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Extracting Insights from Vast Stores of Data

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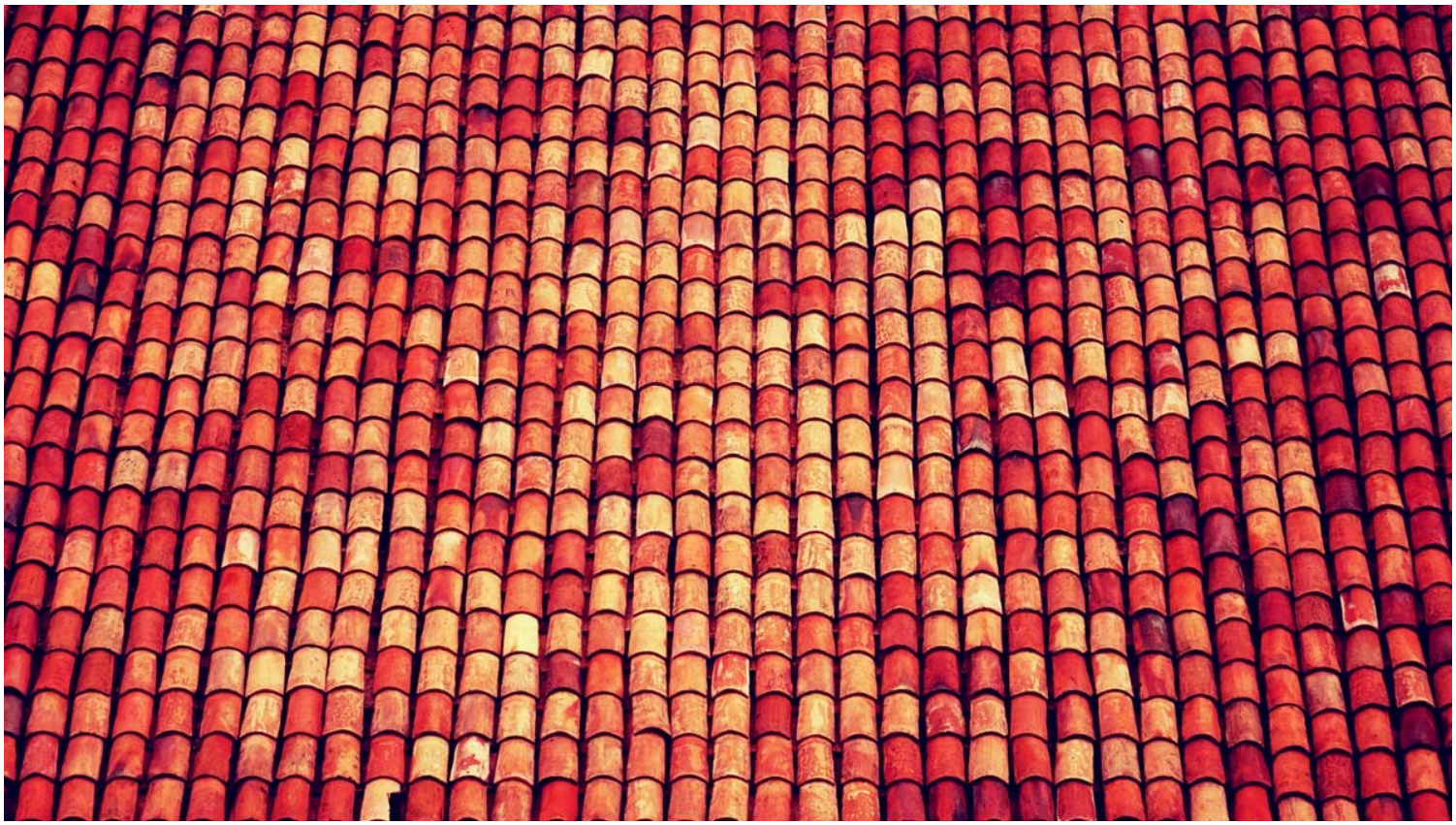

Companies have invested millions of dollars in big data and analytics, but recent reports suggest most have yet to see a payoff on these investments. In an age where data is the new oil, how are smart companies extracting insights from these vast data reservoirs in order to fuel profitable decisions?

In a provocative and influential article, Chris Anderson, the editor of Wired magazine, argued, "...faced with massive data, this approach to science - hypothesize, model, test - is becoming obsolete...There is now a better way. Petabytes allow us to say: 'Correlation is enough.' We can stop looking for models. We can analyze the data without hypotheses about what it might show."

Uncovering hidden patterns in data thus became the new Holy Grail. But even if data scientists are able to find the Grail, these discoveries are often divorced from business problems.

Companies that *have* been successful in harnessing the power of data start with a specific business problem and then seek data to help in their decision making. Contrary to what Anderson preached, the process starts with a business problem and a specific hypothesis, not data. Consider these three cases:

Amazon's Prime Now

In 2005 Amazon launched its Prime service, which offers members free two-day shipping. Brick-and-mortar retailers who found it hard to compete on price or variety highlighted that customers could immediately pick up products in their stores instead of waiting for days. To stay competitive, Amazon launched free same-day delivery for its Prime members in 2015. Soon it announced a new service, Prime Now, allowing its members to order from over 25,000 products that could be delivered to their doorsteps within two hours. How can Amazon deliver thousands of products to millions of households within hours when other online businesses take three to five business days? While efficient warehousing and logistics is part of the answer, Amazon uses customers' past purchase behavior to predict what they are likely to order in the future. This insight helps Amazon optimally locate its warehouses and stock them with the appropriate products. Amazon knows the products you are likely to order even before you do. Better predictive ability from rich customer data has another

important benefit: Amazon does not keep most of its products in inventory for very long, significantly reducing its working capital requirement. In fact, its cash conversion cycle is 14 days, much smaller than the nearly 30 days for most retailers.

Heineken's Cities of the World

In 2014 Heineken was facing a challenge around the world: Its consumers, especially the young "in crowd," were beginning to prefer local craft beers that were seen as more authentic. How can a global brand stay relevant to these consumers? Heineken executives recognized that beer drinking is part of consumers' social life. So what other things or events drove and enriched their social behavior? The company saw that people were using social signals to determine what was hot in a city (bars, restaurants, events) to reduce FOMO (fear of missing out). Using this insight, Heineken launched a campaign called "Cities of the World," supported by a Twitter-based service called @wherenext to drive social engagement. To use this service, consumers simply tweet @wherenext and geo-tag their location to receive recommendations of restaurants, events, or clubs in their area, effectively turning mobile phones into a customized map of city hotspots. Heineken fueled the @wherenext algorithm with insider information, mobilizing influencers to post about their adventures. Soon more than 100 markets translated this global strategy into local markets, creating other unique ways to help consumers find adventurous, worldly experiences. In London Heineken-branded cabs literally drove people out of their comfort zones, delivering customers who drank a pint of Heineken to other pubs in the city for free; in Mexico green Heineken doors around the city opened to surprising experiences — an unexpected bike ride, a trip to London, or a fabulous dinner out. Apart from creating strong affinity for the brand, the overall activation led to 5% volume growth in the top 20 markets

BuzzFeed's Native Ads

Native advertising, or sponsored content that often blurs the line between advertising and editorial, is all the rage among advertisers. BuzzFeed, one of the leaders in this field, was founded by Jonah Peretti in 2006 on the premise that it was possible to reliably produce content that would go viral. BuzzFeed now generates 7 billion views from 200 million

unique visitors every month. Advertisers flock to Buzzfeed for its ability to create sponsored content that achieves 30%-80% social lift, a measure of virality. How does BuzzFeed achieve this level of virality consistently? Jon Steinberg, former president of BuzzFeed, explained, “There is a lot of creativity [in producing content], but once the posts are published the system takes over. We take control during takeoff, but while the thing is in the air it is on autopilot, steered by an algorithm.” The company effectively uses insights from data that allow algorithms to feed the winners and starve the losers.

These examples have one thing in common: The insights from data emerge from having a laser focus on a business problem rather than from taking shots in the dark in the hope of uncovering a hidden truth. Sure, there are scenarios where data patterns that are discovered by chance yield insight, but most of the benefit from data comes from pursuing well-defined problems.

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Sandra Pickering 7 hours ago

Chris Anderson's ‘Correlation is enough.’ We can stop looking for models. We can analyze the data without hypotheses about what it might show” makes no sense! Who is going to interpret the infinite possible outputs and how? Any interpretation and conclusion is built on a mental model of the underlying mechanism - whether or not it is made explicit.

And algorithms are designed by humans.

Data analytics needs to move from mining to meaning: https://www.marketingsociety.com/the-gym/big-data-mining-meaning

The power of data will never be unleashed until the analytics are informed by an understanding of human psychology and the creative ideas it inspires.

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