

*Customer Intelligence Report:*

# **Business Intelligence: Connectivity Options & Evaluation Criteria**

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**Vendor Selection Guide for Software as a Service**



*Accelerating Performance by Calculating Results™*

## Table of Contents

Executive Summary .....	4
Two Converging Trends .....	4
A Plethora of Data Sources.....	4
Our Assessment: .....	6
Chapter One: Current Industry Usage.....	9
Metrics Vary Widely .....	9
Specific Vertical Uses of SaaS BI .....	10
Case Study: Blue Cross and Blue Shield of Florida.....	12
Chapter Two: Current Vendor Landscape: BI Delivered as a Service.....	14
Vendor Landscape:.....	15
Case Study: Car Toys.....	16
Case Study: Welch's.....	17
Chapter Three: Exploiting Legacy Data: SaaS Connectivity .....	18
Exchanging Data .....	18
Data Sources .....	18
Connectivity Among Data Sources .....	19
Case Study: McKesson .....	21
Chapter Four: Packaging & Pricing Options for Services.....	22
Key Advantages of Hosted Services .....	22
Evaluating Options .....	24
Pricing Options & Investment Criteria.....	25
Case Study: Global Manufacturer of Scientific Equipment.....	26
Conclusion: Moving Towards Innovation and Efficiency?.....	27
Key Advantages of Hosted Services .....	27
Selection & Investment Criteria.....	28
Our Assessment .....	28
About the Authors:.....	30

# Executive Summary

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## Two Converging Trends

Acquiring business intelligence (BI) capabilities through a software-as-a-service (SaaS) model versus enterprise BI represents the inflection point of two separate trends in business.<sup>1</sup> One trend signals the increasing importance of gaining insight into all manner of business events. These events encompass not just transactions, but patterns in activity as widespread as customer responsiveness, network management, supply chain performance, and fraud detection. The focus on BI comes from business grasping the importance of the axiom: “if you can’t measure it, you can’t manage it.”

The second trend relates to an increasing interest in the concept of SaaS. The idea of leasing rather than buying a software application, and accessing it over the Internet, offers companies many benefits relating to the conservation of resources. With a SaaS application, companies can generally:

- Deploy applications faster (weeks rather than months)
- Reduce the cost of deployment (by a factor of four)
- Avoid the cost of hardware and associated maintenance and monitoring
- Eliminate the need for on-site expertise in the application itself

These two trends are converging now for a variety of reasons. Not the least of these is the realization that overarching business insight relies on the integration of information from a multitude

of systems. Even companies that have standardized on all-encompassing enterprise resource planning (ERP) applications realize that sometimes key business data exists beyond the boundaries of such applications. While ERP vendors are concertedly designing and acquiring new modules, two facts remain: it takes time to incorporate new and acquired modules into the ERP infrastructure, and companies may have custom-built modules whose functionality outweighs the promises and even the reality of what ERP vendors provide.

## A Plethora of Data Sources

At the same time, companies growing through acquisition frequently find themselves saddled with a plethora of data sources. One user of SaaS-based BI revealed his division (not even the entire company) extracted data from eight different ERP systems. Our assessment: In order to derive value from customers or employees or data gained after an acquisition, companies must find a way to integrate it quickly.

This begs the question: isn’t this integration the responsibility of a company’s information technology (IT) department? The answer reveals a key conundrum facing line-of-business (LOB) executives who require BI capabilities for performance-based decision-support such as sales and profitability. Even while they require a

### Hypatia’s Key Findings

- ✓ The software-as-a-service model is converging with increased business intelligence usage.
- ✓ Companies must integrate data from multiple legacy sources for the most efficient analysis.
- ✓ The popularity of SaaS BI is driven by lower cost, ease of use and faster deployment.

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<sup>1</sup> In this report, we define SaaS BI as a business intelligence application managed by a third-party vendor and accessed by a company’s employees; we define enterprise BI as an on-premise application managed by a company’s IT department.

perspective that can only come from the integration of multiple data sources within the company, IT's increasing importance to the viability of all phases of the company — not just any individual LOB — means that its staff is increasingly focused on projects that provide the biggest payback for the company as a whole. This is not to say that LOB projects are ignored, but according to our research, IT frequently assigns them a lower priority. Even as the LOB is under pressure to deliver results, BI projects can take up to six months when there are limited IT resources to go around. Our case study on a \$10 billion manufacturing company is a prime example of this.

In the meantime, employees still need to analyze data. Frequently, they will revert to using a spreadsheet, an application about which they have a high level of comfort. While this gives employees limited insights, it eliminates the opportunity to gain visibility into a wide swatch of corporate trends. Because they tend to proliferate throughout a company, frequently containing inconsistent data, spreadsheets fall short of providing the ultimate goal that companies need for reliable business intelligence: a single version of the truth.

*“Our division alone extracted data from eight different ERP systems”*

*–Vice-President of IT,  
Manufacturing Co.*

In response, LOB executives are increasingly turning to SaaS-based BI vendors for a variety of reasons:

**Expertise in data integration:** Making data consistent — known as the process of normalization and rationalization — is a difficult process. For SaaS BI vendors, this is a key core competency that saves time for companies.

**Pre-built templates and dashboards:** For midsize companies, which typically have fewer IT resources than large enterprises<sup>2</sup>, SaaS BI vendors can provide pre-built reports that highlight basic corporate needs — e.g., sales and profitability, segmented by region, channel, salesperson, product, or stocking units (SKUs). (SaaS BI vendors also offer consulting services at additional fees to develop specialized reports.)

**Reduced risk:** Companies that tackle internal BI deployments bear more risk than if they hire another firm to do it. With internal budget restrictions, companies may end up with fewer features than they want. With SaaS BI, the external vendor bears the risk.

**Reduced cost:** An internal BI deployment requires up-front capital expenditures of both hardware and software. The latter includes not only the BI software itself, but licenses for software that migrates data from one database to another, such as ETL (extract, transfer, and load), software, or data integration hubs combined with data quality or profiling software for synchronization.<sup>3</sup> Companies using a SaaS BI vendor pay monthly or annual fees. From a budgeting standpoint, a SaaS BI solution offers a repeatable yet predictable business expenses.

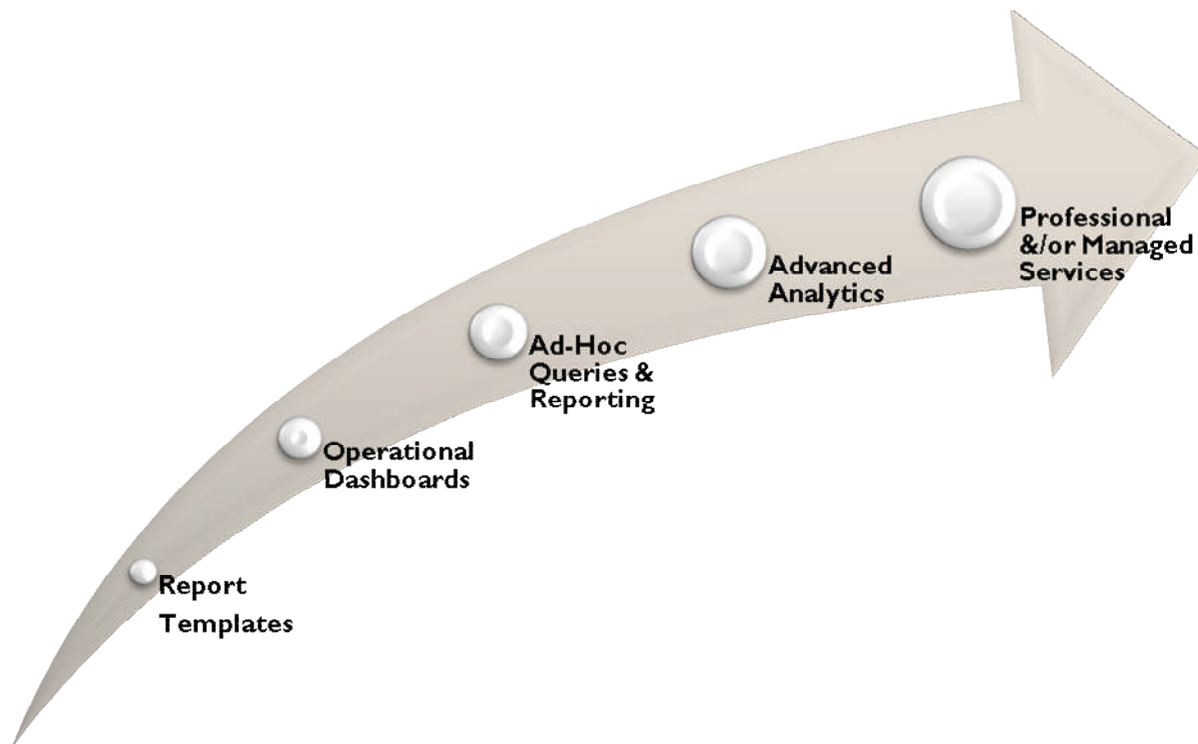
**Improvements in security:** While some companies initially shied away from allowing corporate data to be transferred outside its secure firewalls, advances in data security — including secure FTP and data encryption — abrogate those concerns.

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<sup>2</sup> Large enterprises are defined as having greater than \$1 billion in revenues

<sup>3</sup> Data migration, consolidation and normalization is related to and often considered part of master data management solutions.

**Figure 4: Spectrum of SaaS Capabilities: Simplest to Complex**



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### **Our Assessment:**

- Enterprise and software-as-a-service delivery models are converging with increased business intelligence usage.
- Companies must integrate data from multiple legacy sources for the most efficient analysis.
- The popularity of SaaS BI is driven purely by lower cost, ease of use, rapid deployment and perception of faster time to return on investment.

### **Team Hypatia:**

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Hypatia delivers high impact market intelligence, industry benchmarking, best practices, technology vendor selection, ROI assessment, and consulting services that reduce cycle-time and influence customer management, product strategy and channel development goals. Since 2001, clients have relied on our industry insight, expertise and independent research for guidance in assessing various technology, solution and service options. Like our namesake, Hypatia, we are committed to *Calculating Results™* for our clients.

*Hypatia of Alexandria* (c.370-415 AD), invented several scientific devices--the astrolabe, plane sphere, and hydroscope (hydrometer). These instruments were used to calculate the distance between planets, the position of visible stars at any time of the year, and the gravity of liquids respectively. Hypatia was the first woman to make substantial contributions to the development of mathematics, astronomy & philosophy.

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