

Business Analytics



UNIVERSITAT DE
BARCELONA

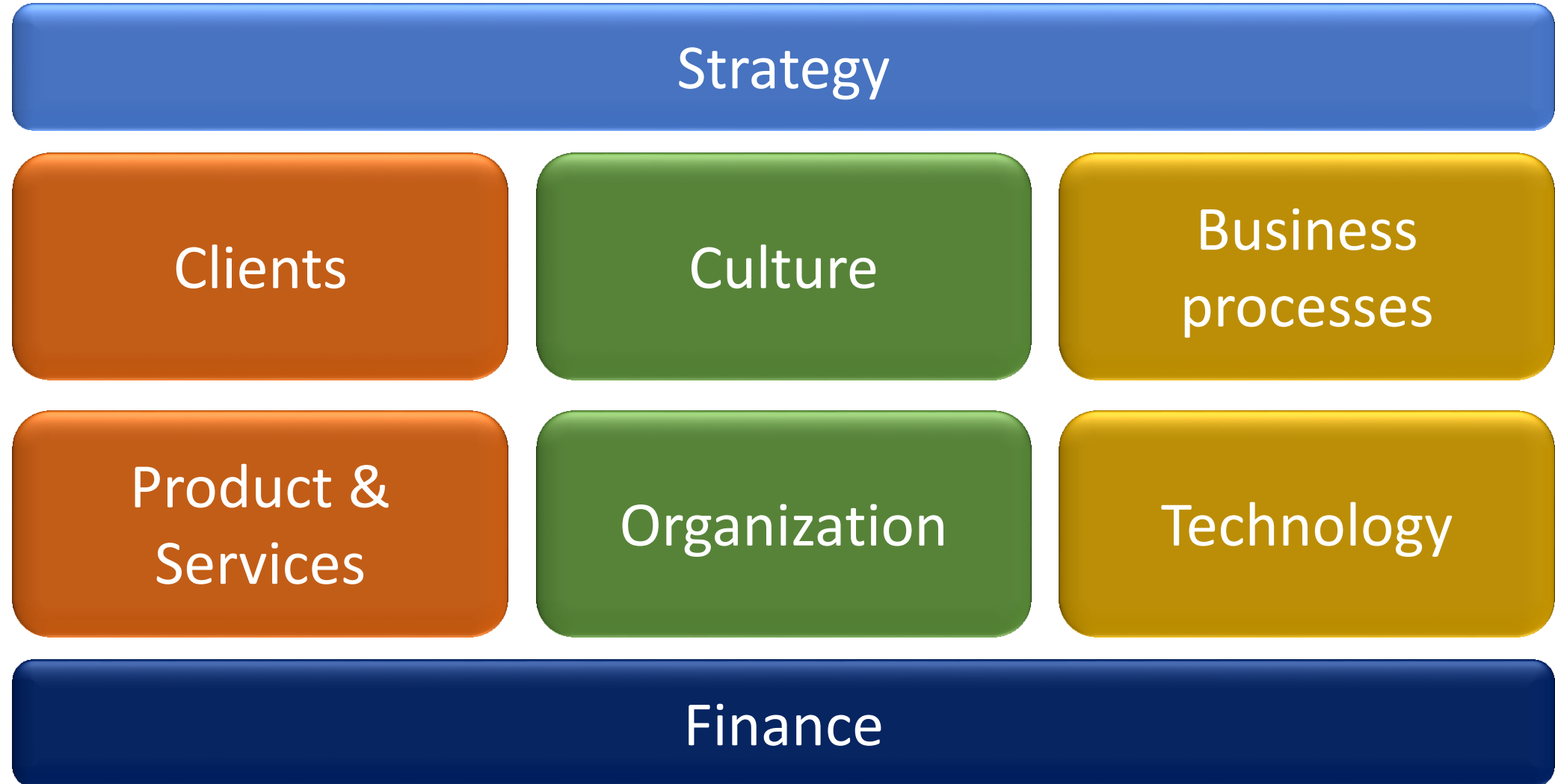
Facultat d'Economia
i Empresa

What are we going to do?

- Presentation.
- What is Business Analytics?
- Impact of Business Analytics in a Company. General approach.
 - Objectives: We will dedicate this sessions to analyze what is the impact of gathering, managing and analyzing data in the different areas of a Company
 - Strategy.

General Approach

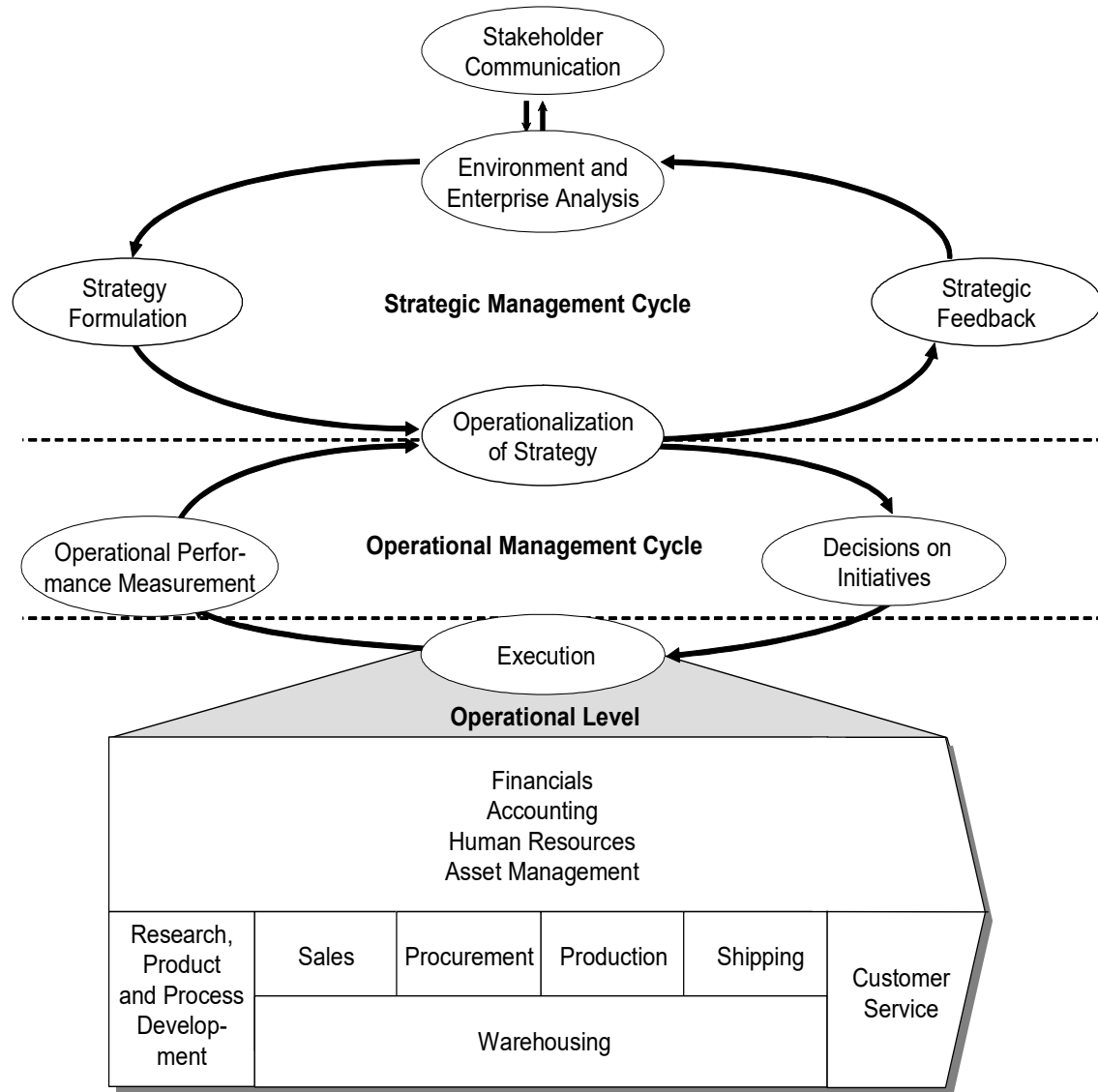
General Approach



Strategy



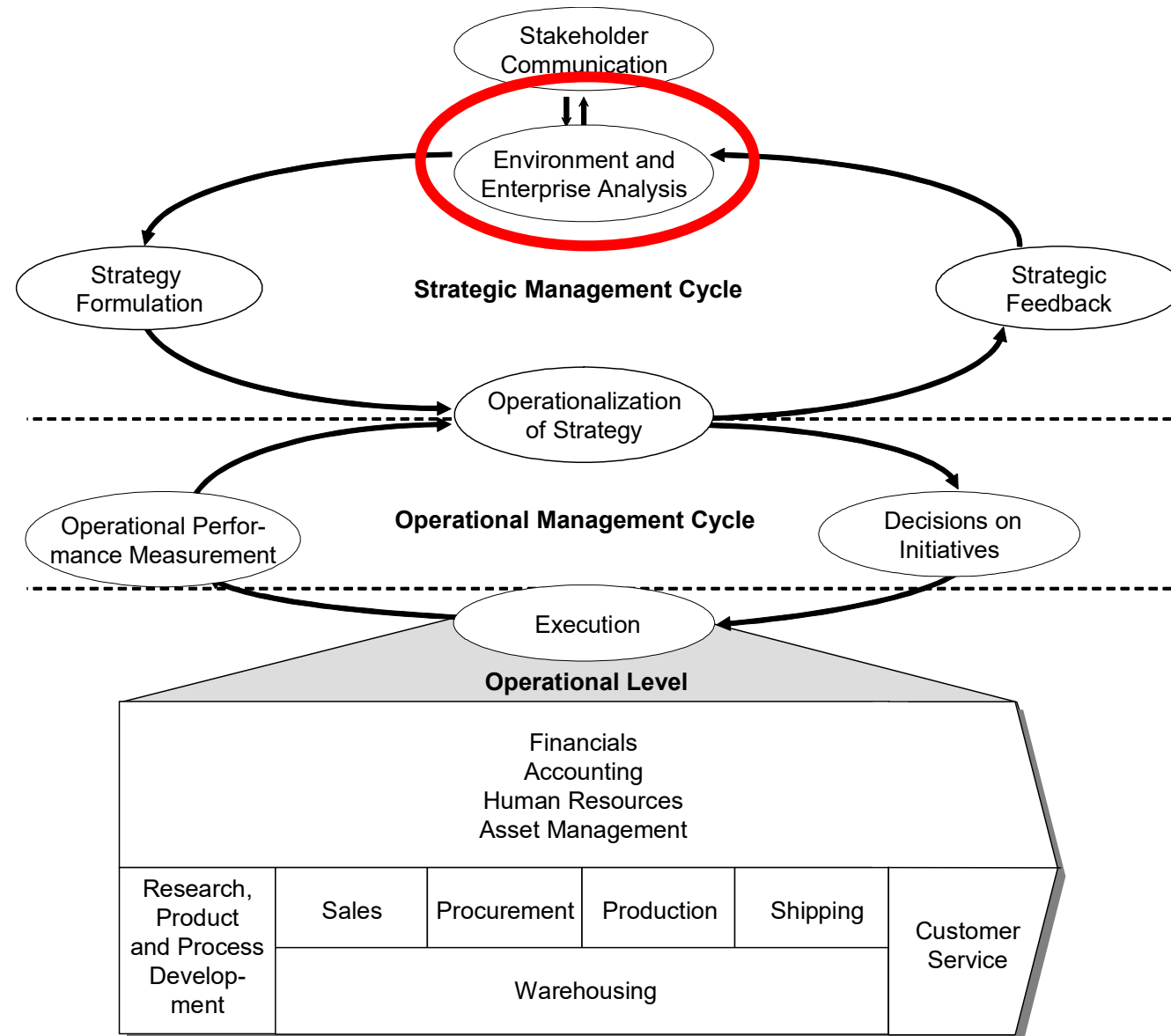
Business Analytics.



- Business management is structured in 3 processes:
 - Strategic Management. first of all, we agree on the objectives with the company's partners. We analyze the environment and formulate a strategy that once implemented we must review and start the process all over again.
 - Operational Management. Once the strategy is defined we have to make decisions and execute. Again we will measure performance and give feedback to review strategy.
 - Operational Level. Execute, execute, execute. It's a 3 phase plan.

Environment and Enterprise Analysis

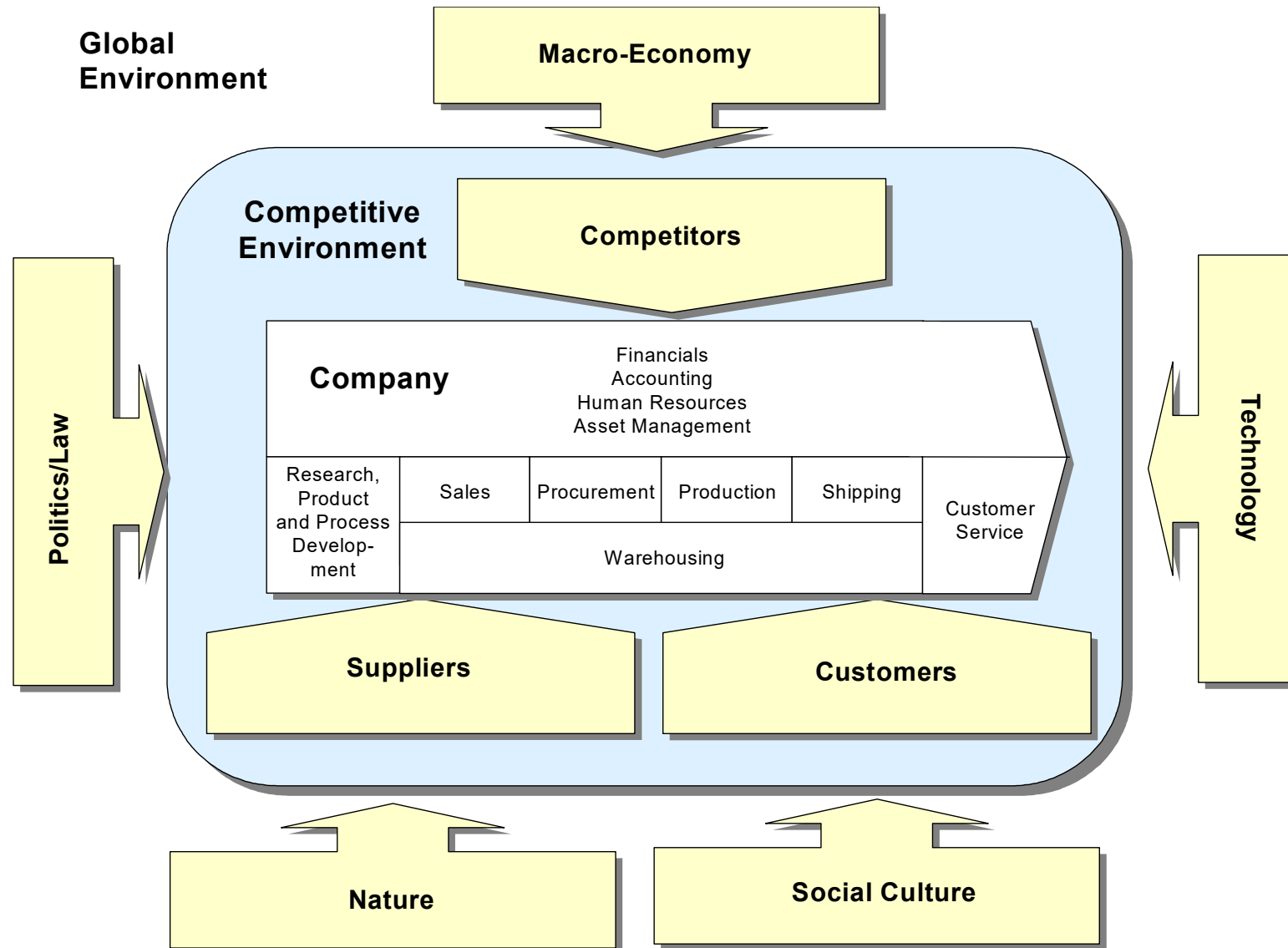
Environment and Enterprise Analysis



Environment and Enterprise Analysis

- Environment analysis and enterprise analysis supply the foundation for the formulation of your strategy. The goal is to obtain a clear picture of your own position relative to the competition.
- Another name for this is SWOT analysis (Strengths, Weaknesses, Opportunities, Threats Analysis).
 - The purpose of environment analysis is to detect indications of threats (risks) and openings (opportunities) in the environment external to the company. To make this possible, there is a need for information on trends and the expectations of customers with regard to your products and services, as well as about the expectations of analysts related to financial management.
 - The other side of the coin is enterprise analysis. It places emphasis on evaluating the strengths and weaknesses of your resources, functions, and business processes that are the source of your competitive advantages and disadvantages

Environment and Enterprise Analysis



Environment and Enterprise Analysis

- Global Environment

- In the macroeconomic area, financial market data and data on the economic situation are the most relevant.
- Technological advances influence both the products themselves as well as the manufacturing processes. Frequently, inventions are developed in a different area than that in which the product later finds its principal use. The quartz watch, for example, originated in the aerospace industry.
- Sociocultural developments – demographic indicators and changes in predominant values – also affect markets. The changed position of women in society, along with related factors such as larger numbers of working women, later marriages, and an increase in divorce rates, have led to greater demand for convenience foods.
- Nature also has its influence. On the one hand it provides raw materials, but on the other hand the environmental effects of manufacturing processes and products are a significant factor influencing the strategy.
- In the political and legal realms, this manifests itself in environmental protection legislation. Other legislation such as laws governing taxes, imports and exports, and approval processes for products such as medications are additional parameters defining planning.

Environment and Enterprise Analysis

- Competitive Environment

- Analysis of the immediate surroundings, the competitive environment, is extremely important for strategic planning. This analysis is determined by company and product information about and sometimes from competitors, customers, and suppliers.
- According to Porter, it also makes sense to consider potential market participants and substitute products.
- The dividing line between the competitive environment and the global environment is not always clearly drawn. The following terms serve as points of reference: branch of the economy, industry, market, and strategic business activities.

- Company

- The value chain of the company provides a structured schema for recording and evaluating the resources of the company from a strategic point of view. Not only the hard factors, but also soft factors (intangible assets), such as employee knowledge or market image, play a role in this assessment.

Environment and Enterprise Analysis. SWOT Analysis

- SWOT analysis is an tool used to identify the Strengths, Weaknesses, Opportunities and Threats for a particular Company or project.
 - Strengths and Weaknesses are INTERNAL value creating (or destroying) factors such assets, skills or resources a company has at its disposal relatively to its competitors. Then can be measured using internal assessments or external benchmarking.
 - Opportunities and Threats are EXTERNAL value creating (or destroying) factors a company cannot control, but emerge from either the competitive dynamics of the industry/market or from demographic , economic, political, Technical, social, legal or cultural factors.
- This analysis is just the first step. Creating alignment is often an hazardous job because in reality the 2 sides of the SWOT analysis often point in opposite directions (creating alignment either from outside-in or inside-out).

Environment and Enterprise Analysis. SWOT Analysis

Strengths What do you do well? What unique resources can you draw on? What do others see as your strengths?	Weaknesses What could you improve? Where do you have fewer resources than others? What are others likely to see as weaknesses?
Opportunities What opportunities are open to you? What trends could you take advantage of? How can you turn your strengths into opportunities?	Threats What threats could harm you? What is your competition doing? What threats do your weaknesses expose you to?

Environment and Enterprise Analysis. SWOT Analysis

- Strengths

- We are able to respond very quickly as we have no red tape, and no need for higher management approval.
- We are able to give really good customer care, as the current small amount of work means we have plenty of time to devote to customers.
- Our lead consultant has strong reputation in the market.
- We can change direction quickly if we find that our marketing is not working.
- We have low overheads, so we can offer good value to customers.

- Opportunities

- Our business sector is expanding, with many future opportunities for success.
- Local government wants to encourage local businesses.
- Our competitors may be slow to adopt new technologies.

- Weaknesses

- Our company has little market presence or reputation.
- We have a small staff, with a shallow skills base in many areas.
- We are vulnerable to vital staff being sick, and leaving.
- Our cash flow will be unreliable in the early stages.

- Threats

- Developments in technology may change this market beyond our ability to adapt.
- A small change in the focus of a large competitor might wipe out any market position we achieve.

Examples

SWOT Examples: Botanical Bounty

- Botanical Bounty is an Oregon-based perennial farm that grows a variety of botanical, medicinal plants. This family-owned farm has been in existence for two years, initially operating as a hobby for the owners—who have training in plant biology—rather than as a profit-producing business.

SWOT Examples: Botanical Bounty

Strengths	Weaknesses
<p>Consistent quality: We consistently produce plants with high active botanical percentages.</p> <p>Saleable plants: We produce a high ratio of healthy (saleable) plants.</p> <p>Experience: Co-owners have a strong combination of business development and horticulture experience.</p>	<p>Lack of funding: We will need to borrow \$100,000 in funds for the first year.</p> <p>No reputation yet: We haven't established ourselves as reputable grower in the botanicals market yet.</p>
Opportunities	Threats
<p>Customer loyalty: Customers are looking for an ongoing relationship with one botanicals vendor.</p> <p>Growing market: The market for supplements is huge and growing.</p>	<p>Weather: A poor growing season due to the changes in weather can seriously affect production.</p> <p>Pests: Pests are a threat to our ability to provide healthy plants.</p> <p>Similar-sized farms: Some similar sized farms have been in business longer.</p>

SWOT Examples: Botanical Bounty

- **Potential Strategies for Growth**
- Botanical Bounty needs to establish its reputation as a highly-efficient, high-potency medicinal herb grower, and one effective and inexpensive way to do that would be to lean on loyal customer testimonials in the company's marketing strategy. Botanical Bounty also needs to establish a strong sales channel with herbal supplement manufacturers, and should invest plenty of energy into building those relationships and establishing Botanical Bounty as a reliable vendor.

SWOT Examples: UPer Crust Pies

- UPer Crust Pies is a specialty meat and fruit pie cafe in Michigan's Upper Peninsula that sells hot, ready-to-go pies and frozen take-home options, as well as an assortment of fresh salads and beverages. The company is planning to open its first location in downtown Yubetchatown, and is very focused on developing a business model that will make it easy to expand quickly and that opens up the possibility of franchising.

SWOT Examples: UPer Crust Pies

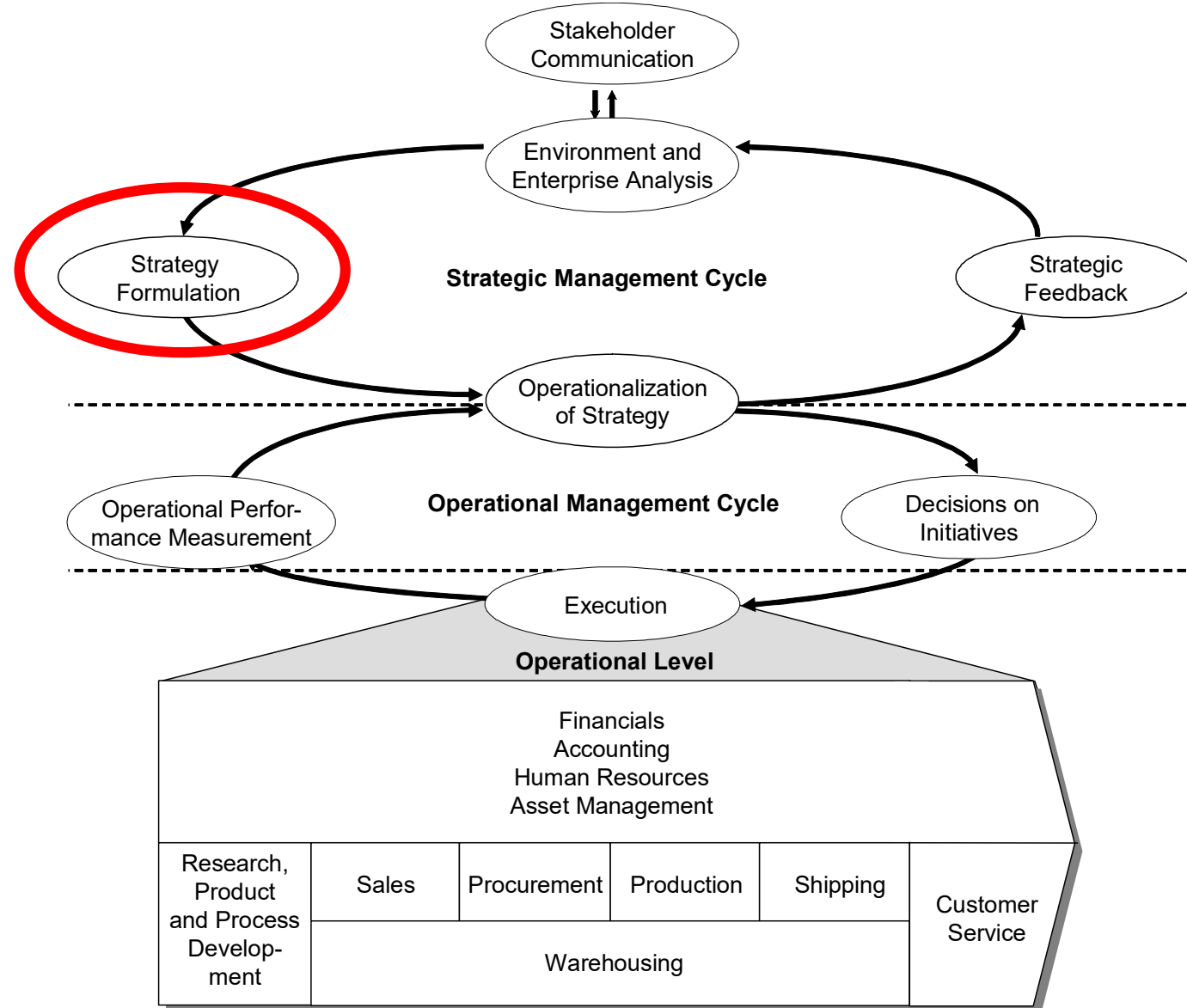
Strengths	Weaknesses
<p>Location: Our first location downtown will draw in visitors and downtown shoppers.</p> <p>Uniqueness: We stand out as a unique alternative to fast food and we offer constantly high-quality food in a distinctive atmosphere.</p> <p>Strong management: We have assembled a team that embraces different disciplines with expertise in all areas of the business.</p>	<p>Lack of capital: All start up funds will come from loans and investors.</p> <p>Lack of reputation: We haven't established ourselves as a reputable meat pie provider yet.</p>
Opportunities	Threats
<p>Area growth: Yubtchatown is growing by 8.5% annually.</p> <p>Working families with children: This is the growing population, both in numbers and in their choice of convenient foods. Two-income families have less time to prepare a meal.</p>	<p>Competition: One competitor sells similar pies, and has loyal customers as well as relationship with businesses that regularly buy from them.</p> <p>Being unprepared for opening numbers: Initial poor service or product quality could discourage customers from returning.</p>

SWOT Examples: UPer Crust Pies

- **Potential Strategies for Growth**
- UPer Crust Pies needs to investigate its options for obtaining capital. Funding a new business can take time, and the sooner UPer Crust Pies gets started on this process, the better.
- Because UPer Crust Pies wants to implement such a specific marketing strategy—targeting working families by emphasizing that their dinner option is both healthy and convenient—the company should develop a marketing plan. A key piece of that marketing plan will be the store’s grand opening, and the promotional strategies necessary to get UPer Crust Pies’ target market in the door. A strong grand opening will help establish the store’s reputation, so it is essential that the UPer Crust Pies team feels ready for its first day. If the management team feels unprepared for the potential large crowds, a “soft” opening (such as an invite-only trial opening that offers free meals in exchange for feedback) may be a smart choice.

Strategy Formulation

Strategy Formulation



Strategy Formulation

- Using the results of the environment analysis and enterprise analysis as a basis, the next tasks are to assess the current strategy, identify logical strategic alternatives, along with their elements and interrelationships, and then to evaluate them. This process should also include a comparison of expectations, target values, and defining impulses of the company as a whole with those of strategic business units and shared service departments.
- Strategies are competition-related. That is, they determine the actions of the company in relation to its competitors, taking the forms of imitation, cooperation, dominance, or differentiation, for example. The strategy has considerable influence on the financial position of the company and far-reaching consequences for the commitment of resources.
- The term “vision” is also being used more often in this context. But vision usually refers to a more general path of development in the firm. The company’s vision has a broader scope than its strategy; in a certain sense the vision has to precede the strategy. An example is the vision of the German telecommunications firm Deutsche Telekom: “From a national network operator to a global service provider”
- Alongside its vision, the company often has a corporate philosophy or a mission statement (also referred to as policies). It helps in orienting the behavior of employees toward partners, and thereby contributes to making the vision a reality. The current mission (the current phase in the life cycle of the firm, for instance, start-up, merger, or restructuring) can be another framework for the strategy formulation.

Strategy Formulation

Characteristic	Characteristic Values			
Participating Area	Company	Business area		Functional area
Starting Points for Competitive Advantages (Porter)	Cost leadership		Differentiation	
Reach (Porter)	Core market		Niche	
Direction of Development	Growth	Stabilization		Contraction
Product-Market Combinations (Ansoff)	Market penetration	Market development	Product development	Diversification
Regional Participating Area	Local	National	International	Global
Degree of Autonomy	Own resources	Cooperation		Acquisition

Strategy Formulation

- Participating Area
 - Corporate strategies involve the highest level of the corporate hierarchy. In large firms, this is normally the parent company or the holding company. The general plan of attack (growth, stabilization, or contraction) originates here. Depending on the business activities in which managers see the most potential for success, they allocate material, personnel, and financial resources accordingly.
 - At business area level, the task is to flesh out the corporate strategy. Business area strategies relating to business functions, such as procurement or production, become more concrete. At this point, the lowest level of strategy selection is reached, which is the interface between strategy and implementation.
- Starting Points for Competitive Advantages
 - We identify two main competitive options:
 - Pricing (cost leadership)
 - The goal of a cost leadership strategy is to offer products to the market at the lowest cost. This entails rigorous cost reductions
 - Product policies (differentiation).
 - In applying a differentiation strategy, the firm attempts to establish the uniqueness of its products and services, as a basis for charging higher prices.

Strategy Formulation

- Reach
 - In answer to the question of which markets should be served, we can identify 2 alternatives:
 - Addressing the market for an entire industry (core market)
 - Concentrating on one market segment or niche
 - A niche strategy concentrates on supplying the specific needs of a very limited consumer segment. Rolls Royce is an example of a firm employing a niche strategy within the automobile market. Within a niche, the company can strive for both product differentiation and cost leadership
- Direction of Development
 - Growth strategies focus on attaining or further expanding market leadership
 - The goal of stabilization strategies, on the other hand, is to securely hold on to the current position. Embracing these kinds of defensive strategies can be motivated in different ways. Frequently it is an attempt to gain time in order to prepare for exiting the market, for example, or to better assess the opportunities and risks of new technologies, or to build up strength for new offensives.
 - Contraction strategies are usually a reaction to stagnation or degeneration of an entire industry, or to the company's ongoing adversities. A subform is selective contraction, a mixture of disinvestment and investment politics, whereby the company holds on to profitable niches but gives up unprofitable ones. Market exit barriers play an important role when choosing contraction strategies. These barriers could take the form of the company having strong emotional ties to the business segment, or social obligations to its employees

Strategy Formulation

- Product-Market Combinations

- The options for growing a company are

- Market penetration

- The company aims at increasing its market share with existing products in markets in which it is already present. It attempts to win new customers or increase sales among existing customers. This alternative comes into play primarily in glutted markets, such as the detergent market in Europe.

- Market development

- The basic idea behind a market development strategy is the search for new markets for existing products by addressing new target groups or supplying additional regions.

- Product development

- The product development strategy introduces new products to existing markets. The replacement of video cassettes with DVD (digital versatile disks) is an example of this strategy.

- Diversification

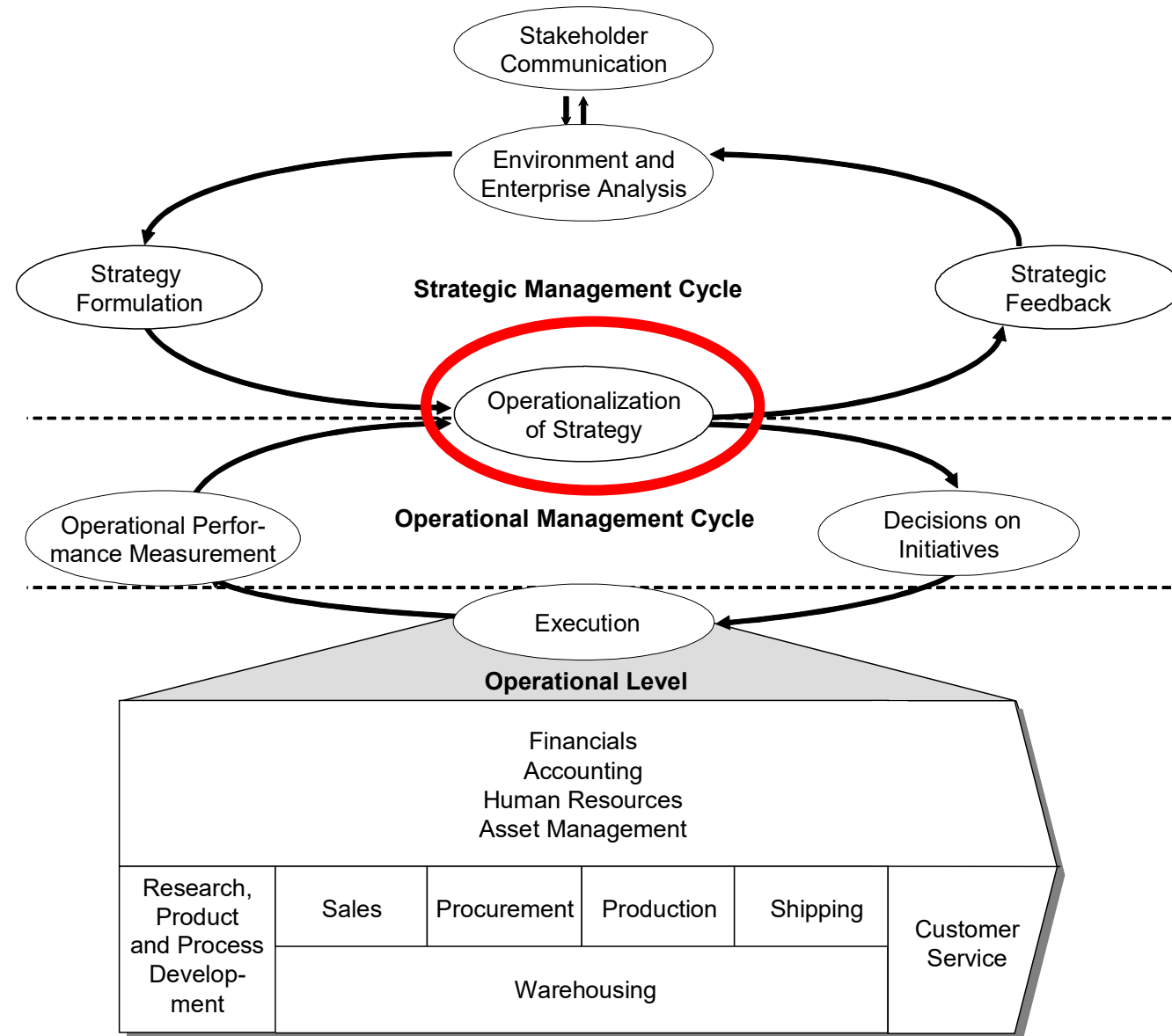
- With diversification strategies, the potential for success lies in bringing new products to new markets.

Strategy Formulation

- Regional Participating Area
 - At the geographic level, strategies can be classified as local (confined to a town or region), national (countrywide), international (crossing national boundaries), and ultimately global (worldwide).
- Degree of Autonomy
 - The degree of self-sufficiency indicates to what extent the company achieves growth by:
 - Harnessing its own potential (“autonomy strategies”)
 - When exploiting its own resources, those most significant to the company are research and development, along with the qualifications of its employees.
 - Cooperation
 - Cooperation strategies hope to achieve synergistic effects for all participants by promoting cooperation between two or more firms.
 - Acquisitions.
 - Similar goals are pursued when acquisition strategies are put into practice, except that in this case other companies or shares in other companies are purchased.

Operationalization of Strategy

Operationalization of Strategy



Operationalization of Strategy

Characteristic	Characteristic Values				
Basis of Planning	Liquidity	Costs	Revenue	Profit	Inventories
Timeframe	Short-term		Medium-term		Long-term
Resources	Personnel		Materials		Operating funds
Functional Area	Research/ Development	Sales	Procurement	Production	Shipping
Processes	Product launch	Purchase order handling	Order processing		Complaint processing
Products	Divisions	Product groups	Products (variants)	Replacement parts (services)	
Regions	Global	Continental areas	Countries	Sales districts	

Operationalization of Strategy

- This table is also a methodological guide for the implementation of a business strategy. Each of the different alternatives must be defined:
 - We have to focus on increasing revenue, reducing costs...
 - It's a short-term strategy or a long-term strategy.
 - We will need materials, funds and personnel to implement... or any combination of different resources.
 - What functional areas are involved?
- ... and so on with all the elements of the table.

Thank You



UNIVERSITAT DE
BARCELONA

Facultat d'Economia
i Empresa