WHITE PAPER

Forging digital transformation through analytics

LatentView

Actionable Insights • Accurate Decisions

Introduction

According to a recent IDC report forecast on Digital Transformation (DX) investments is estimated at $6.3 trillion for 2018–2020.

The rapid pace of digital transformation continues to disrupt the enterprise. From how consumers behave, to how companies respond to those changes. In consumer facing industries such as Retail, Consumer Packaged Goods (CPG), Travel or Automotive, there is a disproportionate growth performance between a small group of digitally led players and the non-digital companies. As a result, only 12% of Fortune 500 companies from 1955 still exist. Only 50% of today's Fortune 500 companies are expected to be in business 10 years from now.[i]

Future leaders will be data-driven

Clearly, the cost of not being data-driven is extremely high. For example, the retail and consumer-packaged-goods (CPG) sectors have seen massive fortune reversals in the past 15 years. In 2000, Kmart was the third-largest US retailer, with $36 billion in sales; by 2014, its annual revenues had declined by two-thirds. Over the same period, Amazon's annual sales grew to $89 billion from about $2.8 billion. Alibaba, the market leader in China's booming e-commerce business, was only a 15-year-old company when in 2014 it filed the largest IPO ever, valued at $25 billion. Anheuser-Busch was the world's largest brewer in 2000; today, it no longer operates as an independent company, having been taken over by formerly smaller players.[ii]

[i] *https://www.oreilly.com/ideas/how-industries-are-using-data-analytics-to-accelerate-the-digital-transformation*
[ii] *https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-sector-in-2030-trends-and-questions-to-consider*

Digital capabilities are accelerating the pace of disruption in the Enterprise. In the 25 years from 1967 to 1992, 8 companies remained in the top 10 of Fortune 500. From 1992 to 2017, only 3 did and 2 of them, GM and Ford, needed to be rescued in the global financial crisis of 2007.

Fortune 500 in 1967	Fortune 500 in 1992	Fortune 500 in 2017
General Motors	General Motors	Walmart
Ford Motor	Exxon Mobil	Berkshire Hathaway
Exxon Mobil	Ford Motor	Apple
General Electric	Intl. Business Machines	Exxon Mobil
Chrysler	General Electric	McKesson
Mobil	Mobil	UnitedHealth Group
Texaco	Altria Group	CVS Health
U.S. Steel	DuPont	General Motors
Intl. Business Machines	Texaco	AT&T
Gulf Oil	ChevronTexaco	Ford Motor
AT&T Technologies	Chrysler	AmerisourceBergen
DuPont	Boeing	Amazon.com
Esmark	Procter & Gamble	General Electric
Shell Oil	Amoco	Verizon Communications
Amoco	Shell Oil	Cardinal Health
ChevronTexaco	United Technologies	Costco
Bethlehem Steel	PepsiCo	Walgreens Boots Alliance
Navistar International	Eastman Kodak	Kroger
CBS	ConAgra Foods	Chevron
RCA	Dow Chemical	Fannie Mae
Goodyear Tire & Rubber	McDonnell Douglas	J.P. Morgan Chase
General Telephone & Electronics	Xerox	Express Scripts Holding
Boeing	Atlantic Richfield	Home Depot
Armour	Marathon Oil	Boeing

New on Top 10 of Fortune 500

The most valuable brands today, such as Apple, Alphabet/Google, Amazon, Facebook, Microsoft, GE, and Alibaba have built their business models on a strong foundation of data and analytics. The same trend is also visible among the most prominent privately held global unicorns such as Uber, Lyft, Didi Chuxing, Palantir, Flipkart, Airbnb, DJI, Snapchat, Pinterest, BlaBlaCar, and Spotify. These companies differentiate themselves through their data and analytics assets, processes, and strategies.[iii]

These digitally driven organizations can completely do away with traditional entry barriers as they don't need to invest in physical assets. This is also making it faster for them to enter new markets, or even create new ones.

[iii] *https://www.mckinsey.com/~/media/McKinsey/Business%20Functions/McKinsey%20Analytics/Our%20Insights/The%20age%20of%20analytics%20Competing%20in%20a%20data%20driven%20world/MGI-The-Age-of-Analytics-Executive-summary.ashx*

Let's take the example of the automotive industry. Forward thinking leaders are investing in key technologies such as Internet of Things, Virtual Reality, etc. to forge ahead on their digital transformation journey. Data from a recent global survey indicates that 72% of automotive companies are undertaking digital transformation projects and 26% of their IT investments are allocated to digital initiatives. Not only that, due to these investments 45% of these companies are seeing higher revenues. 78% say they've improved customer experience, 66% have improved their agility in responding to changing market needs and 24% are witnessing faster time to market.[iv]

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Essentially, the nature of investments has shifted from physical assets to digital platforms, solutions and analytics talent. We have some obvious examples of Amazon that has shaken up the traditional retail players without building any stores, various 'fintech' companies offering financial services without physical bank branches, Netflix that is changing the media consumption patterns and the industry without linking cables to viewers' homes, and Airbnb's that has, without building hotels, introduced a new model to open up inventory in the hospitality sector.

Data-driven companies have become the most valuable

COMPANY: MARKET CAPITALIZATION

Rank	Q4 2006	Q4 2011	April 2017
1	Exxon Mobil: 447	Exxon Mobil: 406	Apple:741
2	General electric: 304	Apple: 376	Alphabet: 585
3	Microsoft: 294	PetroChina: 277	Microsoft: 505
4	Citigroup: 274	Royal Dutch Shell: 237	Amazon: 432
5	Gazprom: 271	ICBC: 220	Facebook: 406
6	ICBC: 255	Microsoft : 220	Berkshire Hathaway: 404
7	Toyota: 241	IBM: 217	Exxon Mobil: 344
8	Bank of America: 240	Chevron: 212	Johnson & Johnson: 330
9	Royal Dutch Shell: 226	Walmart: 205	J.P. Morgan Chase: 303
10	BP: 219	China Mobile: 196	Alibaba Group: 278

Data-driven company

Source: S&P Capital IQ,"Top 10 Companies with Highest Market Captilization Worldwide."
Note: Market Captilization figures have been rounded and are in $ Billions.

[iv] *https://www.ca.com/content/dam/rewrite/files/White-Papers/automotive-companies-are-embracing-digital-transformation.pdf*

In this new environment, it is necessary for business leaders to become data driven. This means that they have to go beyond their existing platforms for insights and they must become agile on their approach. In other words, they have to know the as much as possible the overall story data tells about their business and they have to do it now.

Digital Transformation and Analytics…coming together!

These digital transformation investments are generating massive amounts of data. A recent IDC whitepaper predicts that total worldwide data will swell to 163 zettabytes (ZB) by 2025, 10 times the amount today. The majority of this will be created and managed by enterprises.[v]

> ***Analytics is integral to the digital transformation journey of any organization. In a way, one cannot exist without the other. Just having volumes of data will not help generate the insights needed to drive business growth. Analytics helps glean the right insights to create value from the data.***

Leading players are investing in analytical tools, partners and talent to take advantage of this massive scale of data to glean deep insights into customers and markets, create new business lines, add new products, address customer engagement challenges, etc.

By 2019 alone, IDC forecasts US companies to spend more than $98 billion on big data and analytics.[vi]

For example, traditional retailers are competing with online sellers like Amazon through “omni-channel” sales, which allow consumers to purchase goods in-store or online, or both. They are using the data generated from digitally connected channels and in-store point of sale (PoS) machines, to generate insights that help drive sales, customer experience and engagement, promoting growth.

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[v] *http://www.information-age.com/data-forecast-grow-10-fold-2025-123465538/*

[vi] *https://www.cio.com/article/3074238/analytics/big-data-and-analytics-spending-to-hit-187-billion.html*

The Internet of Things (IoT) too is changing the way customer-centric industries operate, especially functions that have a heavy automation component such as Operations, Manufacturing and Supply Chain. Industry leaders who are investing in digitizing and automating their organizations are now able to increase efficiencies, streamline their processes and identify new optimization and business opportunities by gathering data from sensors and leveraging analytics, machine learning and artificial intelligence to garner insights. Within the automotive space, we're also seeing IoT being implemented through the connected car and in CPG, we have appliances that are being designed to provide the consumer with a connected home. All these initiatives are generating massive data that is being used to get insights into customer behavior patterns, preferences, etc.

Analytics can and should deliver business outcomes now, not just in the future

At LatentView Analytics, during our conversations with various companies, we've realized that most companies already have in place an analytics program, at various maturity levels. They have either invested in building it internally through teams or infrastructure or have brought on board a third-party expert or consulting firm. When it comes to advanced analytics, how mature is your organization? Take our **free online assessment** to find out.

However, with micro revolutions occurring every 12-18 months, companies are realizing the imperative to be in a continual state of transformation.[vii] This means there needs to be high levels of agility in operations, now not in the near future, to meet the changing market needs, and as a result a much faster time to ROI on these analytics investments.

For instance, for a leading global automotive brand LatentView Analytics reduced warranty costs by 35% through customer behavioral segmentation analysis leveraging real-time IoT data from connected vehicles. LatentView Analytics developed a scalable, self-serving analytics platform (within 100 days) that helped the client understand usage patterns for their products and test product-related hypotheses. This is just one example of how an Advanced Analytics partner such as LatentView Analytics accelerates the benefits for a data-driven organization.

[vii] *https://hbr.org/resources/pdfs/comm/microsoft/Competingin2020.pdf*

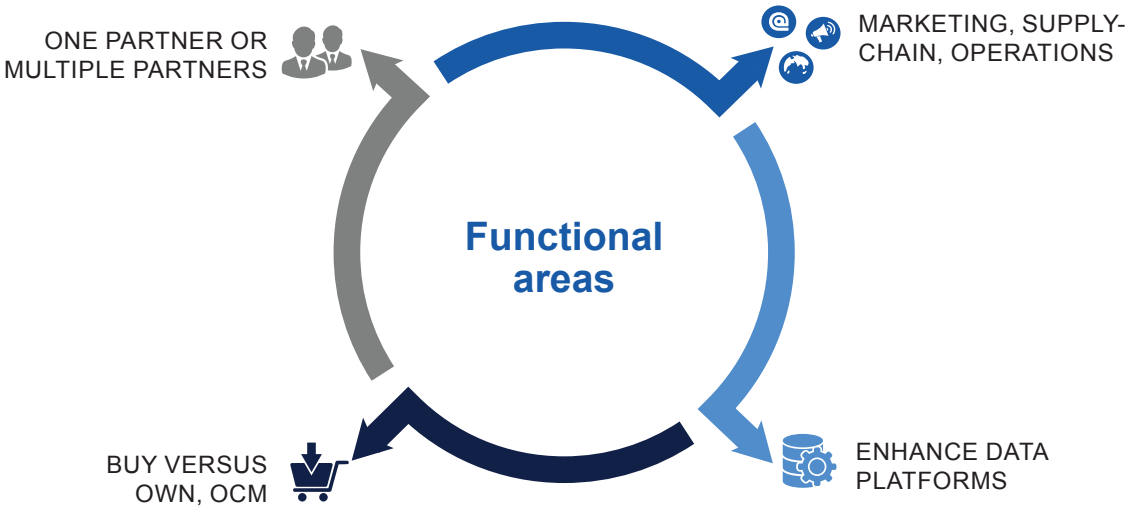
The LatentView Analytics edge…

Combining two revolutionary trends of digital transformation and data analytics is not an easy task, especially as they can each impact the success and even the very survival of the enterprise as the pace of adoption increases disruption.

At LatentView Analytics, we have developed an effective approach to achieve positive business outcomes from Digital Transformation Analytics. Our process has the additional benefit of being collaborative with internal teams and vendor partners, and fluid with ongoing projects as it delivers measurable and positive results in the near future that synergize rather than merely adapt to market trends.

We leverage advanced analytics tools and methodologies and have in place a customized roadmap that has been designed to move clients across the analytics maturity quadrant.

Where to invest in data capabilities



We leverage advanced analytics tools and methodologies and have in place a customized roadmap that has been designed to move clients across the analytics maturity quadrant. This allows us to grow with our customers as their digital acumen increases. By setting up Centers of Excellence (CoE) that are unique to the vision and strategy of our customers, we demonstrate significant ROI on analytics spend from day one.

LatentView Analytics has developed an approach to Digital Transformation Analytics that is collaborative, fluid and has near term positive business outcomes. Thus, helping our clients gain the competitive edge and differentiate themselves in a rapidly morphing and dynamic market.

It is no surprise then that LatentView Analytics, one of the fastest growing data analytics firms globally, was recently named 'Analytics Solutions Provider of the Year' at the 2017 Frost & Sullivan India Digital Transformation Awards.

About the author

Fabian Cortes
Market Leader

Fabian Cortes is Market Leader for LatentView Analytics. He is a thought leader in Digital Transformation and Advanced Analytics. His vision for Digital Transformation Analytics goes beyond tools and platforms into effective and innovative use of Data where data scientist, data engineers and data artists collaborate with business stakeholders to develop the Enterprise of the future.

About LatentView Analytics

LatentView Analytics is one of the fastest growing data and analytics firms globally, delivering solutions that help companies drive digital transformation and use data to gain a competitive advantage. It is a trusted partner to enterprises worldwide, including more than two dozen Fortune 500 companies in the financial services, retail, consumer packaged goods, technology, media, automotive and healthcare industries. LatentView Analytics has offices in Princeton, San Jose, London, Netherlands, and Singapore with its global delivery centre at Chennai, India. For more information, please visit **www.latentview.com**