COMPETING ON ANALYTICS
The New Science of Winning
### THOMAS DAVENPORT and JEANNE HARRIS

THOMAS DAVENPORT is professor of information technology and management at Babson College. He specializes in analytics, knowledge management, process management and business innovation. Dr. Davenport has written eleven other books and more than one hundred articles published in the business press. He has been named as one of the world's top 25 consultants by *Consulting* magazine and as one of the world's top three analysts of business and technology by *Optimize* magazine.

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The Web site for this book is at www.competingonanalytics.com.

MAIN IDEA
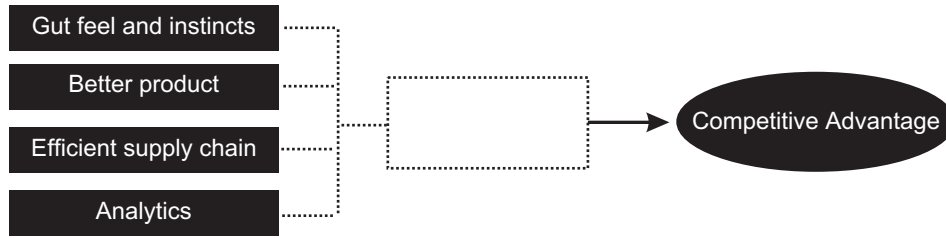
At one time, business leaders prided themselves on gaining a competitive advantage by making good decisions on the strength of their gut instincts. Then at a later stage, competitive advantage for a business was earned by having a better product or a more efficient supply chain than everyone else in your industry. Those days are gone. Today, competitive advantage accrues to those organizations which out think their rivals by using "analytics" – sophisticated analysis of data to model and accurately forecast what customers will want in the future based on everything that is known about them at the present time. More and more highly successful companies are becoming that way because they have world-class information processing capabilities which allows them to make better decisions based on facts rather than guesstimates or hunches.

"By analytics we mean the extensive use of data, statistical and quantitative analysis, explanatory and predictive models, and fact-based management to drive decisions and actions. The analytics may be input for human decisions or may drive fully automated decisions. Analytics are a subset of what has come to be called business intelligence: a set of technologies and processes that use data to understand and analyze business performance. Business intelligence includes both data access and reporting, and analytics. Each of these approaches addresses a range of questions about an organization's business activities. The questions analytics can answer represent the higher-value and more proactive end of the spectrum."
– Thomas Davenport and Jeanne Harris

Business analytics is the use of sophisticated information technology to gather data about your customers and your markets in such a way that you can understand and predict how your customers will act in the future. Once you have developed systems with sufficient data and appropriate algorithms, you can then make fact-based management decisions in the future rather than relying on gut instincts or other means.

In simple terms the use of analytics in business will allow you to make offers and develop products which customers are statistically more likely to accept. By replacing the traditional hit-and-miss approach to the markets with a more systematic and data-driven analysis, you can optimize your business activities and increase your profits.

The road to becoming an analytical competitors is never quick and painless. There quite simply too many different pieces which need to be put in place for this to be the work of a moment. To acquire an industrial-class analytical capability, you'll need to align your enterprise's software applications, information technology, databases, processes, business metrics, incentives, skills, culture and executive sponsorship assignments. And as you get further down this path, you'll also come to realize becoming more analytic is an iterative process. Analytical competitors can never rest on their laurels. Over time, as you gain more know-how and experience, you'll develop new insights and better business models. Experience has shown the journey to becoming analytical often takes 18- to 36-months of intensive work before the benefits become more obvious. Fortunately, the benefits available will make the journey well worthwhile.

The road map to becoming more analytical is:
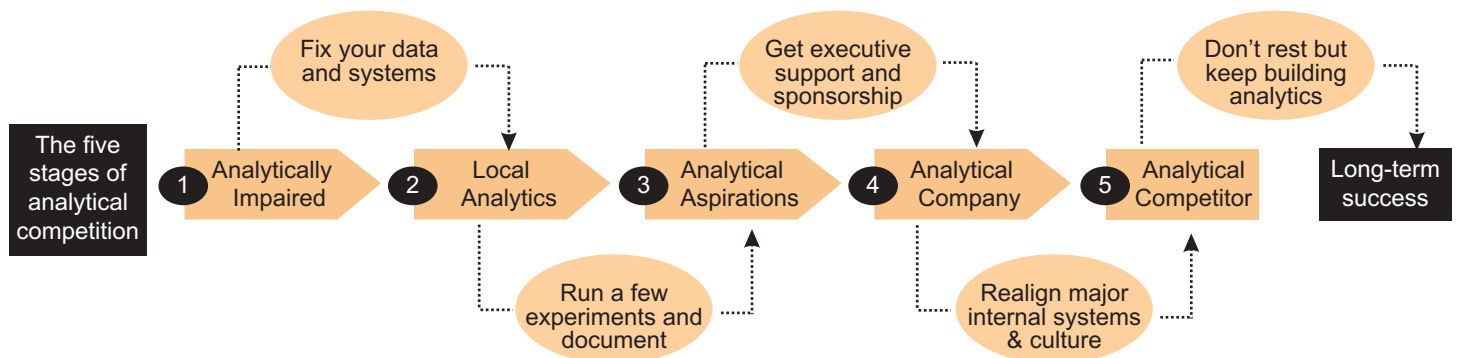
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