

# The Financial Impact of Business Analytics

An IDC ROI Study

## Analysts

Henry Morris, Ph.D., Stephen Graham, Per Andersen, Karen Moser, Robert Blumstein, Dan Vesset, Nathaniel Martinez, and Marilyn Carr

## Introduction

*Evidence of a narrow IT payback suggests that a large portion of America's white-collar economy has been left out of the so-called revolution of the New Economy.*

— Stephen Roach, Economist, Morgan Stanley

Businesses are undergoing a fundamental shift in the way they make decisions. In today's environment, decision making occurs more frequently and at all levels of an organization. It is no longer a semiregular senior management activity.

Many organizations invested in their core data infrastructures to facilitate accurate information dispersal, but the trend toward democratization of information and broadening decision-making responsibilities demands more. In particular, it requires timely delivery of relevant information to each decision maker. Business analytics solutions are the next step in using technology to support the decision-making process. These solutions provide trend analysis and performance feedback and facilitate decisive actions that result in measurable gains in cost efficiency or revenue growth.

## The Study

IDC's *The Financial Impact of Business Analytics* study examines the financial impact of analytic applications on the core business processes that contribute to an organization's success. It also examines the experience and impact of business analytics projects undertaken by 43 organizations.

A key strength of IDC's approach is that it examines true bottom-line results and not theoretical costs or savings. The results accurately reflect the reality faced by decision makers who must create a pro-forma evaluation of business impact when a new technology solution is implemented in their organization.

The study comprises three reports: *White Paper* provides an overall review of the study findings; *Final Report* provides a detailed analysis and discussion of the study results; and *Case Studies* provides a compendium of detailed case studies drawn from the extensive research conducted by IDC.

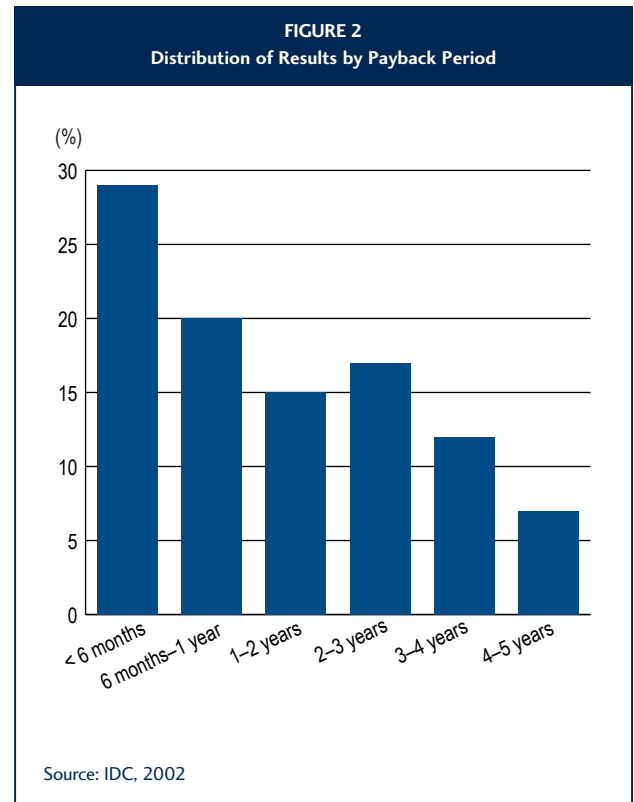
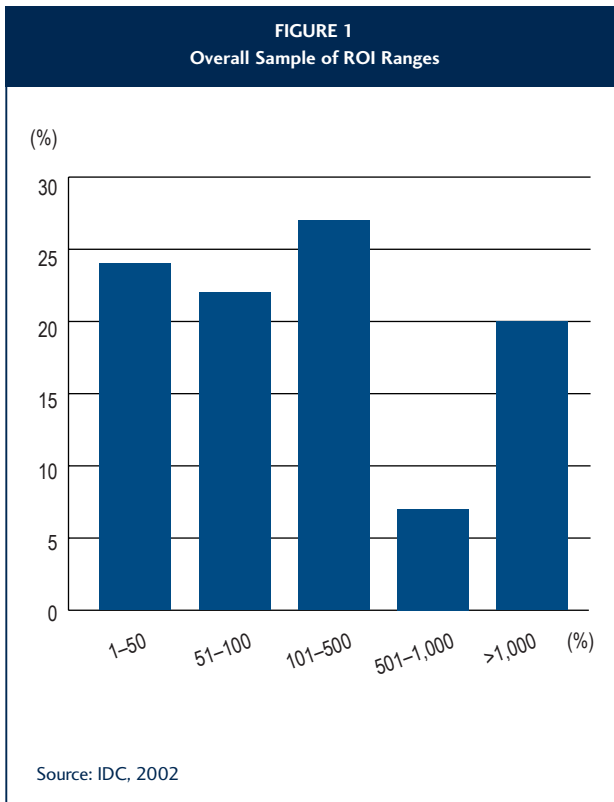
## Sample Selection and Methodology

IDC made efforts to select companies based upon a balanced sample of geographic location, industry, and company size and to represent various types of applications within the sample.

## The Financial Impact of Business Analytics: Key Findings

The study found that a business analytics implementation generates a median five-year return on investment (ROI) of 112% with a mean payback of 1.6 years on average costs of \$4.5 million. Of the organizations included in this study, 54% have an ROI of 101% or more.

The range of ROI results from these business analytics projects is impressive (see Figure 1). Returns range from 17% to more than 2,000%. While 46% of the organizations generated an ROI of 100% or less, 34% generated an ROI between 101% and 1,000%, and 20% reported ROI of 1,000% or more.



The study shows that although a business analytics implementation is a substantial investment for an organization, it can also deliver substantial benefits. For the study participants, value accrued through quantitative and qualitative benefits that range from increased business performance to reduced operations costs and improved customer relations. Organizations interviewed for this study consider their particular business analytics implementation either a necessary cost of business or a critical factor in their plan for success and survival in a highly competitive market.