



## Newsletter Vol. 90 - Introduction

Softengine News is dedicated to keeping you up to date with the latest information regarding SAP Business One systems, Softengine solutions and Best Business Practices.

### What's New?

#### Spotlight on “Big Data”, Business Intelligence (BI) and Key Performance Indicators (KPIs)

##### Big Data - What is it?

**Big Data** can be defined as high **Volume** and **Variety** of data that can be brought together and analyzed at high **Velocity** to discover patterns and make better decisions. These three **V's** combine and exhibit exponential growth at this time.

The sheer volume of data, structured and unstructured is being generated at high speeds. It is stored, searched analyzed with new tools to find insights, relationships and trends that were previously unavailable. It represents a fundamental shift in how we do things. We no longer have to rely on small and periodic statistical sampling.

Based on past IT innovations that had impact on increasing efficiencies and productivity, one can suggest that Big Data can have a similar effect. The use of Big Data is becoming essential for companies to leverage data-driven strategies to innovate, compete, and create value. For example, some retailers embracing big data see the potential to increase their operating margins by 60 per cent.

##### Business Intelligence (BI) – What is it?

Business intelligence (BI) allows business users to analyze and better understand their organization's plans and results. It provides insight into what's working correctly while identifying potential problem areas in time for corrective actions to be taken.

##### Why you need it?

Organizations focus on streamlining operations, acquiring customers, increasing revenues and profitability, controlling costs and outpacing the competition. And while your company has continued to improve its operating efficiencies (sometimes by quickly learning from past mistakes), you know that you should be spending more time analyzing what's going on and forecasting and planning for the future – rather than putting out fires and trying to solve operational problems based on gut feel. Furthermore, you need the ability to determine where to concentrate your efforts. You can't check every detail, yet you would like to be able to monitor your operations and be alerted to potential issues when they occur, no matter where you happen to be. You need to be able to focus on quickly finding and resolving

potential problems while identifying and leveraging new opportunities. You want to ensure that employee and departmental metrics are aligned with your company's strategic goals. Your company may be relatively small right now, but it's on a planned growth path. Right now, your company's primary analysis tool is probably a spreadsheet.

### **Tap into your "big" data**

In today's fast-paced environment, taking full advantage of massive amounts of data available to businesses is a prerequisite for success. You need to gather and quickly make sense of all data – large and small, in diverse forms, and on multiple platforms. This means going beyond spreadsheets and basic reports and moving to a fast, engaging, and visual way of presenting data. What if you could easily pull data directly from your enterprise and personal sources, bringing them together in a repeatable, easily understood way?

Just think if you could "point and click" to manipulate data, organizing and consolidating it the way you want it without a single line of code or an additional modeling layer. You can do all this and more with **SAP® Lumira™** software. This breakthrough solution redefines the notion of self-service information by giving you direct connectivity to enterprise data in relational databases and personal data sources such as spreadsheets. By combining data from different sources and lines of business into a single view, you can answer questions quickly. And when you connect to the new and upcoming SAP HANA® platform, answers buried in massive amounts of data appear as quickly as you process thoughts.

### **Reduce data prep time with point-and-click data manipulation**

Business analysts typically have to "prepare" data before they even start an analysis or discovery process, consuming a lot of time and resources. You may want to eliminate a column you don't need, add a new one that includes a formula, or aggregate data under two categories. For example, to view sales for convenience stores and independent grocery stores, data may be aggregated and renamed as a "small stores" group. **SAP Lumira** provides transformation tools to facilitate these mundane – but important – tasks. Using this innovative software, you can prepare data by:

- Enriching it with geographic and time hierarchies
- Automatically creating useful measures based on existing data
- Formatting and cleaning existing data (for example, duplicating, grouping, and trimming)
- Merging data sets based on a common attribute or key
- Adding sophisticated formulas without any coding

You can perform all of these transformations without having to write any scripts or code. And best of all, if the data is refreshed, your transformations are automatically applied to the new data

### **Quickly create engaging visualizations**

Once you've prepared your data, the next step is to use visualizations to convey key insights about your business, customers, and operations. Often, the most important insights can't be gleaned from quantitative information, such as rows of numbers. You need powerful, interactive visualizations of data to truly see what's most important. **SAP Lumira** lets you build visualizations with an engaging drag-and-drop interface. You will create beautiful graphics and visualizations rendered in real time that support and enhance your iterative thought processes. Whether you create simple bar charts, display bubble charts on maps, or showcase a multidimensional chart, SAP Lumira gives you beautiful analytics to convey and share insights with minimal time and effort.

You can:

- Surface patterns and relationships by selecting chart types suited for your analysis (for example, bar, radar, surface, tag cloud, bubble, and scatter charts)
- Identify trends with line and multiline charts
- Show the percentage of parts to a whole with pie charts and tree maps
- See the big picture at a glance and drill down into the details using filtering data in columns, facets, and charts
- Show data with geolocation context using country charts and geographic bubble charts

## Improve time to insight and business agility

SAP Lumira software provides one of the fastest, most engaging ways to get answers from your data – both large and small. Empowering you to pull data directly from enterprise and personal data sources and bring it together in a repeatable way as self-service information. Armed with point-and-click data manipulation, you can quickly organize and consolidate data however you want it – without writing a single line of code or creating an additional modeling layer. You can also enhance your data using semantic enrichment (such as geolocation and time dimensions). Plus, you can automate transformation workflows in a repeatable, self-service way. You can analyze data quickly and discover unique insights to share for rapid time to insight and business agility. And because the software can connect to the SAP HANA platform, you can instantly find answers – even when they are buried in massive volumes of data.

## Key Business Indicator (KPI) – What is it?

A KPI is a type of performance measurement that helps you understand how your organization or department is performing. A good KPI should act as a gage, helping you and your team understand whether you're taking the right path toward your strategic goals. To be effective, a KPI must:

- Be well-defined and quantifiable.
- Be thoroughly communicated throughout your organization.
- Actually be crucial to achieving your goal.
- Be applicable to your Line of Business (LOB).

There are many KPIs to choose from. If you choose the wrong one, then you are measuring something that doesn't align with your goals.

## Key Performance Indicator Examples & Definitions

### Financial Metrics

- **Profit:** This is one of the most important performance indicators out there. Don't forget to analyze both gross and net profit margin to better understand how successful your organization is at generating a high return.
- **Cost:** Measure cost effectiveness and find the best ways to reduce and manage your costs.
- **LOB Revenue vs. Target:** This is a comparison between your actual revenue and your projected revenue. Charting and analyzing the discrepancies between these two numbers will help you identify how your organization is performing.
- **Cost of Goods Sold:** By adding all production costs for the product your company is selling, you can get a better idea of both what your product markup should look like and what your actual profit margin is. This is key in determining how to outsell your competition.
- **Day Sales Outstanding (DSO):** Take your accounts receivable and divide them by the number of total credit sales. Take that number and multiply it by the number of days in the timeframe you are examining. That is your DSO number. The lower the number, the better your organization is doing at collecting accounts receivable. Run this formula every month, quarter, or year to see how you are improving.
- **Sales by Region:** Through analyzing which regions are meeting sales objectives, you can provide better feedback for regions that are underperforming.
- **LOB Expenses vs. Budget:** Compare your actual overhead with your forecasted budget. Understanding where you deviated from your plan can help you create a more effective departmental budget in the future.

### Customer Metrics

- **Customer Lifetime Value (CLV):** Minimizing cost isn't the only (or the best) way to optimize your customer acquisition. CLV helps you look at the *value* your organization is getting from a long-term customer relationship.

Use this performance indicator to narrow down which channel helps you gain the best customers for the best price.

- **Customer Acquisition Cost (CAC):** Divide your total acquisition costs by the number of new customers in the time frame you're examining. That is your CAC. This is considered one of the most important metrics in e-commerce because it can help you evaluate how cost effective your marketing campaigns have been.
- **Customer Satisfaction & Retention:** On the surface, this is simple: make the customer happy and they will continue to be your customer. Many firms argue, however, that this is more for shareholder value than it is for the customers themselves. You can use multiple performance indicators to measure CSR, including customer satisfaction scores and percentage of customers repeating a purchase.
- **Net Promoter Score (NPS):** Finding out your NPS is one of the best ways to indicate long-term company growth. To determine your NPS score, send out quarterly surveys to your customers to see how likely it is that they'll recommend your organization to someone they know. Establish a baseline with your first survey and put measures in place that will help those numbers grow quarter to quarter.
- **Number of Customers:** Similar to profit, this performance indicator is fairly straightforward. By determining the number of customers you've gained and lost, you can further understand whether or not you are meeting your customers' needs.

#### Process Metrics

- **Customer Support Tickets:** Analysis of the number of new tickets, the number of resolved tickets, and resolution time will become the best customer service department in your industry
- **Percentage of Product Defects:** Take the number of defective units and divide it by the total number of units produced in the time frame you're examining. This will give you the percentage of defective products. Clearly, the lower you can get this number, the better.
- **LOB Efficiency Measure:** Efficiency can be measured differently in every industry. Let's use the manufacturing industry as an example. You can measure your organization's efficiency by analyzing how many units you have produced every hour, and what percentage of time your plant was up and running.

#### People Metrics

- **Employee Turnover Rate (ETR):** To arrive upon your ETR, take the number of employees who have departed the company and divide it by the average number of employees. If you have a high ETR in your enterprise, spend some time examining your workplace culture, employment packages, and work environment.
- **Percentage of Response to Open Positions:** When you have a high percentage of qualified applicants apply for your open job positions, you know you are doing a good job maximizing exposure to the right job seekers. This will lead to an increase in interviewees, as well.
- **Employee Satisfaction:** Happy employees are going to work harder. Measuring your employee satisfaction through surveys and other metrics is vital to your organizational health.

#### Retail Metrics

- **Sales per Square Foot:** Measures how much product you are able to sell for each square foot of space provided.
- **Average Purchase Value:** Measures the average value of each purchase made by your customers and compares that to the average number of units per transaction.
- **Incremental Sales:** Measures the amount of sales you've gained as a direct result of marketing and promotional activities.

For more information about SAP Business One, Big Data, BI and KPIs helping you to run your business at optimal efficiency, please contact Barry Lederman: 818.704.7000, [blederman@softengine.com](mailto:blederman@softengine.com).

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