

February, 2008

## Food and Beverage Companies Struggle to Manage the TCO of Business Intelligence

In December of 2007 and January of 2008, Aberdeen Group conducted an in-depth survey research study of over 570 companies to determine Best-in-Class approaches to managing the Total Cost of Ownership (TCO) of Business Intelligence (BI) implementations. Over 10% of survey respondents (58 companies) identified themselves as entities conducting business within the food and beverage industries. This document provides IT and business management at food and beverage end-user organizations with an understanding of all of the cost factors and challenges associated with BI initiatives. The research discusses how organizations are addressing challenges with managing their total cost of ownership for BI.

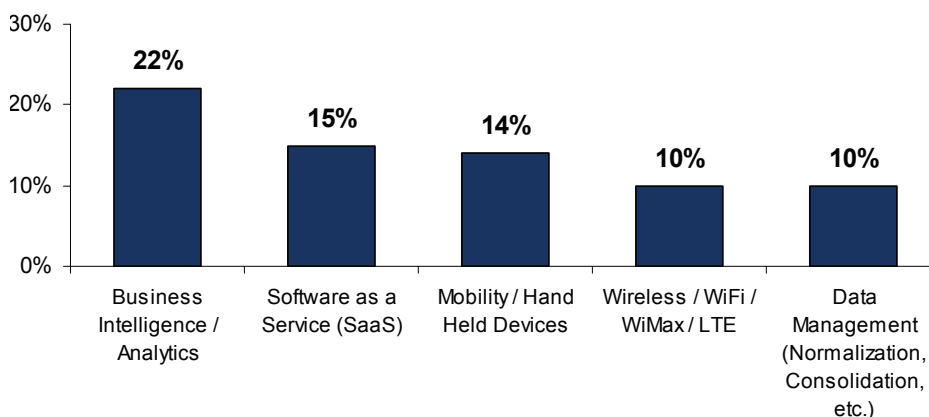
### Sector Insight

Aberdeen's Sector Insights provide strategic introspective and analysis of primary research results by industry, market segment, or geography

### The Business Case for Managing the TCO of BI

BI initiatives, traditionally a high-ticket application for large enterprises, have become a top strategic focus among companies of all sizes and within all industries and geographies. Research conducted in December 2007 through January 2008 for *The 2008 Aberdeen Report* found that BI is identified by over 7,000 responding companies as the most important technology for the next two to five years (Figure 1).

**Figure 1: The Technologies that Will Have the Greatest Impact on Business Over the Next Two to Five Years**



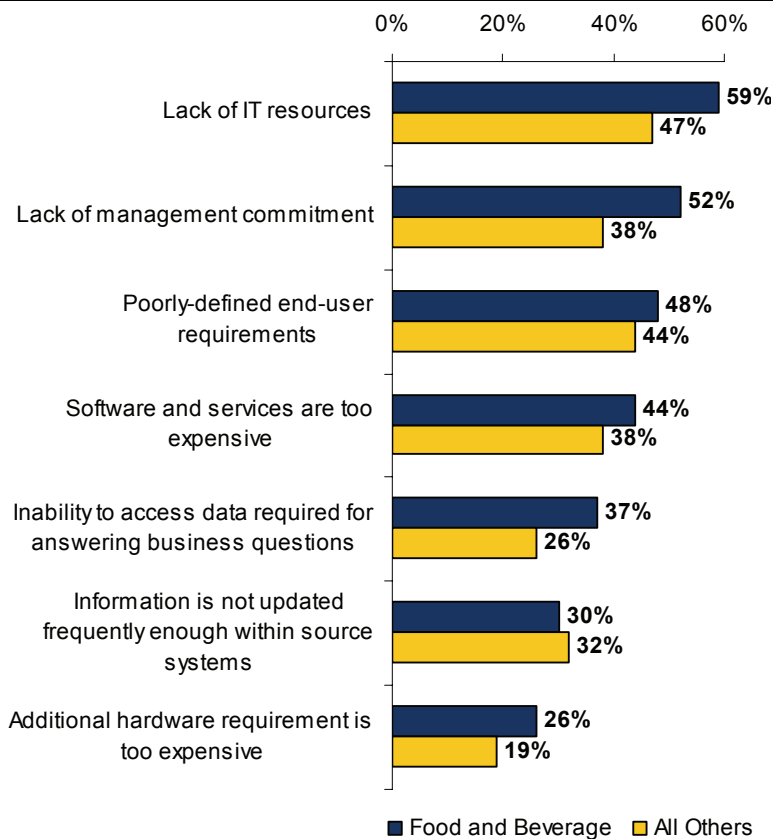
Source: Aberdeen Group, February 2008

As companies continue to prioritize BI initiatives, they are also becoming more concerned about the associated costs, and the impact that these costs can have on the ultimate success or failure of BI projects. As a result, CIO's and business managers are investigating new licensing, implementation, delivery, and ongoing support options for BI solutions. Many executives

have become wary of hidden costs based on prior experiences with data warehousing and other enterprise application initiatives, and are putting BI vendors to the test to disclose as much information as possible about expected costs associated with their solutions.

Despite this disclosure, many projects still become mired in costly delays and budget overruns. In fact, 49% of respondents report that their budgets for BI projects have increased in the past 12 months. Therefore, a focus on the management of TCO has become an increasingly important aspect of BI implementations. New technologies and deployment innovations have begun to lower the entry cost of BI, but the entry costs are not the only thing driving TCO management focus (Figure 2).

**Figure 2: Inhibitors to TCO Management for BI Implementations**



Source: Aberdeen Group, February 2008

The top two inhibitors - lack of IT resources and lack of management commitment - point to some very important issues facing food and beverage companies today. The fact that food and beverage organizations are feeling these inhibitors more strongly than all other respondents indicates a need for management to elevate their support of BI initiatives if they are to improve control of the TCO of BI overall. In addition, food and beverage companies are also nearly 10% more likely to be challenged by data access

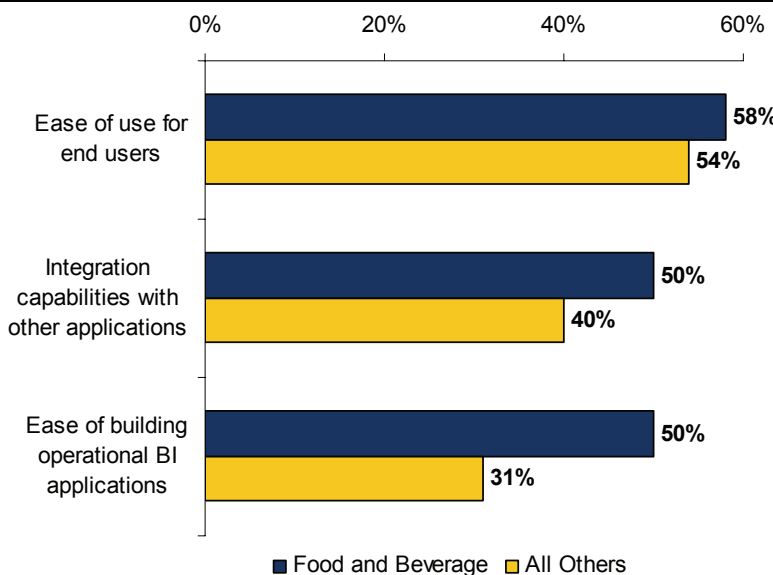
issues. This relates directly to TCO management performance of project timelines and budgets (see Figure 4 and Figure 5).

### Vendor Selection Requirements Affect TCO

End-user organizations are prioritizing their requirements for BI solutions in order to alleviate the inhibitors listed in Figure 2. First and foremost is the need to improve end-user ease-of-use of BI software products. This relates directly to the lack of IT resources inhibitor. As companies deploy BI capabilities to non-technical users the requirement for supporting and delivering reports and analytic views increases. Ease-of-use, therefore, is an important consideration for the purchase of a BI toolset. The degree to which non-technical end-users can achieve a self-service capability to generate their own reports without taxing already strained IT resources will improve the chances for managing TCO in the long-run.

Food and beverage companies are particularly sensitive to the use of IT resources for BI projects. As indicated in Figure 3, food and beverage end-user organizations are nearly 20% more likely to prioritize the ease of building applications as a top requirement for vendor selection.

**Figure 3: Top Three Requirements for BI Vendor Selection**



Source: Aberdeen Group, February 2008

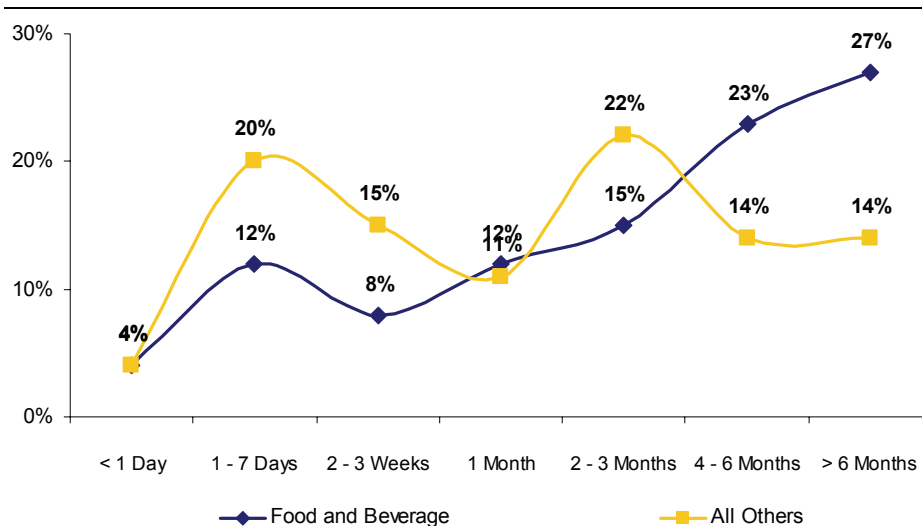
### TCO Performance Factors

Aberdeen research has discovered that food and beverage companies are lagging behind all other survey respondents when it comes to managing the TCO of their BI implementations. Aberdeen used several key performance criteria to benchmark TCO management performance. Two in particular encompass both project-related time management and financial budget management:

- **Time-to-completion of BI projects:** Actual time from initial software installation to deployment of first deliverable to end-users (not pilot users) - of all BI projects in the past 12 months
- **On-budget completion of BI projects:** Percent of BI projects that are completed below, at, or above planned budget in the past 12 months

When it comes to TCO management, companies have come to realize that unexpected costs can be realized through both direct financial causes, such as the requirement to purchase additional server hardware, and indirect causes such as unexpected delays due to unforeseen data integration problems, lack of BI skill sets, or data quality issues. The affect of time on cost management is one area that food and beverage companies should consider as a priority (Figure 4). Only 24% of food and beverage respondents complete BI projects within two to three weeks, compared to 39% of all others. In fact, half of all food and beverage respondents require four to six months or more to complete projects, compared to only 28% of all other respondents.

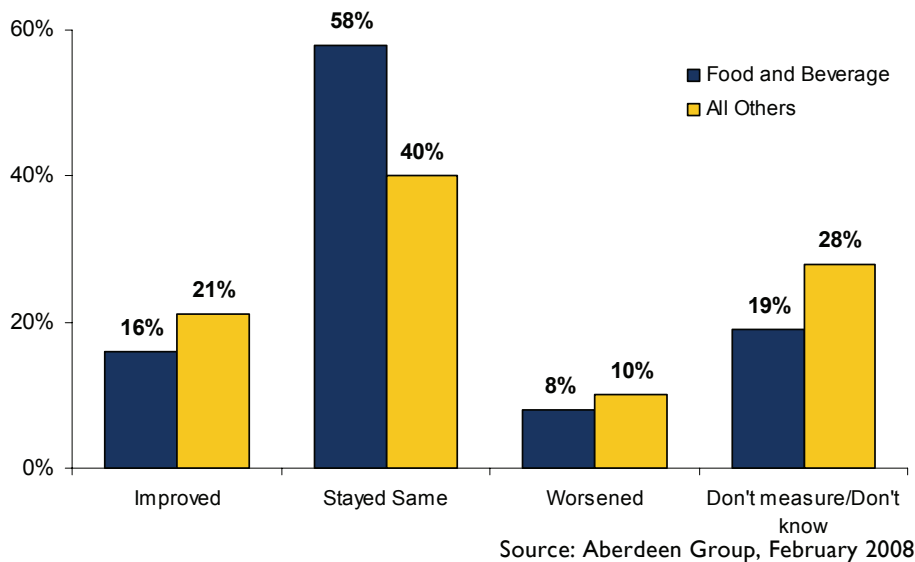
**Figure 4: Average Time-to-Completion of BI Projects**



Source: Aberdeen Group, February 2008

While time-management is a problem area for food and beverage companies, performance with on-budget completion of BI projects shows a bit rosier picture (Figure 5).

**Figure 5: On-budget Completion of BI Projects**



While general performance has stayed the same among over half of all food and beverage respondents, the market sector as a whole is nearly 10% more likely to measure this metric as a form of cost management. As the old business adage goes: "You can't manage what you don't measure." Food and beverage companies have maintained on-budget project completion levels, but have shown a slightly less-than-average ability to improve this metric over the past 12 months. This may be due to the less-than average ability to manage time as indicated in Figure 4.

### Case in Point - Large Beverage Distributor Emphasizes Vendor Selection Criteria for Managing TCO

As a decentralized operation with over 20 distinct selling operations, one of the largest U.S. beverage distributors was challenged with pulling together timely information for analysis at corporate offices. This executive information needed to be summarized at a high level with drill down (slice and dice) granular functionality.

"We were given the task of finding a solution that could not only deliver timely information to our executive offices, but could also be used in each of our selling divisions by sales management to monitor their business. In a company as geographically dispersed as we are, it took a lot of time and effort to pull information together, consolidate it, and make it available on a common reporting platform," said the company's Senior Project Manager, Data Warehousing and EIS.

"Before we started looking for a solution to meet our needs, we developed a list of requirements:

"Our decision ultimately was made based on the vendor that handled our volume of data faster than any other product we looked at. Ease of use was also important. As long as the users have some PC knowledge, and they know how to click or double-click a mouse, they can easily use the tools."

~ Sr. Project Manager, Data Warehouse and EIS, Large Beverage Distributor

- The entire solution had to be simple enough from an information systems perspective to let our selling divisions take ownership of the local support issues. It had to be easy to drill down and drill across data so that one could very easily navigate down into the detailed information without requiring IT support.
- The product had to be able to handle our volume of data, which is pretty steep, and it would have to "crunch" it in a relatively short period of time.
- It had to be supported on our current information management platform.
- It had to be portable so executives could use the system via laptops when they travel.
- It had to produce graphs such as bar charts and pie charts, and advanced reporting. We were looking for a product that had robust reporting built into it. It was our intention to eventually replace legacy system reports with reports generated by this tool.
- It had to be generic to our business processes so that we could take this product and use it across many of our business areas. Although the sales reporting area was our immediate priority, we also wanted a product that could be used in finance, shipping, personnel, and warehouse management.
- It had to be web enabled. We wanted to be able to serve it to remote locations as well as to people on the road.
- It had to be installed and deployed rapidly. We also needed proof that the solution would allow our own staff to build basic BI applications without requiring outside consulting services."

### *Integration with Information Management Platform*

The organization realized early on that the basic design structure selected would be critical to the product's overall success. The BI tool was only one part of an overall solution that included the design and implementation of a data warehouse that would contain all of the company's critical data.

"We worked as a joint venture with our platform vendor to design a data warehouse. The data warehouse in production today pulls data from all of our sales divisions every day. This involves just under a hundred million records, and it's growing every day. The main benefit we have derived, in terms of managing cost of ownership, is that we no longer have to call our sales divisions for special reporting requests," said the company's Senior Project Manager, Data Warehousing and EIS.

As the company started looking at the expansion of the BI deployment, they realized that they had to prioritize which business areas to focus on first. The management of total cost over time necessitates a step-by-step approach to adding new BI application areas, and not falling to the

temptation to address every need at once. The immediate priority was sales reporting and in consideration of the delivery method for this first solution, management had to decide whether it made sense to provide a centralized or decentralized BI platform. The best solution turned out to be a combination of both.

"Our California offices are running the BI software on one server located in Northern California. The rest of our divisions are running it on local servers," said the company's Senior Project Manager, Data Warehousing and EIS. "Based on our project requirements, the BI vendor we ultimately selected allowed us to offer both methods. As part of our selection process, we looked at six different vendor offerings. Our decision ultimately was made based on the vendor that handled our volume of data faster than any other product we looked at. Ease of use was also important. As long as the users have some PC knowledge, and they know how to click or double-click a mouse, they can easily use the tools."

## Required Actions

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In order for food and beverage companies to improve management of the total cost of ownership for BI projects, the following recommended actions should be considered:

- **Challenge software vendors to properly set expectations regarding project timelines.** Many vendors make the claim that they can help customers implement and deploy their solution within a very short amount of time. This often assumes simplistic environments, however, and does not take into account complexities such as the number and disparity of target data sources, the technical skill sets of both IT and non-technical end-users, or the complexity of the business analysis required.
- **Establish a holistic view, but stick with a phased BI project plan.** Too often, BI initiatives start as small, focused projects designed to solve one specific need. As the organization becomes more aware of the technology's capabilities, more requirements are identified, and the initiative can balloon into a very large project with little or no chance of meeting original budget and timeline projections. This can cause management commitment to decrease (one of the top inhibitors illustrated in Figure 2).
- **Define a comprehensive list of vendor criteria that addresses functionality and both immediate and long-term budgetary requirements.** Some vendors offer proof-of-concept or pilot projects to help prospective customers determine whether or not their products will meet business needs. Insist that these projects include a full set of data (i.e. six months of detail data) and the production of complex reports and analytic views. Be wary of pilot projects that use only a small set of data and include only basic deliverables.

The TCO of BI has more to do with on-going costs than with up-front expenses associated with software purchase and initial installation. Food and beverage companies have reported a significant challenge with managing costs associated with project timelines. This has strained available IT resources and caused a level of cynicism on the part of management. A focus on the recommendations in this report will provide measurable TCO management improvement for food and beverage companies considering new BI implementations or expansion of existing BI deployments.

For more information on this or other research topics, please visit [www.aberdeen.com](http://www.aberdeen.com).

### Related Research

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[Smart Decisions: The Role of Key Performance Indicators](#) September, 2007

[Measuring Marketing Performance](#) October, 2007

[Operational BI: Getting Real-Time About Performance](#) December, 2007

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