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Predictive Analytics Drives Profitability and Growth

Predictive analytics can be an ally in driving growth and managing enterprise profitability

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There are several ways in which a CFO can leverage predictive-analytics solutions to manage profitability and enable corporate functions to adopt its principles. CFOs can successfully lead this charge if they understand that:

1. Analytics must be forward-looking to be truly impactful. A company can't grow if its senior leaders are looking in the rear-view mirror to see what's coming next. Robust, analytics-driven foresight is a great tool to inform better decisions.

2. Analytics is not just about developing a capability. It's also about asking the right business questions and determining how to answer them. Analytics development makes up only 20 percent of value creation, according to a 4i Benchmarking Assessment that studied the impact of analytic functions on corporate performance across 35 participating companies. Participating executives, across the sample, indicated that the most important questions are: What decisions and business issues do we address with analytics? And, how are analytics-driven insights activated and realized?

3. Foresight analytics can remove ambiguity and help resolve conflict in the C-suite. It's no secret that executives have different priorities depending on their roles and areas of ownership. Chief marketing officers want their marketing budgets increased. Heads of manufacturing want more funding to do research and development. However, it's the CFO's job to manage such agendas in the best interest of future growth prospects while being financially prudent.

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Foresight analytics can bring objectivity to these decisions by determining the return on investment from marketing and R&D spending while optimizing budget allocation among these functions. In addition, foresight analytics can help a CFO and his or her C-suite peers to better measure performance, scout opportunities and prioritize initiatives.

How can CFOs work more effectively with C-level counterparts through predictive analytics?



1. Robust forecasting analytics will bring objectivity and transparency to the planning process. Deploying a collaborative single-demand planning system can help finance, sales, operations and marketing properly align based on anticipated demand.

2. Reduce costs through tighter inventory control. Supply-chain and demand analytics can help reduce inventory levels with more accurate demand projections.

3. Increase marketing effectiveness. Many companies conduct ad hoc studies to measure the impact of marketing programs. But these studies are often backward-looking, take too long to assess and don't have sufficient management support to drive decision-making. Those who act the most decisively tend to have an end-to-end marketing analytic process that looks forward, is iterative and truly has the management support to make it part of the executive conversation.

4. Increase impact of pricing and promotion decisions through optimization. The use of analytics to influence collective decision-making with retail partners is highly underleveraged. Given the wealth of data available, investing in analytics can help to drive efficiency and effectiveness.

5. Invest smarter in innovation by looking forward. It's common industry knowledge that 95 percent of new products fail, according to Acupoll. While they fail for a variety of reasons, it doesn't mean a company can't invest in acquiring the capability, research and set of processes to increase the probability of success. There are many solutions in the market that identify, test and quantify the impact of new product and innovation ideas. Furthermore, the cost of investing in these opportunities early is far more attractive than recouping the significant cost of a failed innovation. Therefore, a CFO should seek to understand and champion these solutions where appropriate.

About the Author



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Lana Klein leads the Growth Foresight Solutions practice at 4i that is dedicated to developing unique client solutions that combine traditional management approaches with cutting-edge analytical and econometric tools. Lana has more than 20 years of experience advising clients on building analytics-enabled marketing and growth strategies. Contact Lana via email at Lana.Klein@4igrowth.com



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Colin Hare is the Senior Advisor of the 'Growth Analytics & Solutions' practice, turning ideas, thought leadership, and cutting edge analytics into scalable 'client ready' solutions.



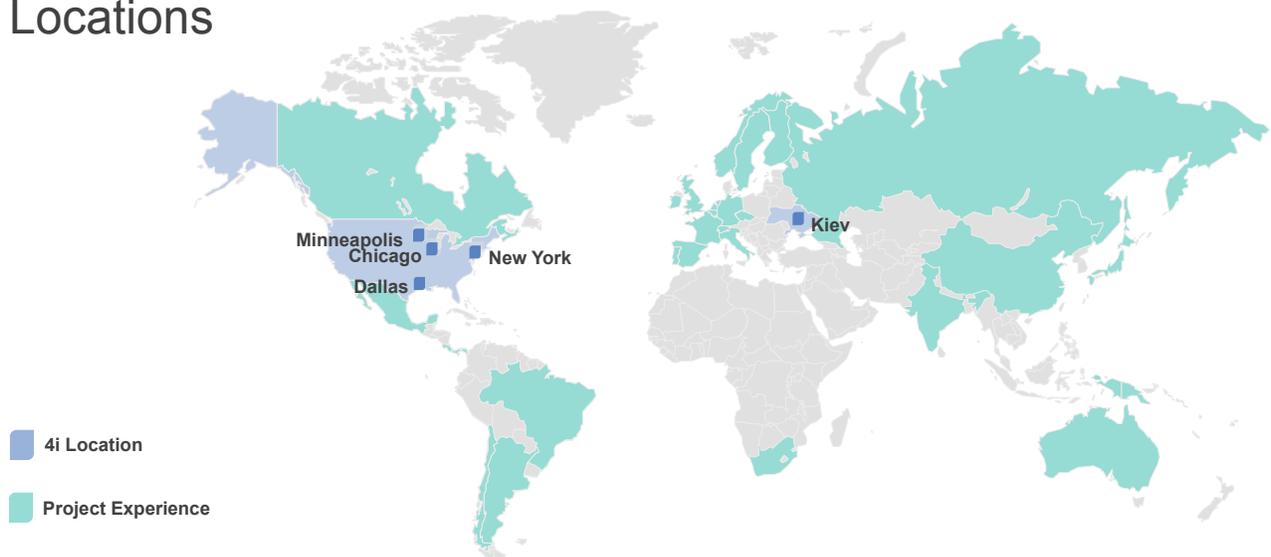
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4i is a leading Growth and Foresight Analytics consultancy committed to helping clients uncover future growth opportunities, size future demand, and sustain growth long term. Our innovative analytic methodologies powered by proprietary tools offer proven accurate results.

Companies come to us because they know we understand how to seamlessly integrate Growth Consulting, Consumer Insights, and Predictive Analytics. Our consultants deliver world-class analysis, deep knowledge of their industries, and pragmatic solutions that produce high impact results.

We have deep expertise and a proven track record in a broad range of industries representing many of the world's leading brands including Consumer Goods, Food & Beverage, Retail, Pharmaceutical, Healthcare and Manufacturing.

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