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Making Financing Pop:
How one group of finance professionals
is seeing numbers in a whole new way

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Financing one boatload of cement from the Middle East is simple. Things gets tricky when 15 to 20 of them are underway at different points in their cycle, a process that ThoughtStorm Strategic Capital principal Michael Princi orchestrates routinely.

One critical group — independent investors. To help them understand the financing, Princi uses Tableau. "You can literally and visually show someone their largest exposure at the peak of shipments,'" he said. "The value in Tableau in this case is to communicate — and helping us come to conclusions much more rapidly."

He was able, for example, to show how their exposure was actually less than they thought and to convince them that preferred equity was more appropriate than debt.

Princi has a wide range of business skills. After a long stint as senior member of Accenture Corporate Strategy, he co-founded ThoughtStorm, a boutique investment bank and advisory firm based in New Jersey. Its eclectic portfolio has involved the firm in an internet retailer of lingerie, a winery and others in addition to the cement shipments.

Explaining complex finances

The cement financing calls for a seasoned hand at the controls. As each boatload embarks, the firm usually owns every bit of the cement it contains. In a typical month, Princi controls 15 to 20 shipments. As each one sails through its 65-day finance cycle, ThoughtStorm investors issue letters of credit to take ownership of some portion, in effect taking temporary ownership. That reduces ThoughtStorm's exposure.

Investors new to the shipping business commonly use what seems like common sense math to figure capital requirements: they simply add up all the commitments. But Princi explains that requirements vary by day, and the real peak is far less than the sum.

Tableau provided Princi with a "clear, compelling way" to demonstrate the actual capital needs. In one period, for example, the apparent total at stake for six ships out at $2.5 million apiece is $15 million. But ThoughtStorm actually needed only $9 million.

Without that visual display, it's a much more complex story to tell.

"We tried to do it a number of different ways," he said. In one attempt, they made large Excel spreadsheets with conditional formatting that signaled conditions in colored fields. But Excel could never quite get down to a quarterly or daily view to see exposure while ramping up, during steady state, and while ramping down.

In Tableau, Princi was able to produce "crisp, clean snapshots" that made the actual exposure clear to anyone. He could then negotiate better terms for ThoughtStorm.

"The real exposure is probably just three ships, and it's easy to show that to investors with the Tableau timeline. They can literally see it."

*Michael Princi,
principal,
ThoughtStorm
Strategic Capital*

Internet lingerie: thumb on the pulse in five days

Princi often finds himself running businesses that are new to him. Recently, after ThoughtStorm had taken a controlling interest and assumed control of operations of a failing internet retailer of women's lingerie. He started out with a lot of questions — but despite a huge pool of data, he found few answers.

Within five days, however, he said, he "had a thumb on the pulse"— with Tableau, not with the tool he had used the most until then, Excel.

"Even though I'm a numbers person," he said, "and I can see trends more than some people, [Tableau] allows numbers to pop. I don't have to think, hmm, what's this saying? I just see it."

The retailer's catalog offered enormous choice: 42,000 items in all sizes from petite to plus. The management team believed in the "lifetime value of the customer," and wooed new customers with Google key-word placements.

Princi examined critical metrics such as the gross margin per product, the number of products per order, the number of orders per customer, and the number of customers per channel and for all channels. From that, he could figure the gross margin.

"Once we sorted out what was in the database and found key fields," he said, "we were quickly able to piece together key snapshots."

Over four or five busy days, he looked at the retailer's trends — in margins, each segment's trends, and all trends for each repeat customer — to understand the business's problems.

Dismissing old notions

"We quickly dismissed a lot of the notions that the management team had," said Princi. "Tableau was a very rapid way for me to understand," said Princi.

A few facts jumped out:

- Of the huge catalog, only about 500 of the items accounted for about 95 percent of the sales.
- Most of the sales were of "plus" sizes.
- The strategically important "lifetime value of the customer" was continually undermined by service failures. A typical repeat customer would make three or four purchases before hitting a long delay after ordering an out-of-stock item. Most of these customers never returned.
- Advertising expenditure was uncontrolled.
- Shipping was badly managed, resulting in unnecessary expense. For example, packages exceeding one carrier's economy class were automatically shipped at a second carrier's more expensive class — when in some of those shipments they could have been shipped cheaper by sticking with the first carrier. With a

Tableau chart, he could hand a shipping profile to the high school student in the mail room and reduce shipping charges.

"It's about taking a guy like me who's more business oriented and less technology oriented," he said, "and being able to inform my decision making. That's where Tableau comes in. "

Less tech, more business expertise

"I'm absolutely pleased with the tool," said Princi. "It's really been an enabler for a number of things."

It has also allowed him to keep his staff small. Without constant need for an SQL programmer to query and report data, he can have more people on staff with business expertise.

He's been surprised by Tableau's power. "We have an intern, a high school graduate, and she's been doing some pretty amazing things with Tableau," he said. "Here's a kid who's gifted in terms of intellect, but a high school graduate. She picks up [Tableau] and all of a sudden she comes back to me, like, hey look at this snapshot. Its kind of interesting. I think it's a good testament to how powerful tools are."

About the author

Ted Cuzzillo is a freelance writer with credentials in business intelligence from the Data Warehousing Institute and an MBA from Dominican University (California), so he understands data analysis and finance. He is a regular columnist for The Data Warehousing Institute at **www.tdwi.org**, and he writes about business intelligence on his blog **www.datadoodle.com**.

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