ROI FROM YOUR LIS

LOCATION INTELLIGENCE SOFTWARE HAS PROVEN BENEFITS. HOWEVER, PUTTING EXACT FIGURES ON THOSE BENEFITS CAN BE HARD. JAMES BRAYSHAW LOOKS AT SOME OF THE WAYS THAT ORGANISATIONS CAN QUANTIFY ITS VALUE AND SHOW THAT IT WILL MAKE A RETURN ON INVESTMENT

Location intelligence software (LIS) is reaching a new level of smart as it cleverly detects patterns, trends, risks and opportunities that are unseen to the human eye. Unsurprisingly, LIS take-up in enterprises continues at speed, as organisations realise its benefits and identify newer, smarter ways of reducing costs, increasing revenues and getting closer to their customers. Businesses want to enhance customer experience by using LIS to tap into the rich mine of data they have, to add depth, precision and accuracy to the information they generate and the relationships they foster.

Location data is the bridge between the physical and digital worlds of commerce, for businesses large and small. Increasingly, smaller businesses are getting in on the act and realising its benefits. Research by Dresner Advisory Services shows that small businesses are most likely to see location intelligence (LI) as very important or critically important to their business planning. Dresner found that user interest in LI features 'mostly rose across the board' in the past year, with the most important features being map-based visualisation of information, drill-down navigation and maps embedded in dashboards.

For all fans of LI, this increase in interest and take-up looks like great news, but there's one caveat: any investment in technology needs to achieve a return on investment (ROI) and businesses must be able to identify and show in advance how they plan to achieve this. An investment in LI is no exception, but selling it in to a cash-strapped board can be a challenge.

The biggest challenge

Business leaders selling an LI investment to the board can accurately describe its effect on customer experience. They can talk about the insight it brings to the marketing and sales team. They can describe its ability to help detect patterns, risks and opportunities, which can be difficult to see in a spreadsheet analysis.

So far, so good.

But when it comes to quantifying the potential benefits and forecasting a ROI for LI, things can get a little hazy. And if they can't forecast an ROI, the reputation and future of LIS is at risk.

Set success measures

Initially, to work out how to achieve a ROI, businesses need to identify the outcomes, objectives and success measures from across the entire business, not just from the marketing department or estate management. Quantifying the impact of risk is also a good way to forecast ROI.

Here are few methods our clients use:

- Organisations can calculate the cost savings from shifting customer interactions away from call centres to online channels: "Where's my nearest…?"
- Businesses minimise the risk of failed product or service launches, as spatial insights can be integrated into R&D and the cost calculated.
- Businesses can measure the reduced cost of customer retention compared with the cost of customer acquisition: research consistently proves that it costs between four and 10 times more to acquire a new customer than to keep an existing customer, and LI can drive retention when combined with good data quality.
- Improved reporting can create and calculate cost savings by identifying areas of duplication or inefficiencies.
- With insight into risk comes a potential increase in business, which can be quantified in terms of a predicted uplift to the revenue.

And in specific sectors:

- Insurance firms can calculate the impact of underwriting policies that cover areas at risk of hazards.
- Retailers will have the insight to identify and potentially close or change underperforming stores, quantifying the savings from rent, staff costs and other overheads.
- Banks and retailers can look at optimum sites for investment and the potential spend or investment per head in a target demographic.
- Retailers can quantify and avoid cannibalisation among stores too close together.
- Utilities can accurately forecast network outages, enabling them to respond quickly, reduce downtime and minimise customer service and engineering costs
- Public sector organisations can forecast savings from moving citizen resources online and meet digital objectives

Engage the business

Once these quantitative measures have been made and figures drawn up, businesses need to look at the qualitative side to achieving ROI. One of the primary reasons businesses fail to make a ROI in technology within a desired timeframe is poor communication and lack of buy-in across the business. Within their plans to achieve an ROI, business leaders need to draw up plans to:

- **Engage the entire business:** Speak to vendors about training programmes, internal marketing initiatives and other communications programmes designed to promote and inform the business about the value of LI to generate interest and encourage usage.
- **Integrate intelligence:** Location insights can be fed back into the business and integrated into different areas of the business.

EXAMPLES OF MEASURING ROI ON LI INVESTMENTS

Domino's

Domino's Pizza uses LI to improve business decisions. As the Domino's brand grows, managing franchise territories has become more complex and the risk of inadvertently creating territory conflict has escalated. The business now uses extensive, certified address validation technology. It also uses current street information from a validated source. The ability to keep up to date with any new builds, demolitions and changes to building use allows more targeted communications, saving money on wasted direct marketing to addresses that no longer exist, improving the ordering experience and increasing internal productivity.

Peugeot Citroën

Peugeot Citroën, Europe's second largest car manufacturer, wanted to optimise sales forecasting, provide insights into the best performing dealers and improve responses to fleet orders. Using LI enabled the business to improve the accuracy of drive time estimates, gain a realistic view of potential revenue, and learn more about traffic patterns and road conditions.

Pitney Bowes analysed more than 5,000 US branch locations and found that 65-75% of the total deposits gathered by each branch were directly explainable by location characteristics, market demand characteristics (population density, distribution, family/age/income measures, business data…), market competition (number and location of competitors, brand differences), and facility characteristics (size, hours, retail environment). Staff performance and execution only accounted for 25%-35% of performance, so an understanding of location data is critical to predicting performance.

- **Consider the changes in business process:** Investment in technology requires a change in business processes, and this is the same with LI as it adds another, informed stage.
- **Ensure vendor best-practice:** Identify the level of engagement and support the vendor will provide throughout the buying cycle
- **Focus on the outcomes:** Look at how the vendors can deliver the right set of capabilities.

Understanding the positive impact of LI doesn't require the board to take a leap of faith. Location insights unearthed by LIS can be quickly and cleverly transformed into precise, accurate, valuable business intelligence, driving smarter decision making, enhancing the customer experience and ultimately improving business performance. Forecasting the value revealed by these insights and quantifying the risks of not implementing them are two of the most convincing arguments for LI in a strong business case.

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