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5 reasons why your business needs to be using analytics today

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We keep hearing in the news and in professional publications that everyone needs to use data analytics. It's the greatest thing since sliced bread. So why should businesses consider using data analytics? The reason is simple: data analytics presents many new opportunities to improve efficiency, gain actionable information on customers and add value to financial reporting. Analytics can have many positive effects on your organization, including those highlighted below.

1. Sleep at night factor

Data analytics can provide business owners and executives with peace of mind, often called the "sleep at night factor" because there is comfort in knowing that analytics are being performed on your data to detect and investigate anomalies and prevent override of controls due to fraud or error. Analytics can be used to monitor and test controls to ensure business is running smoothly. A few examples where analytics are helping organizations include monitoring people who are accessing sensitive data at unusual times, posting journal entries that are outside the norm and monitoring the payroll system for ghost employees or unauthorized payments. Analytics can be used in a periodic review or on a continuous basis.

2. Improve efficiency

Data analytics improves efficiency by saving money and time. We're always told "time is money" and analytics can help increase the time available to focus on the matters of greatest importance to your business. Data analytics provides a platform to continuously monitor your business to make real-time changes to inventory levels, staffing needs and marketing spends. Data analytics can assist you in finding that delicate balance between having sufficient quantities of inventory on hand to meet customer demands and holding excessive quantities, which results in increased financing costs. Data analytics can be used to review staffing needs by determining the right number of employees needed on the job. By analyzing seasonal, monthly, weekly and even hourly trends, you can determine the staffing levels needed at

a particular time to ensure that customers are served on a timely basis, while minimizing the cost of idle staff. By analyzing various data sources, marketing efforts can be adjusted to maximize results from the marketing budget. Using data from website traffic and social media stats, data analytics will help you learn, in real time, if a marketing campaign is having the desired impact.

3. Gain customer knowledge

Knowing as much as possible about your customers is extremely valuable. Understanding who are your top and bottom customers is important. Quickly knowing when your top customers start reducing orders allows you to address any issues on a timely basis, helping you restore previous sales levels. Knowing your bottom customers and identifying how to turn them into top customers can be done with the help of analytics. By analyzing sales to your clients, you can predict when they will reorder and ensure that you have products ready. You can also send a courtesy reminder to help the client know when it is time to reorder.

4. Add value to reporting

Reporting is often seen as a mundane, repetitive activity that provides limited value. By using analytics, reporting becomes valuable and informative. By implementing automated weekly, monthly and quarterly reports, more time can be used to analyze the results. Visualization tools can also be used to make the information more dynamic and easier to understand. Having employees focused on analyzing – rather than preparing – reports will make your company proactive instead of reactive.

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5. Identify duplicate payments and tax recovery opportunities

Analytics can be used to identify duplicate payments that may be occurring in your accounts payable and payroll systems. Business owners and staff often work long hours and get pulled in many different directions, thus increasing the possibility of entering an invoice twice. Finding duplicate payments will allow the business to preserve funds and help with short-term cash flow. Similarly, not taking advantage of tax recovery opportunities can have an impact on cash flow. Data analytics can quickly examine a large population of invoices and ensure that taxes and the relevant related information have been coded correctly, allowing for the returns to be populated accurately.

*Collins Barrow incorporates the tools, skills and knowledge in data analytics to serve our clients through audits, review, tax and special projects. CB Nova Scotia partner **Jamie Welsh, CPA, CA**, and director of data solutions **Jonathan Nichols** work together to help their clients implement data analytics.*