

Business Intelligence Takes to Cloud for Small Businesses

Long the purview of deep-pocketed enterprises, business intelligence software is increasingly making its way into small-and medium-sized businesses. These firms credit cloud technology, which tends to be both cheaper and easier to manage than on-premises BI systems.

By John Moore | Follow

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The second time was the charm for DeRoyal Industries.

The healthcare products manufacturer decided it needed better information to navigate a rapidly changing industry. After an attempt to create an on-premises business intelligence solution failed to take off, DeRoyal tried a different approach: Running business intelligence in the cloud.

DeRoyal rolled out MicroStrategy's cloud offering 18 months ago. Now, the company aims to use that technology to sharpen its sales focus, make better decisions with respect to its product portfolio and improve its understanding of industry variables such as Medicare reimbursement rates.

Angie Sewell, vice president of IT for DeRoyal, says the company "dabbled" in BI technology several years ago, with an older technology, "and did not find it to be very successful." With its subsequent BI venture, DeRoyal was determined to find an approach that was less expensive, faster to deploy and a better fit for the company's needs.

The cloud-based service, Sewell says, proved "the most cost-effective method to accommodate what we needed to accomplish and accomplish it quickly. That's really why we chose the cloud."

[Gartner: BI Software Spending to Exceed \$17B by 2016; Pace of Growth Slowing]

Business intelligence was once the province of the largest enterprises, which had the deep pockets and requisite technical resources to implement what's often a fairly complex technology. Today, though, the cloud brings BI within the grasp of medium-sized businesses such as DeRoyal, which employs 2,000 people, and smaller organizations as well.

"The cloud does level the playing field," says Howard Dresner, founder and chief research officer for Dresner Advisory Services, a Nashua, N.H. company that focuses on business intelligence and related areas. "[Smaller companies] get the benefits of enterprise software without having to have the on-premises footprint and the staff that typically would be required."

Dresner recently published its third annual study of business intelligence users and implementers. The percentage of organizations using public cloud BI in Dresner's 2014 study increased more than 17 percent compared with 2013 and expanded more than 53 percent since 2012. Dresner's Wisdom of Crowds Cloud Business Intelligence Market Study also notes that more than 75 percent of respondents surveyed say they consider cloud BI models at least somewhat important.

Appeal of Cloud BI: Speed, Staff and Savings

Sewell says adopting MicroStrategy Cloud saved DeRoyal \$50,000 off the bat. That's because the company avoided the cost of acquiring servers and licenses for operating system and application software. In addition, the cloud freed the company from thinking about scalability and the need to accommodate future workload requirements.

The cloud impacted DeRoyal's soft costs as well as its hard IT asset costs. Sewell says the company didn't have to concern itself over how much staff it would need to maintain, configure and monitor the BI system. DeRoyal had no additional bandwidth within its IT staff to manage an onsite solution; it would have had to hire personnel to keep the system going. Given DeRoyal's location in the Knoxville, Tenn. metropolitan area, Sewell says hiring additional staff would have been difficult. "Our recruiting cycle is quite lengthy," she says. "Probably 120 days, minimum.

Altaz Bhanji, director of product management for MicroStrategy Cloud, says DeRoyal's case isn't unusual. Few IT departments brim with additional capacity to take on BI deployment. That situation makes hiring expenses a somewhat hidden cost-of-adoption issue. "Sometimes you overlook things like recruiting," he says.

[News: Microstrategy Rolls Out 'Express' Version of Cloud BI]

Speed ranks as another advantage of DeRoyal's cloud BI deployment. An on-premises rollout would have taken much longer, Sewell says, because of the time involved in selecting software, getting a hardware quote, negotiating terms with vendors and working through installation. DeRoyal inked a contract with MicroStrategy in July 2012; a prototype was operating in November, and the initial rollout took place in December of that year.

Upgrades are quicker, too. Sewell says a typical enterprise resource planning (ERP) upgrade involves about 10 people and takes nine months to complete. Upgrading from one version of MicroStrategy Cloud to another involves two DeRoyal IT employees, with support from the MicroStrategy Cloud team, takes two weeks, she notes, with data validation and user acceptance testing taking an additional month.

Bhanji says the pace of deployment tops even cost as the key consideration for the majority of MicroStrategy's cloud customers. "Far and away, the bigger motivation ... is speed to market," he says, adding that most customers come on board expecting applications to be running "very quickly" without worrying about complexity.

Cloud BI Can Accommodate Legacy, On-premises Systems

Time and money convinced DeRoyal to place business intelligence in the cloud. Not every enterprise is eager to make that switch, though. Bhanji said an organization's prior investment in on-premises gear plays a role in discouraging cloud adoption.

[Tips: 8 Ways Business Intelligence Software Improves the Bottom Line]

"Cloud adoption, in general, has lagged in the business intelligence space when you compare it to things like Salesforce.com and Infrastructure as a Service," Bhanji says. "One of the conclusions we came to was [that] customers spent time building enterprise data warehouses, invested a lot in this technology, and were reticent about moving to the cloud."

DeRoyal built an on-premises, Oracle-based data warehouse to pull data from the company's Oracle ERP system — and the company continues to maintain its data warehouse onsite. The workaround: The company uses MicroStrategy's Direct Connect technology to link that data source to its MicroStrategy Cloud instance.

"They can keep the data warehouse on premise and run the business intelligence layer in the cloud, Bhanji says. According to MicroStrategy, 43 percent of cloud customers host their data in onsite warehouses, with 57 percent hosting their data in the cloud.

BI Software Helps Firms Get Data-driven Answers

Sewell says DeRoyal put the cloud-based BI system in place to help the company deal with the major changes that have occurred in healthcare in recent years. The objective: Make decisions based on information, she says, as opposed to speculating on what business direction to pursue. "We felt we had a lot of data, but not a lot of information."

[Related: Using Business Intelligence to Make Better Health Decisions]

Months into its cloud business intelligence deployment, DeRoyal is at a point where it can start turning data into actionable information, Sewell says. For example, the company can now detect where sales are surging and encourage sales people to replicate that success in other territories. Conversely, the company can flag areas where sales are lagging and take steps to prevent those declines from happening in other markets.

DeRoyal also uses business intelligence to obtain insight into how various business and regulatory forces impact its 25,000 stock keeping units. The company sells medical products ranging from knee braces to shoulder immobilizers, selling directly to healthcare providers as well as through distributors.

Before its cloud BI system, DeRoyal managers couldn't be certain whether a sales trend was the result of a distributor drawing down inventory or a change in Medicare reimbursement [tk]. The company can now leverage business intelligence to make that call and adjust product offerings accordingly.

"Our goal is to make better business decisions," Sewell says. "We couldn't have done that as quickly, or cost effectively, without deploying cloud technology."

John Moore

John Moore has written on business and technology topics for more than 20 years. His areas of focus include mobile app development, health IT, cloud computing, government IT and distribution channels.

