

Maximize your data

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The emergence of the digital economy has resulted in an explosion of data. Organizations have always dealt with information. But, for large corporations as for small businesses, the data playground is now close to infinite, which leads to excitement, but also frustration and fear.

We are providing here a simple working framework to organizations dealing with data and analytics. Stepping back and assessing how they are using their potential, will allow companies to crystallize their data strategy and optimize their resource allocation.



Obviously, there are multiple use cases around data and analytics. To simplify, we will identify here three main stages in the maturity of an organization, when it comes to managing its data. Companies can evaluate their “analytical performance” against those three levels: generate insights, evaluate what works and transform data in a competitive advantage

Generate insights

“You cannot drive what you cannot measure”. This axiom is obviously very true and justifies the investment in scalable databases, precise tracking tools and user-friendly visualization software.

Day-to-day, this investment is paying off, when considering the large amount of questions that get asked ... and answered. “Why did we miss the budget last month?”, “How many mobile visitors did we get yesterday?”, “Are we sure our consumers are as engaged as older cohorts?”.

Those questions will always be the very first expectation of the executives. As a result, many analytics groups focus the large majority of their time investigating those business performance questions, delivering insights and building the underlying reporting tools. The fact is that the areas of investigations are infinite and the new reporting tools allow to build very comprehensive “cockpits”. The playground is also getting more diverse, with always more raw material. While historically focusing on the numbers, analysts have now the opportunity to play with words, images, sounds, ...

Of course, using analytical resources to generate insights has a great value. Indeed, how to build a good business strategy without knowledge? How to understand if this company is on track without a compass? How to identify headwinds without early signs of alert?

But this “race to more knowledge” has some limits. A saying says that “a lot of mistakes do not come from an incorrect answer to a good question, but from a good answer to the wrong question”. With so much information being available, there is a high risk of distraction with “bad questions”. That is why it is critical to determine what success means and to pick the “North Star” performance indicator, not to get drowned under the data. The second risk is to focus too much on its own internal data and to lose sight of the customers, the ecosystem, the competitors. Looking at internal data is great, always connecting it with the real life should not be forgotten.

Evaluate what works

The second step is about using data to inform decisions. On one hand, companies have plenty of investment ideas. But, they are not always able to predict the marginal return of those actions. Now that we are embedded in the digital world, almost everything can be tracked. As an example, the whole customer journey can theoretically be captured. And translating the customer behavior in a simple equation seems like a reachable fantasy.

For some use cases, the elaboration of a clean test design will provide an indisputable framework. Clearly, every project that can be A/B tested will be evaluated with a very high degree of rigor. This applies very well to some marketing or product initiatives (Does an email work? Does a new page improve the conversion?). But, unfortunately, this does not work for all projects.

Beyond the difficulty to get the tracking right, those are the three challenges companies can face.

- *Incrementality*. It is now relatively easy to track the conversions associated to most of the digital investment. This generates a proven business outcome and the cost is known. But, the challenge will be to evaluate the incrementality, i.e. the business that would not have been generated in the absence of investment, versus the cannibalization.
- *Attribution*. Companies use multiple channels simultaneously: direct versus indirect marketing, digital versus offline, owned versus earned or paid media. Therefore, how to understand the exact impact of a standalone driver?
- *Long-term*. Many companies are trying to change the behaviors of their prospects. Therefore, they will evaluate their success based on a series of actions and also on a much longer timeframe. That makes the measurement framework much more complex.

In most of the cases, translating a decision into an exact equation will never be achieved. To manage expectations, we recommend gathering information about the likelihood of success of a given project. What are the evidences of success or failure? What are the hypothesis we need to believe? What is their level of solidity? The analytics team will then synthesize the information available and provide a recommendation, so that the executives can take a truly informed decision, based on facts, data, and also on their own intuition.

Transform data in a competitive advantage

Data can easily become a profit margin contributor. Building a growth strategy relying on data and analytics is of course the ultimate goal of any organization.

This seems to be a common-sense objective. But, the fact many companies still position Analytics and Data as an IT, Legal, BI or Finance topic and structure their operations as such, shows there is some work to do to change the mentalities.

To be fair, some industries have used data for ages. For example, the pharmaceutical industry has always used state-of-the-art statistical techniques to assess the success of new drugs. The insurance sector is all about optimizing the calculation of premiums. Banks have developed sophisticated algorithms to identify fraudsters.

All those activities were very connected to the core business of those industries. Today, the emergence of new customer trends, new channels and new tools allow to multiply the use cases.

If we step back, Analytics can influence the P&L in two ways: reduce the cost (use of resources) and drive revenues. Regarding resource optimization, this is visible when email communications are more targeted (versus spamming the whole user base), when retailers eliminate the spoilage of perishable products or when the customer experience is simplified to a point that an unnecessary customer service contact is avoided. Analytics can also drive direct revenues. There are plenty of examples that illustrate this new frontier. More data is available around our hobbies, life hygiene, habits, which can be leveraged to offer a better offer at a better price. Recommendation engines have become extremely effective upsell and cross-sell levers. B2B partnerships are nurtured by an appetite for monetization so are primarily driven by data consideration (complementary user base source of incremental sales).

But, it proves to be hard to get scalable results.

The recent US Presidential campaign is a good illustration. Both camps raised huge budgets to influence the voters and very advanced analytical techniques were deployed. The Democrat camp was clearly using best-in-class tools and was benefiting from an indirect support of Silicon Valley companies, in terms of funds and talents. Nevertheless, it seems this was not enough... Big Data tools neither succeeded in predicting the results, nor in changing the opinion of many voters. Rather than positively engaging electors, they were more successful to generate rejection of the other camp.

If we consider CRM techniques, it is now possible to easily identify users likely to churn or predisposed to buy certain goods. But, beyond identifying this target audience, the challenge will be to find the compelling call to action. Establishing the user profiling and identifying the right segment with a high degree of accuracy is only step one. But reengaging a customer will require smart and creative content.

Finally, sophistication should not be a goal in itself. As an example, for most of the people, it is already very difficult to guess what their partner would like as a present. So, for a random retailer, despite all the data they have, this is extremely difficult as well. But, using data in a different way and moving to contextual marketing will have a proven outcome, with less complexity. For example, by leveraging weather information and promoting soups or gloves, as soon as the temperature shrinks in a certain area... This requires an agile marketing system and some data usage (geography and target audience), but on a relatively simple manner.

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To conclude, data now constitutes a meaningful fuel for growth. Companies should challenge themselves to go beyond reporting, insights and business performance management. For that, they need to consider data as an R&D topic and ensure their data scientists are fully embedded within the business, with the liberty to work on long-term projects, beyond tactical requests. They will also need to accept failures, as it is unlikely that growth projects will succeed in their very first iteration. And they should not forget people. Indeed, if machines are now beating men in many domains, we also see that a man plus a machine will always beat the machine.