



The New Competitive Weapon

By

Chad Symens, President Rainmaker Group

There is a new competitive weapon being leverage by successful organizations and it is quietly recognized by some senior executives as the primary reason for their increased profitability and success. As a consumer you have no doubt experienced the impact. Consider for a moment how you receive coupons for dog food just about the time the bag in the garage is running low, or how Wal-Mart always seems to have one or two items on your shopping list conveniently placed right next to the shopping carts at the entrance to their stores.

These are not random accidents, but rather well executed marketing strategy supported by data mining, analysis, and decision support.

Many years ago large organizations like Wal-Mart and General Electric began gathering massive amounts of data on customers buying habits, and the efficiency of operational processes. This data was standardized, analyzed, and mined for hidden nuggets of wisdom that would create real competitive advantage. For Wal-Mart the result was a different product mix for every store which is uniquely tailored to that market. Now information analysis and management has become such a core competency, and the output so valuable, Wal-Mart has created a revenue source out of selling information to their suppliers.

A recent article by Kevin Kelleher in the *"What Works"* series by Business 2.0 highlighted the success of Anheuser-Busch in using data to create competitive advantage. In 1997 Chairman August Busch III vowed to make his company the leader in mining its customers' buying patterns. In order to realize that vision Anheuser-Busch developed BudNet which is capable of gathering real-time data on dozens of key indicators as distributors sales reps review shelves and product positioning in the field. Analysts at corporate headquarters analyze and mine the data for decision support of marketing, product development, and distribution. According to the Independent Beverage Group, operating income for the average Anheuser wholesaler is \$2.2 million – five times greater than the average for Miller or Coors



distributors. And Anheuser-Busch has posted double digit profit gains for 20 straight quarters, while its nearest competitors, Coors and Miller, have flat lined.

Three dynamics have intersected in the past 18-24 months which are enabling this new competitive weapon. First the costs of the tools necessary to successfully gather data, perform analysis, and transform it into meaningful information have dramatically dropped in price. Thank you Moore's law. Today you can store a terabyte of data for what would have bought you a couple of gigabytes a few years ago. Second the economic downturn and hyper-competitive marketplace has caused organizations to earnestly evaluate their competitiveness, and look for faster and cheaper ways to serve their customers. Third, business executives are increasingly aware of the benefits of using data analysis for improved decision support. They want to understand the data behind marketing effectiveness, customer purchasing preferences, and trends in manufacturing quality. They see the contrast between organizations that are searching in the dark making decisions based on last years numbers, compared to an organization with a real-time dashboard of their key performance indicators.

These three dynamics have combined to create an environment perfectly suited for data warehousing and decision support. Every business has a multi-million dollar opportunity to impact the bottom line if these tools are properly applied to answering one or two critical questions. The opportunity may be lower costs, higher sales, or both. Ask yourself; what one or two questions, if answered in such a way that you could take immediate action, would impact your bottom line by seven figures. For example Anheuser-Busch determined cans sell better in blue-collar stores, and bottles sell better in white-collar stores, creating a huge distribution and merchandizing advantage. They were also the first to identify customer purchasing preferences and use that information to successfully capture the low-carb beer market.

Identify those multi-million dollar questions for your business and you have the starting point for your company's new competitive weapon.