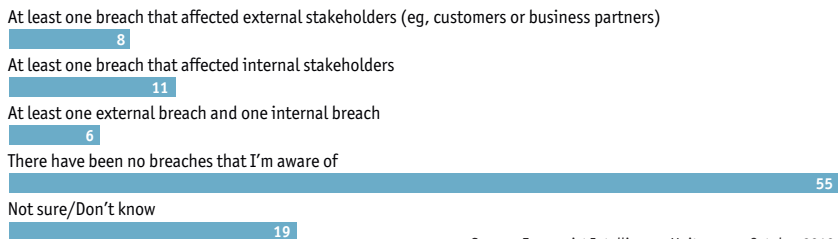
Stopping a leak

One thing that can certainly impede a company's ability to use data effectively is security. One in four survey takers—a relatively high percentage—say their company has experienced a breach in the last two years.

At companies that have had breaches, concerns about security do tend to have negative consequences. Thirty-eight percent of executives who work at such companies say policies are “a little too restrictive”; at companies where there have been no breaches, only 20% of respondents say that. Security breaches also seem to foster policies that slow down the distribution of data: 28% of respondents at firms where there has been a breach say they do not get data in a timely fashion. Less than 19% of non-breached companies have that problem.

In the last two years, what sort of security breaches has your company experienced?

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

“There is a danger of going overboard,” says Keith Holdt, head of global business development at Swiss Post Solutions, which provides logistics and services for both digital and physical mailings. At some companies, he says, “you might have a laptop where you can’t use the USB ports or CD drive, or you can’t take any data off the company servers. It starts impeding productivity. It is important that the protection of data is balanced against impeding the productivity and efficiency of their staff”.

Extreme though these steps may seem, for some companies—and industries—such measures are necessary. Standard Chartered Bank of India is an example. When it is developing tests of new databases, the bank scrambles names, addresses and other private information. Standard Chartered Bank also has rules about how it moves customer information to and from data centres and about how the data should be encrypted.

SM Group, a retailer based in the Philippines, has its own rules for safeguarding client data. Not only does this retailer block the use of USB drives on certain computers, it also prevents users with access to client data from participating in Internet chats or sending email attachments. This is its way of keeping sensitive client information from being sent outside the company and creating an embarrassing and potentially expensive crisis.



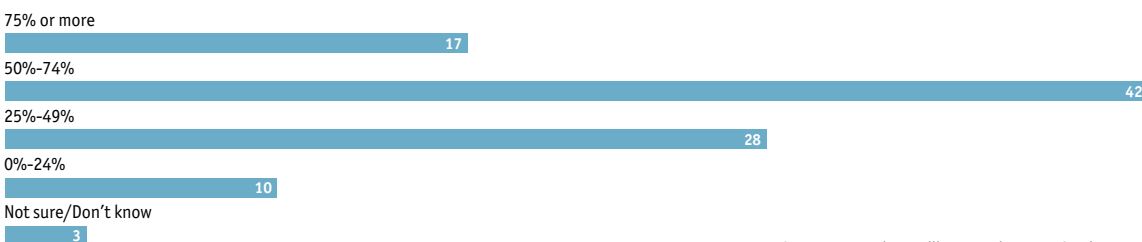
Hidden gems

When asked to rate their companies' skill at using data, two-thirds of executives say their companies are "above average". This optimistic response may stem from the fact that an executive who asks for data can usually count on getting it quickly. As a result, executives may think their companies are better at using data than they actually are. Business executives, not IT executives, are also increasingly responsible for their companies' data strategies.

A more realistic proxy may be found in looking at the amount of data companies use, compared with the amount at their disposal. Only 17% of respondents say their companies use 75% or more of data collected; 38% use less than 50%.

On average, how much of the data your company collects do you estimate is used by the business?

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

What sets apart the best users of data

While there can be good reasons to maintain unused data, there seems to be a positive correlation between the amount of data that companies use and satisfaction with data policies.

At companies that use more than 75% of their data, an extremely high percentage of respondents (72%) say their companies' data policies are "about right" in terms of who can access different levels of data. By contrast, at companies that use less than 74% of the data they collect, only 54% say their policies are "about right"; more than one-third see those policies as either a little or much too restrictive.

Firms that use most of their data also report fewer problems with data organisation and sharing than other respondents. Among companies that make less productive use of their data, only 13% think their data-sharing processes are fundamentally sound. Furthermore, 33% of respondents whose firms use more than 75% of their data say timeliness is not a challenge for them, compared with 21% for other respondents.

Respondents who work at companies that use data intensively are also more likely (73%) to agree that their "company's top management effectively uses information to measure corporate performance". Among companies that use less than 75% of their data, only 49% say this is true.

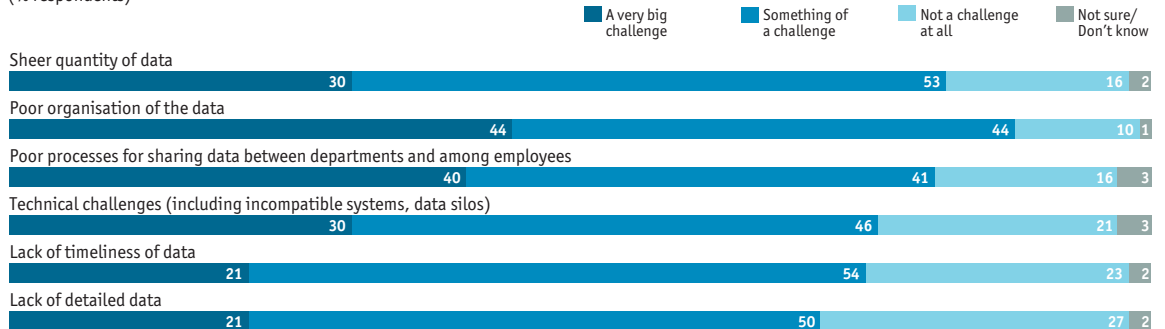


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Please rate each of the following factors with respect to your company's challenges in using data.

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

Eight in 10 respondents say they lack effective processes for sharing data between departments and among employees.

Why do so many companies collect data that are not used? "I think people don't know what they have, how to use it, or what the untapped value may be of the asset" says Mr Holdt of Swiss Post Solutions. "The archives just lie there gathering dust and costing money."

A massive amount of unused data taking up storage space can be a sign that priorities need to be revisited. But there can be good reasons to keep data, even if they are not immediately put to use. Discarding data prematurely can result in missed opportunities. For instance, it was only because Mednax was keeping data about an antibiotic that researchers were able to spot a significant difference with a newer antibiotic in the area of infant mortality. "We've always tried to be as comprehensive as possible [about data collection], because we didn't know what might be important," says Mr Spitzer.

Whatever benefits there might be in using more of their data, most companies face big challenges in doing so. For instance, three-quarters of respondents say their companies have technical challenges, including incompatible systems and data silos. Eight in 10 say they lack effective processes for sharing data between departments and among employees. And an overwhelming majority of respondents—89%—say their internal data is poorly organised.

Srinivas Nayak, a director of technology and operations at Standard Chartered Bank, agrees. "Unless you codify [the data], it's hard to do any analysis of them," he says. The bank has therefore created a complaint management system that puts such messages into a structured database. Call centre operators have 50-plus categories of problems to pick from—everything from delays in credit to complaints about wrong addresses and non-delivery of promised documents.

Solving data organisation problems can bring concrete results. An example is the effort undertaken by Nationwide Insurance, based in Columbus, Ohio, to create a revenue-collection "dashboard" for agents. By showing agents how they were doing—three contracts converted for every 25 bids, for example—and coupling that information with bonus targets, Nationwide figured it could motivate agents and help its own revenue along the way.

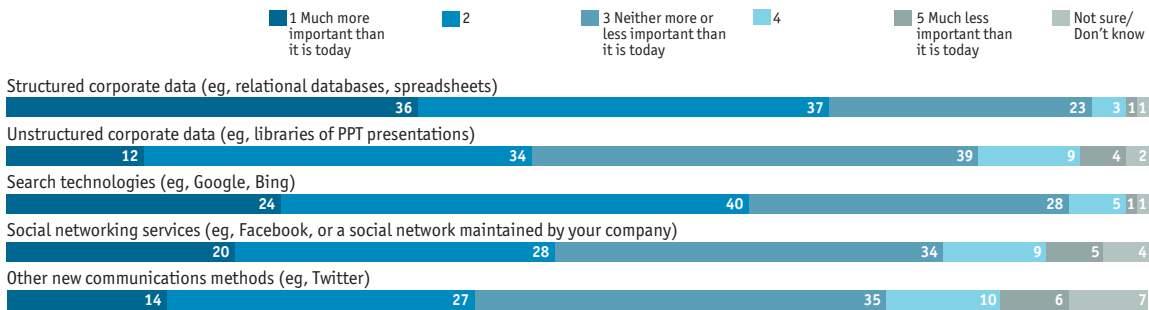
Internal data is especially important to the big companies that have the resources and expertise to collect, filter and analyse it. At companies with more than US\$500m in annual revenue, more than seven in 10 executives say they find internal data useful in making everyday business decisions. At smaller companies, executives are more likely to rely on external data.



Outside information, especially from the Internet, is clearly emerging as another data source. Nearly two-thirds of respondents say they expect search technologies to become more important to the work they do in the next two years. (Social networking services like Facebook face more scepticism; only 48% of respondents say they will use them more for work in coming years.) Of course, outside data will have to meet the same standards as internal data, especially regarding accuracy. And this could be a problem. “If you Google somebody, how do you know what is right and what is not?” says Swiss Post’s Mr Holdt. “You don’t know what is credible and what isn’t.”

Looking out two years, how important do you think each of the following data sources will be to the information you use for work?

Rate on a scale of 1 to 5, where 1=Much more important than it is today and 5=Much less important than it is today.
(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

That is not to say that Mr Holdt is unenthusiastic about outside data. The Internet, he says, is an important source of information. Nevertheless, it has not solved the fundamental challenge that companies face. “The bigger question now is how to maximise the value of this corporate asset called information, and how to help people make the right decisions,” he says. “That’s about making better use of what they have internally, and proper use and identifying the value of what exists externally.”



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Share and share alike

“Data initiatives that don’t benefit front-line workers often lose momentum.”

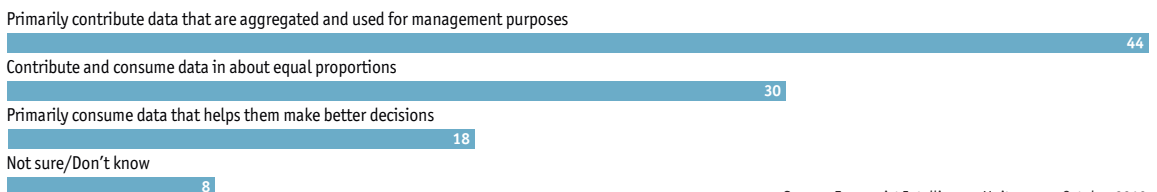
Keith Holdt, head of global business development, Swiss Post.

It stands to reason that distributing the most important data widely in an organisation would maximise their value. Yet this does not seem to be a priority. Sixty-one percent of respondents say information at their companies is primarily for the benefit of upper management. Only 31% of companies say data are equally available to every employee, regardless of level.

Individual data projects are similarly lopsided in their goals. Forty-four percent of respondents say their company’s biggest data project in the past two years was aimed primarily at helping executives or managers. Only 5% say it was aimed primarily at non-management workers. In many cases, non-managers are limited to contributing data, not consuming them. “Often these tools are perceived to be for management,” says Mr Holdt, speaking of systems that allow information to be analysed and used. “Data initiatives that don’t benefit front-line workers often lose momentum,” Holdt adds.

Non-management workers at our company...

(% respondents)



Source: Economist Intelligence Unit survey, October 2010.

Systems that are too complicated can also be a problem. A company may intend to let employees benefit equally from data and technology, but can undermine that goal if its software requires a high level of technical sophistication. Around half of the respondents say they work at companies where technically savvy workers have an easier time getting value out of data.

Recognising this risk, some companies invest heavily in training. In India, Kudos Chemie, a chemical company that has invented a form of synthetic caffeine that is used in soft drinks, trains its plant workers to properly interpret manufacturing data, including how to spot potentially big problems. Some of the firm’s employees have only an elementary school education, so the training they receive—in the form of local-language videos and other classroom presentations—can be invaluable, according to CEO Jitendra Singh.

Other companies have taken to embedding data—or more precisely, the actionable intelligence that results from data—directly into their applications. At BT, key customer metrics are analysed to help agents



P&G: Fashioning a “decision cockpit”

At Proctor & Gamble, executives decided that providing a data-rich environment to its managers meant creating a “decision cockpit” that focuses on a specific business function or market segment. The idea, says P&G’s director of business intelligence, Patrick Kern, is “to get at operational business strategies, like how to run a plant from day to day”.

While a decision cockpit sounds like a dashboard, P&G’s approach includes blogs, search and collaboration tools, including the ability to “follow”

blog authors in whose thoughts or research a colleague might be interested. If the answer to a question is not available online, a manager can locate and contact an expert. The cockpits also include visualisation tools and exception reports to speed up decisions by making the meaning of the data obvious at a glance. A decision cockpit now covers around 56% of the company’s business processes according to Mr Kern.

As a result of this approach, P&G has drastically reduced the volume of email previously used to distribute reports. Moreover, Kern says, now that knowledge workers can retrieve information themselves, they are making far fewer requests for custom reports than in the past.

offer specific bundles of services depending on the types of customers with whom they are speaking. In other areas of its business, says BT’s Mr Ogden, the company is looking at “visualisation techniques”, so that workers who are better at getting information from charts than from spreadsheets are not at a disadvantage.

The IT department at SM Group has configured its internal portal so its marketing team can filter through different fields of information on cardholders, including demographic data and purchase patterns. From there, it is relatively easy for the marketers to send SMS or emails to specific groups of cardholders. “Whatever information they want to share with our members, they can do it with only minimum help from IT,” says Al P. Pile, senior vice-president of IT and operations at SM Group’s Marketing Convergence subsidiary. “A few years ago [the marketers] were very dependent on us.”

Data democracy does not mean every worker needs the same data. In fact, knowing who needs what is part of using data effectively. At Star Gas, a field manager may benefit from knowing that a particular customer is at risk of leaving; the manager may factor that into the price he charges for a delivery. That level of detail would be unnecessary at the CEO level. Instead, “the CEO needs to know that [a percentage] of customers, in aggregate, are at risk of leaving,” says Star Gas’s Mr Nahon.



Levelling the playing field

How companies use data for competitive advantage

Conclusion: From data to insight

Information is a critical asset of business. Yet according to survey results, only 27% of respondents say their firms do a better job of using information than most of their competitors. While executives understand the advantages they can derive by using internal data effectively, creating effective strategies continues to be a significant challenge for many firms. It is a struggle that will make or break companies over the next decade as the flood of data continues—Gartner, a technology research firm, estimates that the volume of corporate data is growing by as much as 60% per year.

What can companies do to ride the wave ahead of their rivals? There are three major areas companies should consider:

- **Focus on the right data—and consider which types of data may not be needed.** What are the metrics that are really important for a given business or for a function within a business? The answer is not always simple, and it is not always intuitive. At Star Gas, important data points include how many deliveries drivers make in a day and how often service technicians have to return to a house to address problems that were not fixed correctly the first time.

A focus on the wrong data can encourage behaviour that is not in a company's interest. For example, Suncorp does not generally share call-handling statistics with those who work in its telephone support centres. If it did, the workers might start focusing on how quickly they were completing calls, instead of on what the company wants to encourage: that is, cross sales.

Considering that only 17% of respondents say their firms use more than 75% of their data, it is likely that most companies are spending significant time and resources collecting data that will never be used. Executives should consider how to either improve data use, or rethink their data-collection strategies.

- **Democratise data—and put them where employees will use them intuitively.** Rather than force their managers and workers to root through complex systems or software to find the information that can help them, data-savvy companies put information in places where their workers can easily access and use it. Con-way employs an in-house usability team, whose job is to make sure the tools it deploys are understandable to people with no technical training. "Our usability experts will take a handful of people, such as salespeople who have never seen a dashboard before, and say, 'Look at this. Is it intuitive to you?'" says Ms Baretta. "We've found that to be really useful."



Many companies are starting to take the idea of data accessibility one step further, looking for ways to make essential data available on some of the newest, most popular devices, such as smart phones and iPads. “If you can make it their tool that the information is appearing on—a tool they already believe makes their lives easier—that will generally work every time,” says Mr Holdt of Swiss Post.

- **Encourage data champions across the company, and promote their success.** No matter how good a company is at bringing the right data to light and easing access to them, the audience needs to be prevailed upon to use them. When Mr Nahon of Star Gas was introducing new business intelligence systems a few years ago, he spent a significant amount of time conducting demonstrations to general managers and their staff. Standard Chartered Bank of India does not rely on bank employees to interpret all the data at their disposal; it employs “information champions” to help with that. “It’s a huge task, because these are systems with tons of data,” says Mr Nayak.

Most workers do not need encouragement to use the company’s data system once it has helped them answer a tricky question, eliminate a needless cost, or win a new customer account from a competitor. The best training involves a tangible benefit of this kind. “It’s not until that point,” says Jim Korcykoski, a group CIO at Nationwide Insurance, “that the workforce really latches on to it”. Think of ways to internally publicise successes to promote the ongoing use of information to support competitive advantage.

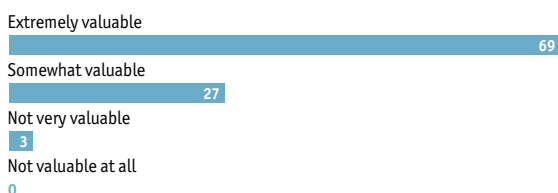
As Albert Einstein famously noted, information is not knowledge. To level the playing field, executives should consider how policies and processes can be refocused to transform data into actionable insight.

Appendix: Survey results

Percentages may not add to 100% due to rounding or the ability of respondents to choose multiple responses.

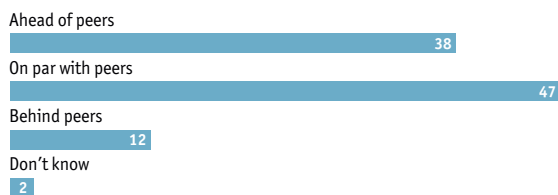
In the industry that your company is in, how valuable is data to competitive advantage?

(% respondents)



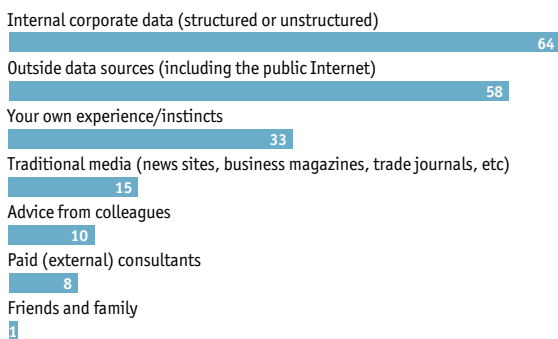
How would you rate your company's recent financial performance compared with that of your peers?

(% respondents)



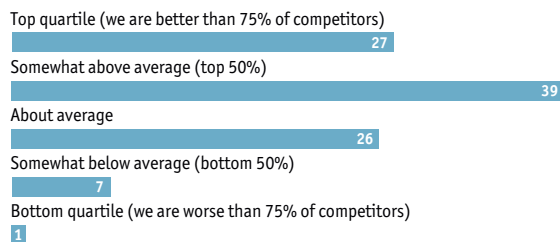
Of the following, which do you find most useful in helping you make everyday business decisions? Select up to two.

(% respondents)



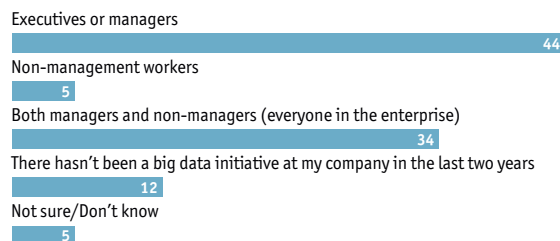
How would you rate your company's use of data compared with your competitors?

(% respondents)



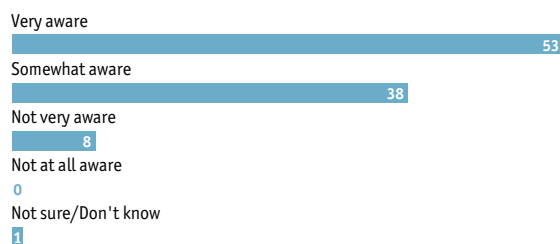
With respect to the biggest data initiative (such as an effort to make better use of customer data, or to analyse supply chain metrics, etc.) at your company in the last two years, who was the biggest beneficiary?

(% respondents)



How aware would you say your company's top management is of the value of internal data?

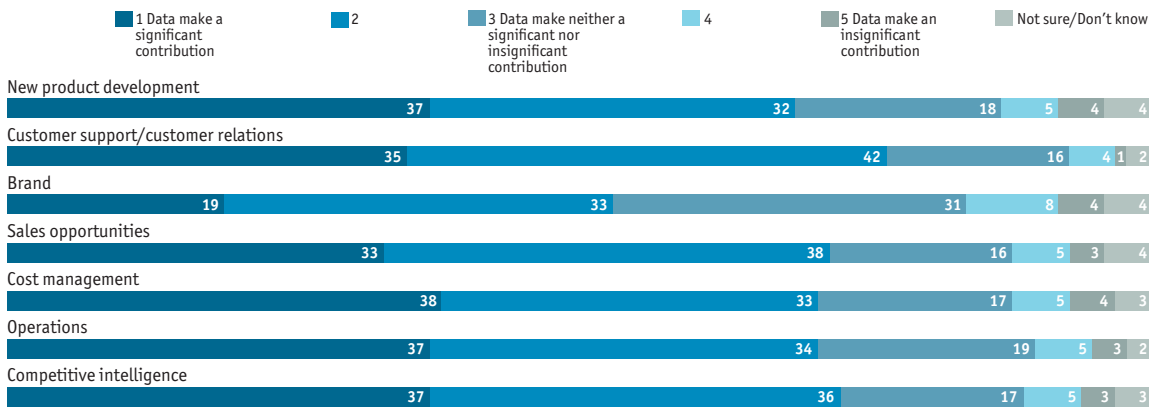
(% respondents)



How important are each of the following in determining the value of your business data:
(% respondents)



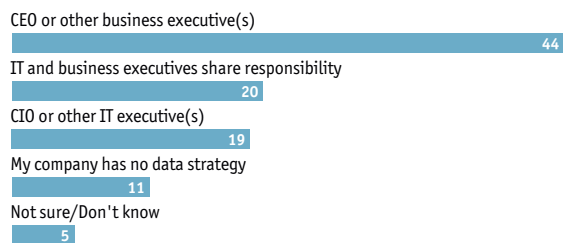
Please indicate the contribution that internal corporate data make to the following at your company:
Rate on a scale of 1 to 5, where 1=Data makes a significant contribution and 5=Data makes an insignificant contribution.
(% respondents)



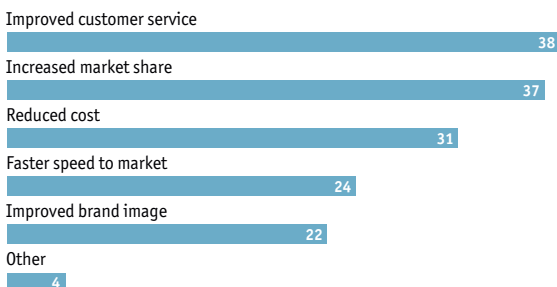
In the past two years, has your organisation been able to gain competitive advantage over its rivals by improving its internal data-sharing efforts?
(% respondents)



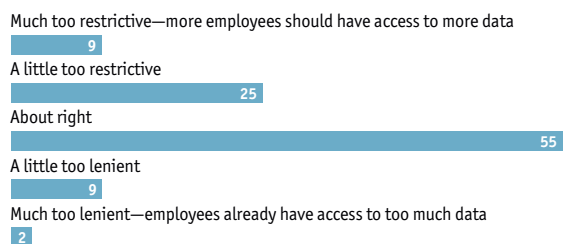
Who has primary responsibility for your company's data strategy?
(% respondents)



If yes, in what way were you able to gain competitive advantage? Select all that apply.
(% respondents)



What do you think of the rules that are in place for data access and use at your company (specifically, the rules governing who can access what levels of data)?
(% respondents)



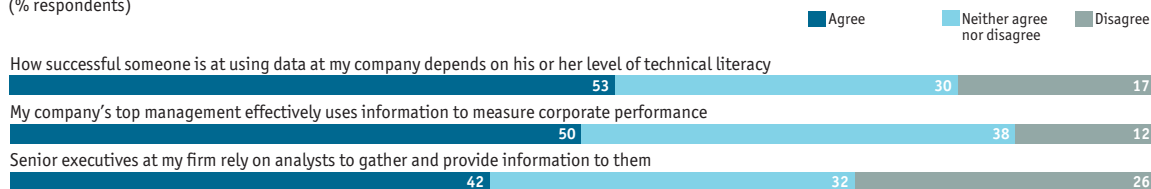
Please rate each of the following factors with respect to your company's challenges in using data.

(% respondents)



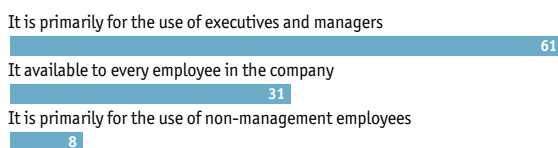
Do you agree or disagree with the following statements?

(% respondents)



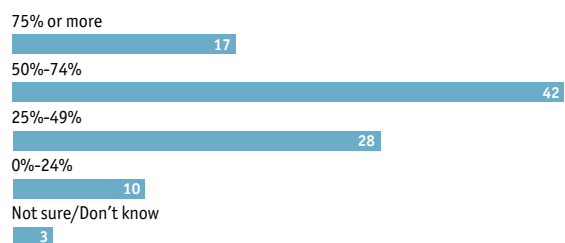
Which of the following statements most accurately characterises the attitude toward information at your company?

(% respondents)



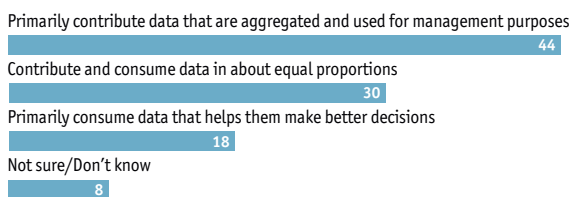
On average, how much of the data your company collects do you estimate is used by the business?

(% respondents)



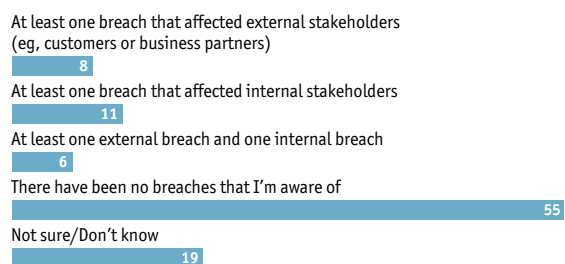
Check the box that most accurately completes this sentence: Non-management workers at our company...

(% respondents)



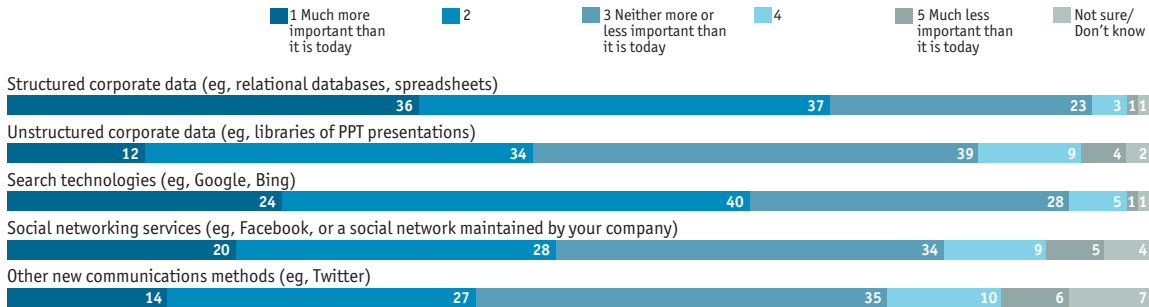
In the last two years, what sort of security breaches has your company experienced?

(% respondents)



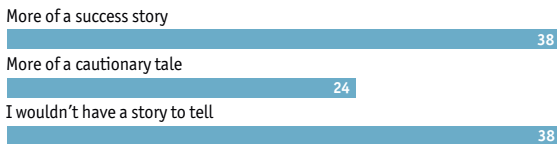
Looking out two years, how important do you think each of the following data sources will be to the information you use for work?
Rate on a scale of 1 to 5, where 1=Much more important than it is today and 5=Much less important than it is today.

(% respondents)



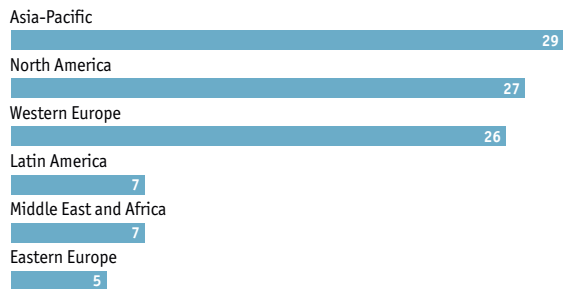
If you were at a cocktail party, would the most interesting story you could tell about your own company's use of data be a success story or a cautionary tale?

(% respondents)



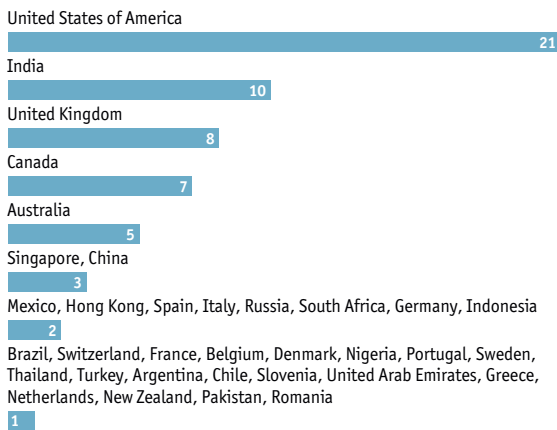
In which region are you personally based?

(% respondents)



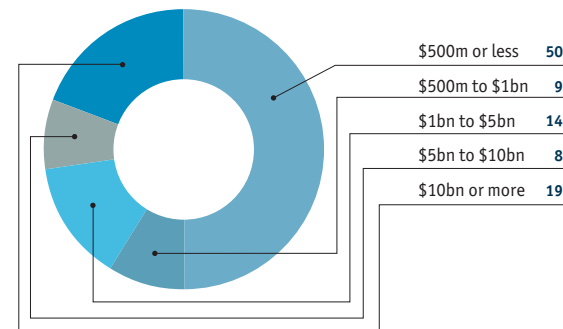
In which country are you personally located?

(% respondents)



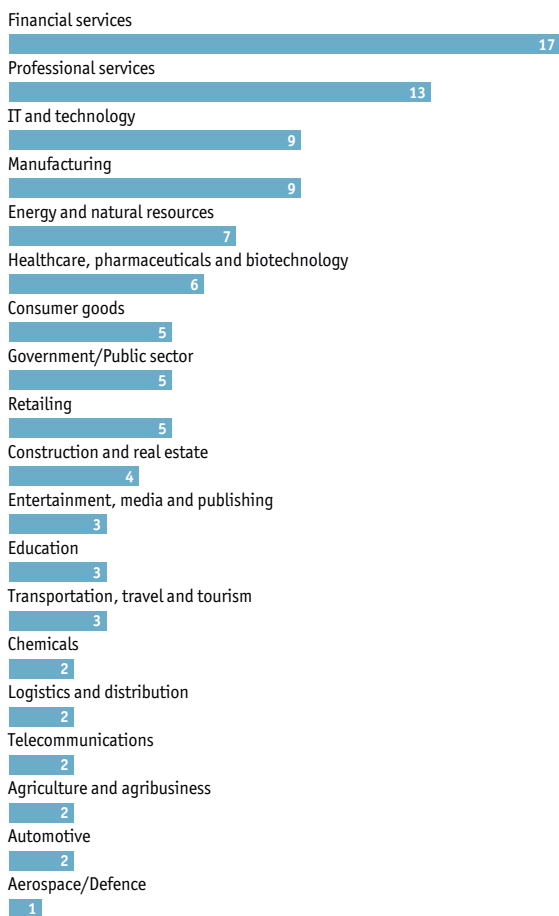
What are your company's annual global revenues in US dollars?

(% respondents)



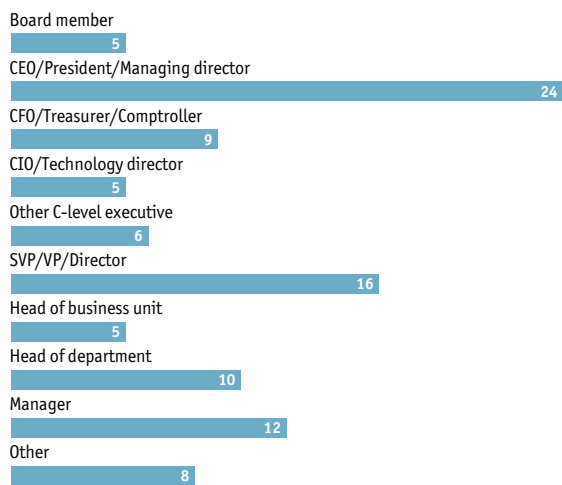
What is your primary industry?

(% respondents)



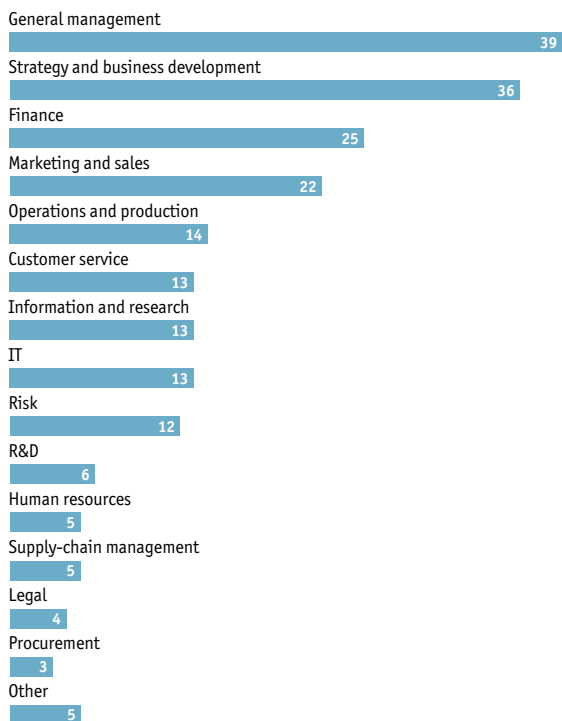
Which of the following best describes your title?

(% respondents)



What are your main functional roles? Choose up to three.

(% respondents)



Whilst every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsors of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in the white paper.

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