



# A Practical Guide to Augmented Analytics in Procurement

Augmented analytics is often misunderstood. It isn't a technology as such, but rather a process for using technologies. The term was coined by the analyst firm Gartner in 2017, which describes it as "the use of enabling technologies such as machine learning and AI to assist with data preparation, insight generation and insight explanation to augment how people explore and analyze data in analytics and BI platforms."

So, you can't go out and buy augmented analytics as you would an eProcurement module, for example. The reality is that

augmented analytics is more of an idea that hinges on combining your existing data with technologies like machine learning (ML) or artificial intelligence (AI) to automate and enhance the visualization, analysis and interpretation.

The key lies in the word "augmented": If you augment something, you make it larger or more complete by adding something to it.

But what exactly are we augmenting here? Sure, it augments your data, but the real value comes from *augmenting people*. Enabling them to make

quicker, smarter and better-informed decisions. The goal is to make data more accessible and actionable for everyone as opposed to needing a data scientist with years of training.

Data-driven decision making is all the rage in today's business world, and augmented analytics is helping to bridge the gap between everyday users and IT experts. Because of that there are no specific use cases. Analytics is everywhere and so too is the opportunity for augmenting them.

Augmented analytics in general terms is the progression through four stages of data:

**Raw data** – This is the core set of data that an organization has about a category, business unit, solution, supplier etc. The focus here is to clean up and filter this data into categories for interpretation.

**Descriptive data** – This is historical data, summarized and presented in a standard reporting dashboard. It is focused on what happened in the past and what performance was like. Descriptive data enables optimizations and testing after the fact, giving a degree of baseline visibility.

**Predictive analytics** – By applying statistical forecasting and modeling algorithms, you can build upon historical data to use it predictively. In simple terms it is a series of “if, then” statements. If X happens then Y is likely to occur. For example, based on XYZ supplier's historical performance, this shipment has a 78% chance of being late.

**Prescriptive analytics** – By using AI and ML these predictive forecasts can also turn into intelligent recommendations. More than just forecasting, prescriptive analytics is about showing you what the optimal solution is based on historical data. If XYZ's delivery is late, these are the alternative solutions.



# Myth Busters: Augmented Analytics Edition

Due to the “abstractness” of the term, there are a great deal of misconceptions around augmented analytics.

<b>Common Misconceptions and Myths</b>	<b>The Reality</b>
Augmented analytics can run my business for me.	Augmented analytics is designed with people at the center to drive decisions leveraging data. Data is no good without people to use it.
Any data is ready for analysis automatically.	No, data needs to be relevant and clean in order for any analytics system to deliver meaningful results.
I have tons of data, there must be hidden value in it somewhere!	Not exactly, while some data will hold the key to cost savings and greater value, some data won't. There are no shortcuts, and while hidden gems do exist, they aren't everywhere.
With this new data insight, I'll be able to solve my biggest problem immediately.	It's much better to start small. Even with AI giving recommendations it still takes practice to get the hang of interpreting data and applying human insight to data insight.
Augmented analytics holds the key to every problem.	Previously “unsolvable” problems won't magically be solved with augmented analytics. Magic bullets don't exist. However, it may bring perspective or a new approach to a problem that you hadn't considered before.



# Steps to the Perfect Implementation

Augmented analytics covers such a broad spectrum of use cases that there is no “one-size-fits-all” approach. However, there are steps that every company needs to take in order to successfully implement, scale and maximize value from augmented analytics.

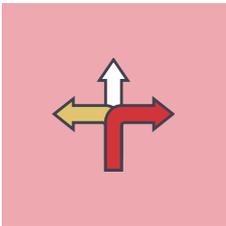


**1. Get your underlying data right. You can't skip from raw data to prescriptive analytics. It takes time to ensure that you have relevant and clean data. The old saying, “garbage in, garbage out” holds true here – take the time to get this right.**

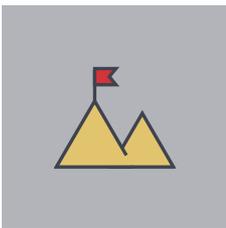




2. What problem are you trying to solve? You need to figure out a few clear and practical use cases upfront. Typical procurement use cases include analysis of cost drivers, forecasting spend volume, supply risk management and mitigation, identifying fraud and maverick spend, analyzing the reasons for materials price variance, calculating true lifetime cost of ownership, determination of the most valuable supplier offerings in real time.



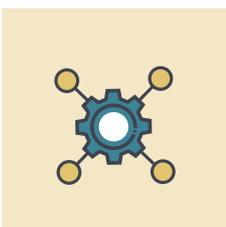
3. Work backwards. Most people make the mistake of starting with technology and then trying to fit that into a business problem. That often leads to friction. Instead start at your problem and figure out how (or if) augmented analytics can help.



4. Set the guardrails. What do you specifically want to achieve and how do you want to get there? Once you have a specific plan laid out the rest starts to fall into place.

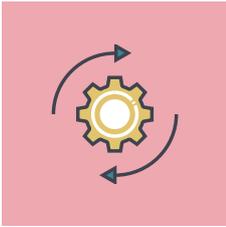


5. Make your case. Any digital initiative needs senior leadership support. This will look different at every company – in some cases it might be better to focus on one “internal champion” where in others it may be a C-Suite presentation. Stick to your plan and focus on the specific use cases and benefits.

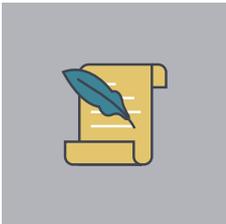


6. Make the choice between in-house or external. Most people are going to lean on an external partner for implementation support, but if you have a robust IT department with spare capacity then it might make sense to have an internal build. Going external can often lead to a smoother implementation due to the technology partner’s experience.





**7. Set your timeline.** Regardless of whether this will be an internal or external project, there needs to be a clear timeline. Set realistic milestones to hit that ensure the wheels are always in motion.



**8. Document the process.** Make a full assessment of lessons learned, areas for improvement, and other goals for the next analytics project.



**9. Test and experiment.** When dealing with data it can take some time to get used to the process. It's important to stay the course and develop "analytical literacy" to continue taking steps towards a perfect blend of human and data insight.



**10. Measure user adoption.** No matter how many interactive dashboards and recommendation engines you enable, if your people aren't taking advantage, it's a wasted investment. You need to monitor user adoption constantly and take steps when necessary to encourage full system usage.



*Augmented analytics can open up new doors for your business by making proactive, intelligent, data-driven decisions. Want to learn more about how to unlock your organizations full analytical capabilities? Get in touch with JAGGAER today!*

# Notes



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