Document O204
September 2014

RESEARCH NOTE

ANALYTICS PAYS BACK $13.01 FOR EVERY DOLLAR SPENT

NUCLEUS RESEARCH

THE BOTTOM LINE

Organizations are continuing to make investments in analytics to meet the growing demands of the user community for more robust and usable analytic solutions. In analyzing Nucleus ROI case studies on analytics, we found the average returns from analytics have been increasing, reaching $13.01 for every dollar spent in 2014 from just $10.66 in 2011.

Organizations are choosing analytic applications to improve the effectiveness of business processes, to increase visibility, to drive greater business profitability, and to drive greater productivity and results. The past three years have seen waves of organic growth and acquisitions as vendors make a concerted effort, to deliver more ROI to customers in areas such as cloud deployment, collaboration, security, and mobility.

In 2011, Nucleus conducted an analysis of its existing published ROI case studies on analytic deployments and found that analytics returned $10.66 for every dollar spent (Nucleus Research *l122 – Analytics pays back $10.66 for every dollar spent,* November 2011). With all the changes that have happened in the market in the past three years, Nucleus again looked at case studies published since 2011 to determine if vendor investments in new analytics capabilities have paid off in terms of delivering more ROI to customers. In looking at the case studies published since our last analysis, Nucleus found that for every dollar a company spends on analytics, they now get back $13.01.

Nucleus found that for every dollar a company spends on analytics, it gets back $13.01 – 1.2 times more than they got just three years ago.

Our analysis included all the case studies Nucleus has published on analytics projects since November 2011, including deployments of all the major vendors as well as smaller point solutions. Customers analyzed were from a broad range of industries and included both small organizations and large enterprises.

Nucleus Research Inc.
100 State Street
Boston, MA 02109

NucleusResearch.com
Phone: +1 617.720.2000

ANALYTICS RETURNS ARE INCREASING

Organizations are being driven to analytic solutions by the need to have more data transparency and improved decision-making processes. Many organizations are facing challenges maintaining data quality. They are also facing time constraints for meeting business demand in rapid decision-making in competitive and crowded markets. As a result, they can no longer afford to wait weeks for reports on profitability, revenue, budgeting, and forecasting, and they can no longer afford to delay marketing campaigns. Many companies have seen the gains made in different parts of their organizations through analytics, and are looking to complement existing implementations with additional tools.

COMPETITION IS TOUGH

The analytics market has seen a significant increase in vendors that has brought about changes in technology and an increase in the availability and volume of data. Both the cloud and big data have significantly influenced the decision-making for new analytics initiatives while impacting the ROI that many companies have achieved from their deployments.

New vendors have also entered the market in the past 3 years, with both niche and smaller vendors offering high levels of usability, integration into other systems, competitive pricing strategies, and ease-of-deployments that reduce the need for hardware, IT resources, as well as the overall cost of software. Larger vendors are following suit to remain competitive, and many have adjusted packaging, pricing, and product capabilities to match those of the up and coming new vendors. Customers now have a much greater choice of vendors and deployment types, enabling them to reduce IT dependency via the cloud while sourcing the lowest cost, most functional options for solution deployments.

PRODUCTIVITY IS KEY

While improved decision-making and increased revenue growth continue to drive high ROI for analytics deployments, productivity is equally important. Even with the availability of analytical applications, organizations continued to rely on manual processes for reporting, data consolidation, analysis, planning, budgeting, and in the financial close. Many hours and resources were dedicated to the manual compilation and validation of information and data within spreadsheets. Additional hours are also committed to the processes around incorporating that information into the systems of records. Nucleus continues to find analytics deployments are the key to eliminating the manual requirements in business processes and resources dedicated to report building. Many organizations faced challenges with data consolidation, limited collaboration ability, and difficulty in having access to trusted information. With analytics deployments, these organizations are reporting greater trust in data, improved decision-making, and an

overall increase in staff productivity with a re-allocation of staffing resources to innovative revenue-driving business activities

CLOUD BI DELIVERS MORE

The ongoing ROI that cloud applications deliver is good news for customers and good news for cloud vendors, who need to show ongoing annual value to justify their annual subscription fees (Nucleus Research, *m108 – Cloud delivers 1.7 times more ROI*, September 2012). As more organizations move to enterprise licenses instead of per-user fees, ongoing opportunities for benefits are even greater because expansion is not gated by the number of users licensed. Given the significant magnitude of the cloud multiplier on application ROI, most organizations are likely to migrate to cloud in the future. Only organizations that plan to remain operating at the same level with a constant solution deployment are likely to achieve better ROI from on-premise applications than cloud-based ones.

VISIBILITY DRIVES LOWERED COSTS

One of the biggest challenges still facing organizations is the lack of visibility to data – the one version of the truth. Many of these organizations have siloed data systems, multiple sources of information, and complex, manual processes of data consolidation. With analytical implementations, improved visibility was a reoccurring benefit for these organizations. Many reported improved business processes, greater confidence in the data, and reductions in costs matched with increases in operating profits. As organizations rolled out applications providing improved insights, and understanding of how the organizations were operating, employees were taking ownership of key metrics and business drivers. Collaboration increased, and users reported improved business processes, increased customer satisfaction, and improved strategic decision making.

BUYERS ARE CHANGING

Years ago, it was the line of business that was making many of the purchase of analytics and business intelligence. Over the years, as these departmental deployments began to migrate into the enterprise, the role of IT in the buying decision became more prevalent. The need for a 'single version of the truth' as well the increasing volume of data, and the need for data governance that demanded IT's involvement. The decisions and buyers behind the decisions moved from business to IT, because in many of these cases, the support and maintenance of the analytics environment often fell to them.

Now the pendulum has swung again. The growth of cloud BI, and IT's endorsement of this deployment strategy have changed how analytics software is being acquired. As cloud BI lowers both the system resources required for support and significantly reduces the full-time employee equivalent count (FTE), IT has become more accepting of the departmental line of business purchase. IT's acceptance of self-service BI has freed up IT to focus on

business innovation and driving new initiatives, while transferring the report building tasks to the business.

Cloud BI has also lowered the cost of ownership. Hardware costs are non-existent, and with the ease of deployment and ease of use associated with many of the analytic solutions, IT is able to free up significant resources in both the support and report building request timelines that have, in the past, caused rifts between business and IT. Vendors offering diverse purchasing options have also increased the ability for business to purchase BI solutions, with lower implementation costs, as well as reduced IT requirements, the cost barriers to purchase and deploy have been reduced.

CONCLUSION

Over the past three years, organizations continued to recognize the need for improved visibility and productivity. Existing business processes are no longer meeting the demand for quick, usable, and reliable insights for business decisions. As the need to deal with greater volumes of data, disparate data sources, and increased demands from business users for access, organizations are turning to analytic solutions and applications to deal with these pressures.

Analytics are being implemented to streamline and automate decision-making and reporting and are increasingly being extended to other operational areas such as CRM, ECM, HCM, and ERP. Customer leveraging of analytics is increasing the relevance of the market to become an operational cornerstone for success as BI becomes a platform for cross-operational analysis and piecing together the big picture for operations management. As a result, customers are not only driving down their deployment costs but are also increasing their ability to engage consolidated solution deployments for more processes, realizing increased benefits in formerly siloed areas.

The availability of solutions and new vendors entering the market has provided organizations with much greater choice of solution, as well as deployment options. With the increased competitiveness in the market, customers are able to find solutions that are driving greater ROI, providing improved collaboration, usability, mobility options, and more competitive pricing options. The concerns about cloud deployments and security are reducing as the solutions are able to provide the confidence as well as the functionality that user communities are demanding. Although not every company should expect $13.01 returned for every dollar spent on analytics, it is not unreasonable to set that as a goal, and to take advantage of the competition in the marketplace to demand vendors show and deliver sustainable return on investment.

Nucleus expects that analytics will continue to develop into an operational backbone for organizations, consolidating key data sets and extending them out to other solution areas

for increased data visibility. The increased data insights will likely lead to further increases in productivity and accuracy in decision-making. Customers who are already leveraging analytics for integrated decision-making stand to see the highest returns, while those transitioning from siloed data sets will experience immediate increases. Overall, analytics will continue to deliver both as a standalone market and as an integrated component within operations management and resource deployment planning.