Review

It's not the size of the data — It's how you use it

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Business intelligence (BI) over gut feel

Twenty years ago, business intelligence (BI) was a big thing. Big in terms of the technology required, that is. First you needed a substantial data warehouse that integrated customer and sales data, then you needed a high-end reporting tool that could pull off the vital reports that business managers needed. For many organizations it was worth the investment — the rising fortunes of some leading retailers, airlines and car manufacturers of the era owed a lot to their intelligence-led approach to management. For most businesses, however, the entry costs were prohibitive, which is one reason why intuition and gut feel continued to be used.

Fewer barriers for smaller companies

Fast forward to current times and the technology required to drive BI is no longer big — instead it is the data that has grown. Without underestimating the continuing challenges that IT departments face in creating data warehouses, these are no longer the barrier they once were. What the company cannot afford to buy as hardware it can now rent in the cloud, for example. Critically, this greater availability of data has coincided with a newly data-literate cohort of managers armed with the liberty of 'Bring Your Own Device' policies.

Bring your own data

Remember the launch ad for Apple's iPad? One of the striking examples it showed was highly graphical reports literally at the fingertips of business users. The application on show (Microstrategy) used to be the preserve of those top-level, big budget operations, but was now being promoted as accessible to every manager with a mind to adopt it.

So it has come to pass, and hence Pauwel's new book. Ignore its *zeitgeist*-oriented title — this is a book rooted in a genuine understanding of the role that BI and reporting need to play in business and marketing functions. Its subtitle, 'Smarter marketing with analytics and dashboards', is the more honest representation of its contents — the main title is clearly a marketing ploy aimed at the current vogue for all things related to Big Data.

Nobel Prize-winning models

Indeed, at its heart the book offers some real meat for those managers who genuinely want to improve the performance of their marketing (or other business decisions) and need to get up to speed with leading-edge practice. The core of this is techniques, such as the application of vector autoregression (VAR) models, which won their creator a Nobel Prize in

Accounting for indirect effects

Economics in 2011. 'VAR models quantify dynamic effects of marketing actions through metrics, which is missing in standard marketing mix models', the author explains.

That helps to fill a gap in much of BI, which ignores changes over time and even the impact of starting to observe some customer behaviour. As Pauwels notes, 'Heisenberg rocks: Observing a social media metric will change it'. Once social media users become aware that their actions are being quantified, they will game those metrics in order to improve their rankings. A good example of dynamic metrics is provided by 'The Ripple Effect', which shows how indirect effects, such as word of mouth, contribute to direct effects, like store traffic. When considering the role of TV, door drops, radio and paid search, understanding these effects is crucial for marketers. As the author writes, 'managers substantially under-estimate marketing effectiveness if they consider only the direct traffic effects. A key goal and benefit of paid marketing is its power to stimulate conversations around brand or product, which then causes a ripple effect that ultimately increases business performance'.

European pilots, American drivers

It is really only within monitoring of social media that genuine Big Data enters into what is being considered by this book. For the rest, its central chapters provide a detailed discussion of what appropriate metrics for marketers really are and how they should be presented in dashboards. This gives rise to some interesting considerations: Pauwels notes that there is a sweet spot in terms of the number of metrics managers want and that this differs across countries — in Europe it is typically 12 (what Tim Ambler calls an Air Force pilot view), whereas in Canada it is 8 and in the United States 6 (a car driver's view).

Start your BI reboot here

Wrapped around these valuable elements are rather more superficial considerations of some of the challenges involved in the introduction of better dashboards, from assembling a project team to creating a culture of accountability. These are useful primers, but offer little real depth — building the database is dispensed with in just 11 pages, for example. Not that this distracts from the overall value of the book, especially with its clear-sighted view of what makes for good metrics and how they should be built. If you are one of those organizations with newly accessible data and more demanding managers, this is a good place to start when planning a reboot of your BI.

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