

Predicting success: Driving Increased Customer Value with Advanced Analytics

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Advanced Analytic Solutions, IBM



Market Factors Have Created Smarter Consumers



Instrumented



- Always connected
- Instantly informed
- Using multiple technologies

Interconnected



- To other consumers
- To trusted information
- Want to connect with you
- Freely sharing opinions

Intelligent

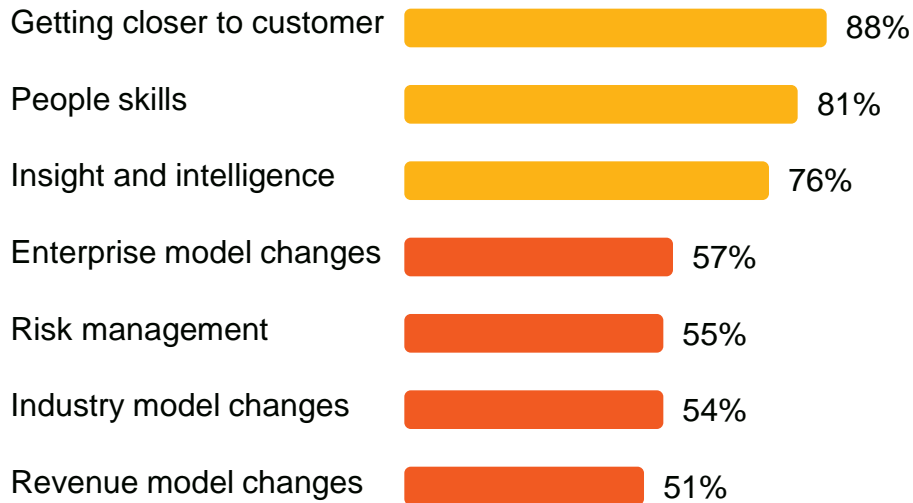


- Know products better than you do
- Know (and shape) your reputation
- Clearly defined expectations for customer experience

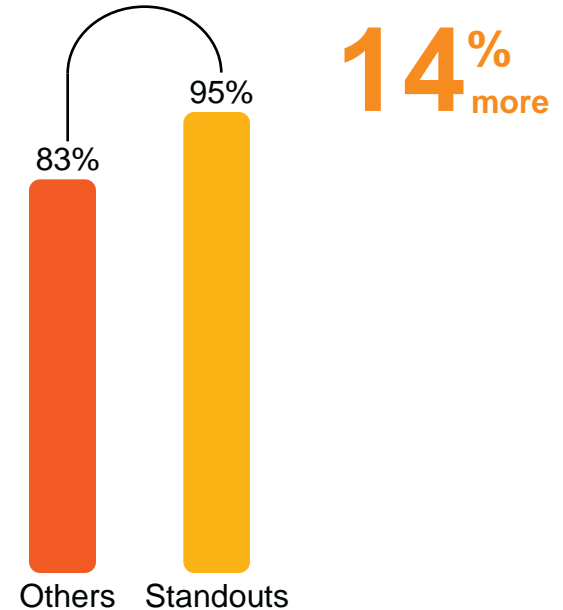


“Getting closer to the customer” is THE top priority for Standouts

Dimensions to focus on over the next 5 years



Getting closer to customers



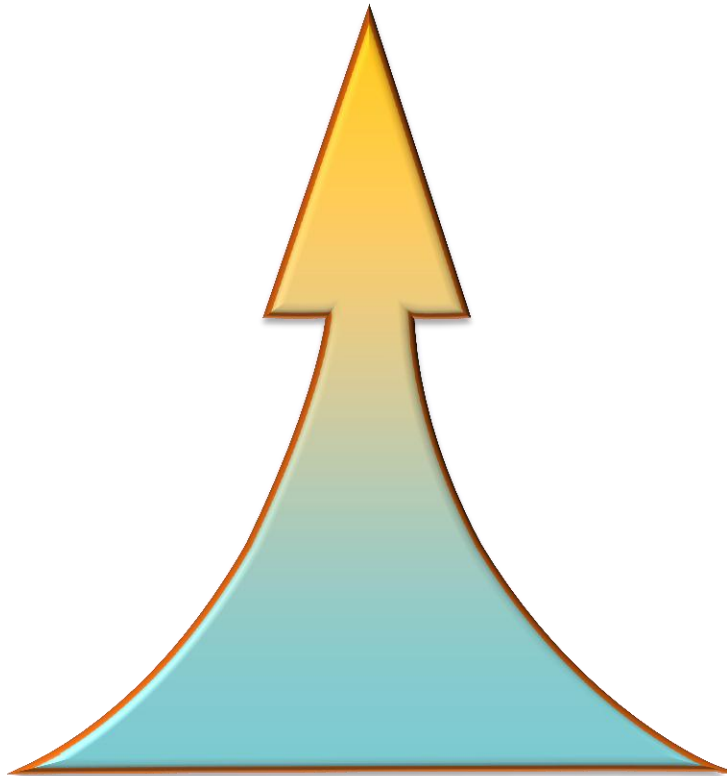
Source: Q13 Which of the following dimensions will you focus on more to realize your strategy in the new economic environment over the next 5 years? n=1,523, n=303



Predictive Customer Analytics: Reshaping how companies go to market



One to One



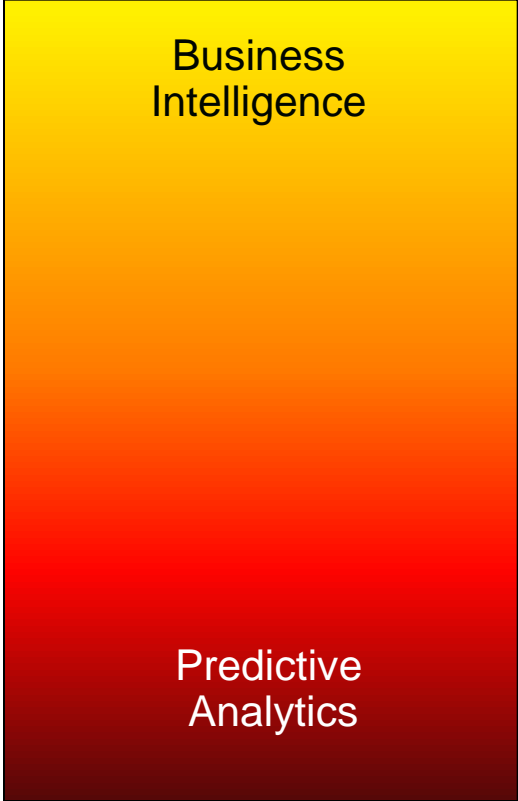
The Broad Brush

“Our customers want personalization of services and products. It is all about the market of one.”

Tony Tyler
CEO, Cathay Pacific Airways, Hong Kong



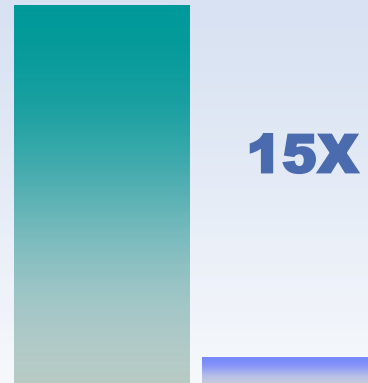
Extracting intelligence: Full-spectrum analytics



Going beyond Insight to *Foresight*



Top Performers Demonstrate Expertise

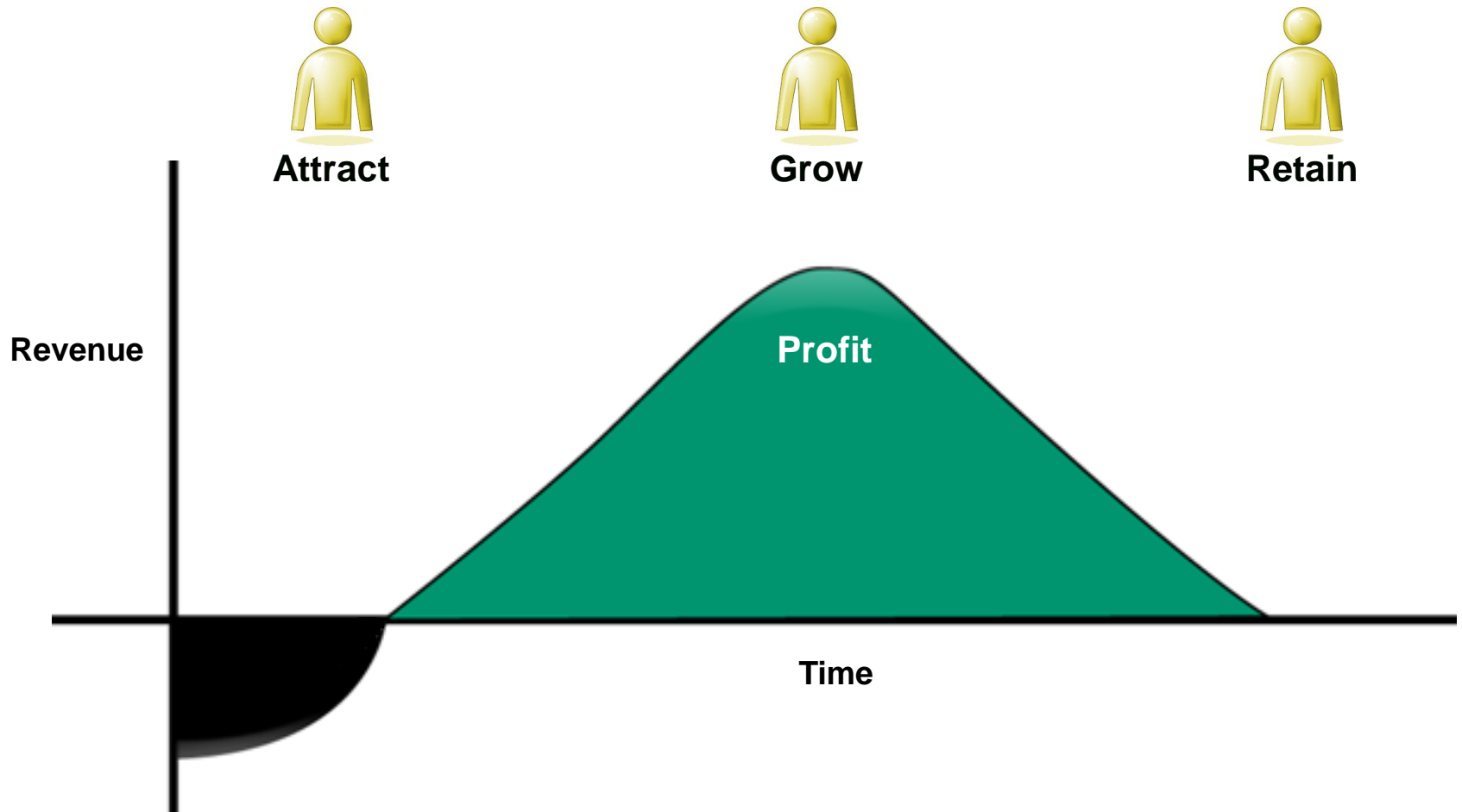


Predict and prepare for the future
by evaluating trade-offs proactively

- Industry Top performers
- Industry Under performers



Predictive Analytics for CRM



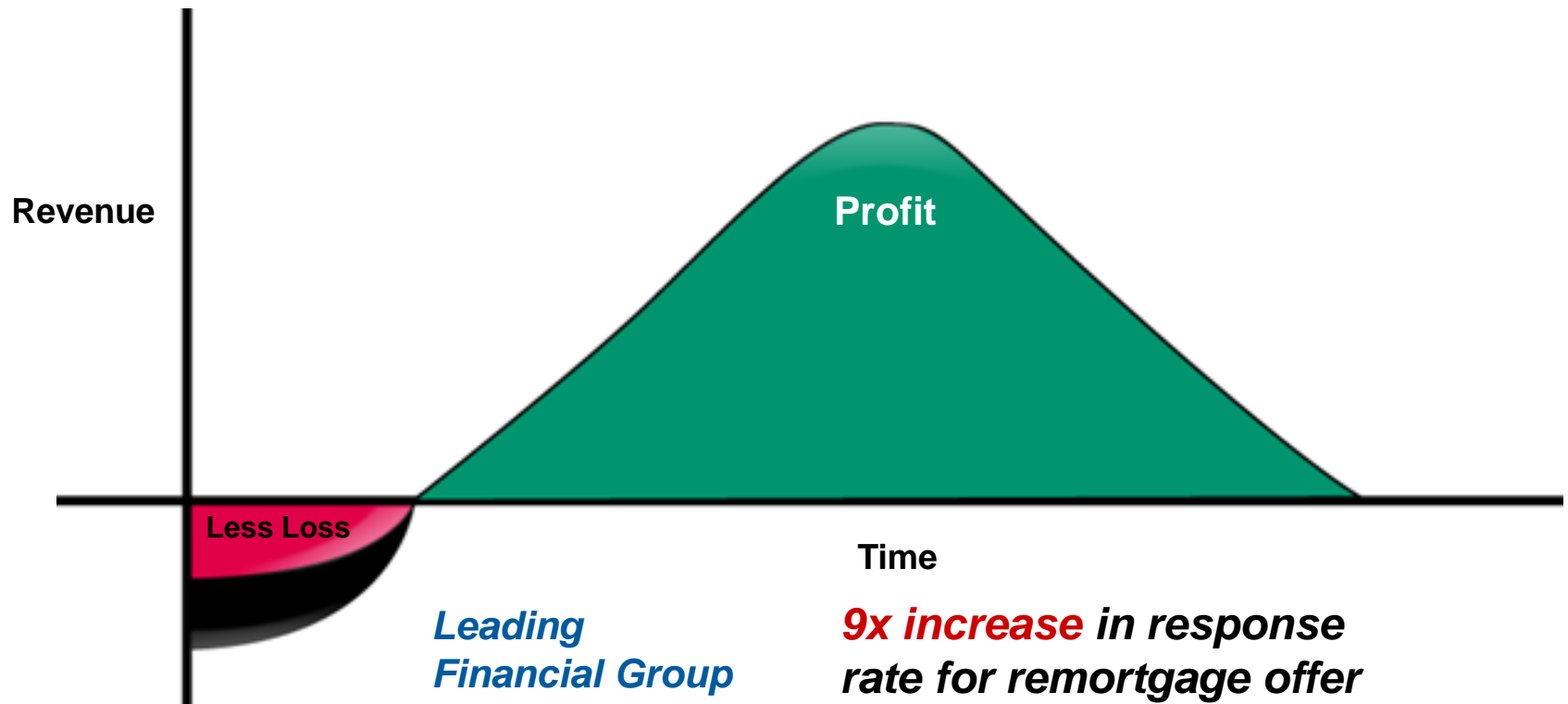
Predictive Analytics for CRM



More Efficient Acquisition

More Frequent Up/Cross Sell

Longer Lasting Relationship



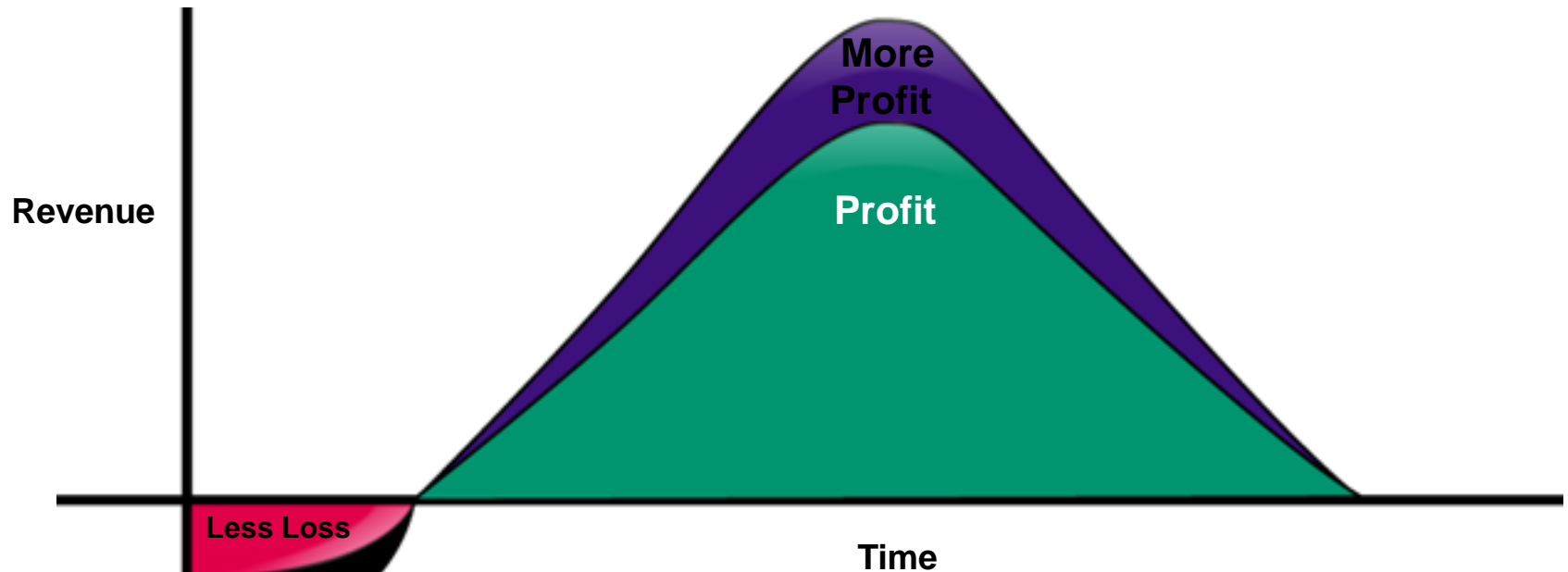
Predictive Analytics for CRM



More Efficient Acquisition

More Frequent Up/Cross Sell

Longer Lasting Relationship

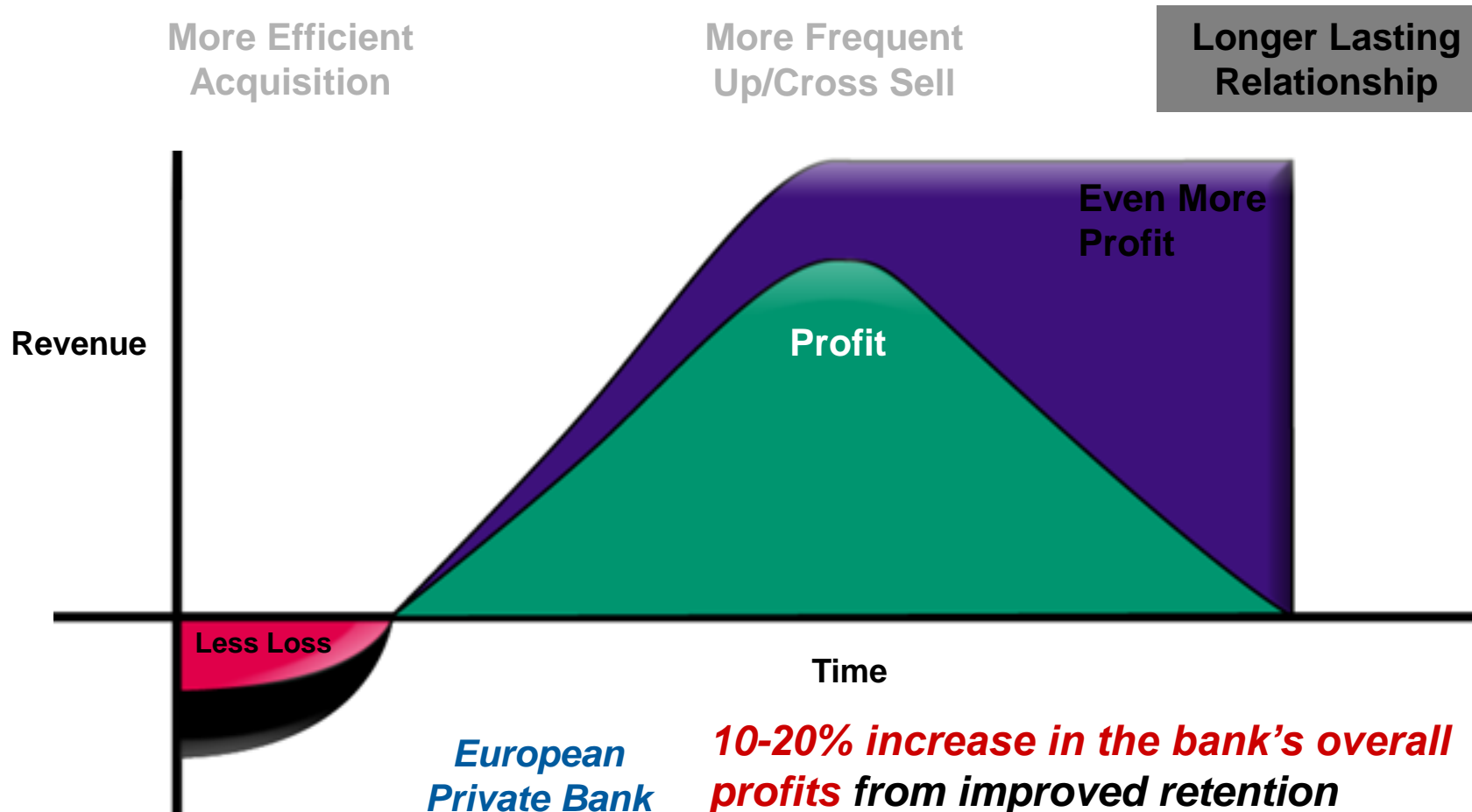


Japanese Electronics Retailer

Tripled profitability of web channel through improved cross-sell recommendations



Predictive Analytics for CRM



Predictive Customer Analytics

Maximise the value of customer relationships

AVIS

We try harder.



Independent Health.
 Dedicated to
Making a Difference



Data at the heart of Predictive Analytics

Interaction data

- E-Mail / chat transcripts
- Call center notes
- Web Click-streams
- In person dialogues

Attitudinal data

- Opinions
- Preferences
- Needs & Desires



Descriptive data

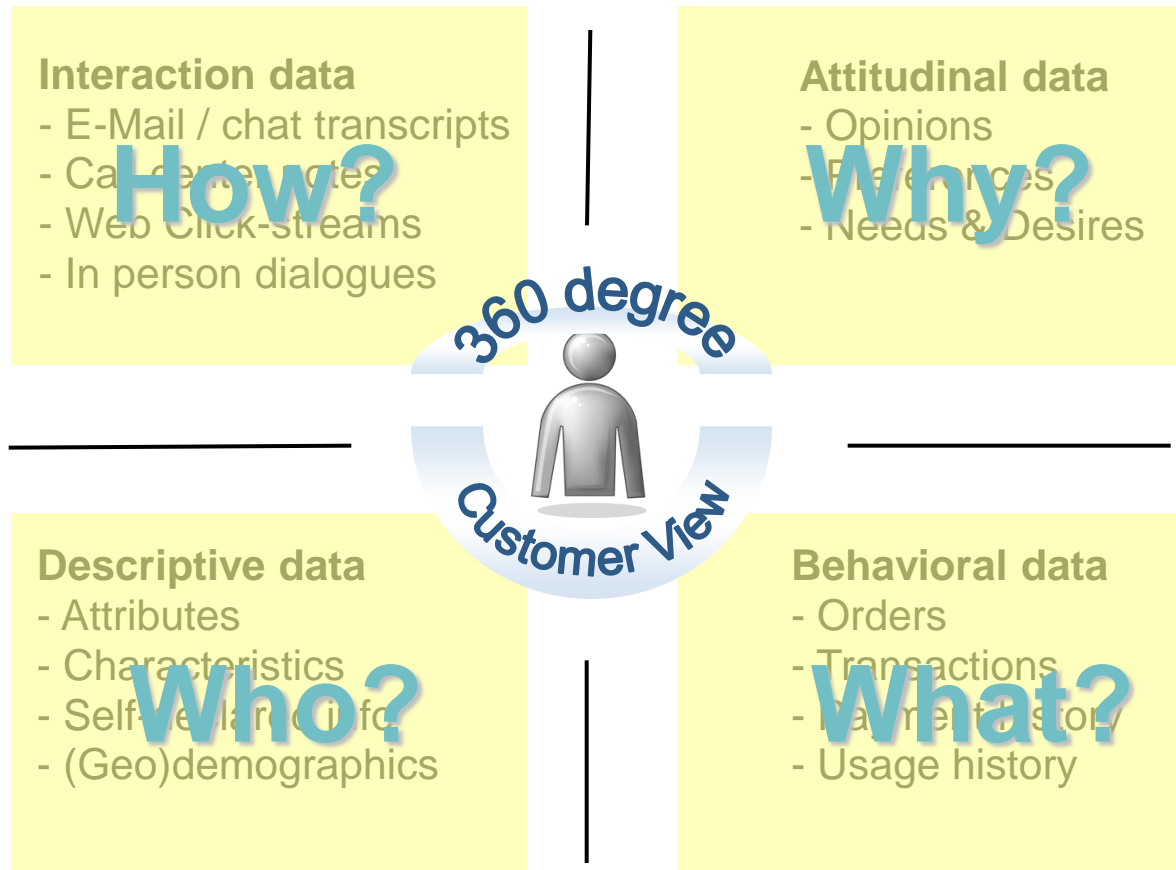
- Attributes
- Characteristics
- Self-declared info
- (Geo)demographics

Behavioral data

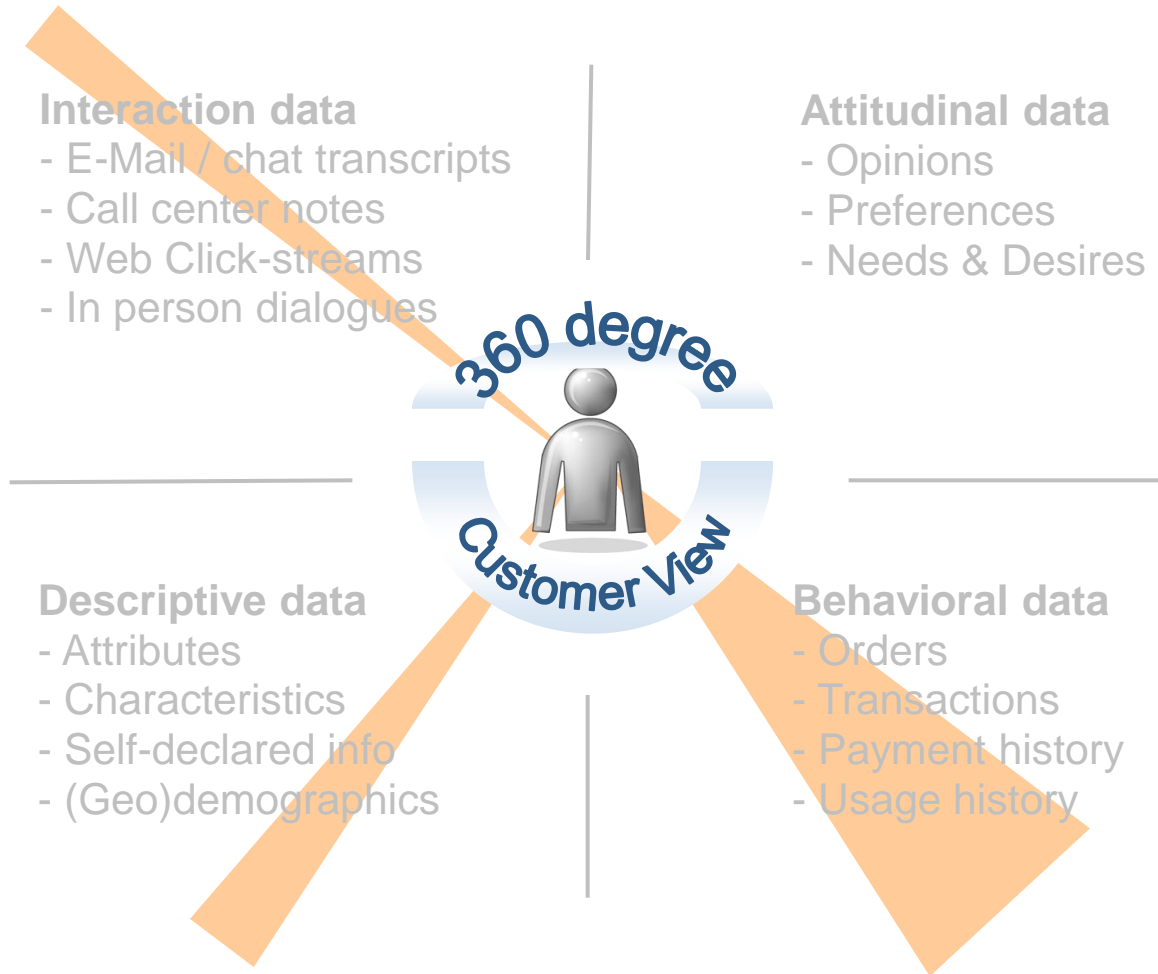
- Orders
- Transactions
- Payment history
- Usage history



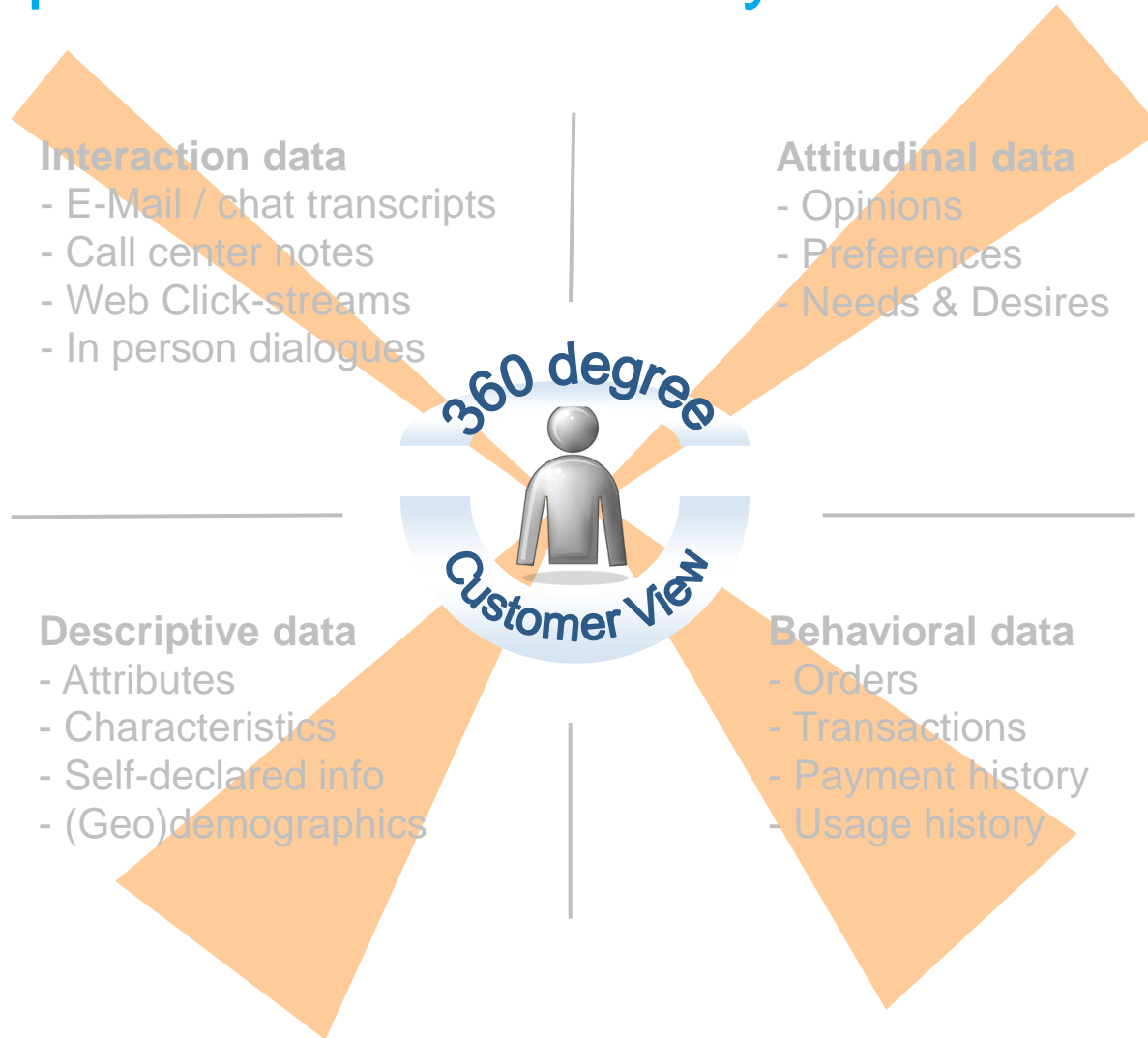
Data at the heart of Predictive Analytics



Pragmatic approach: Go for quick wins with easily available data



Pragmatic approach: Go for quick wins with easily available data



Putting Predictive Analytics in the Hands of the Business

IBM Analytic Answers



Companies/departments adopting advanced analytics face challenges:



Cost

- software licenses
- servers and hosting
- maintenance
- services



Dependence on IT

- budgeting/approval
- resourcing
- Integration with IT/data infrastructure



Need for Analytical Expertise

- Hiring
- Training



Time to value

- Need all these in place before starting work
- Complete analysis and deploy results

Barriers to adoption for many organizations



Introducing IBM Analytic Answers



A portfolio of **cloud-hosted solutions**, available on a **subscription basis**, that deliver directly-actionable predictive/prescriptive information **direct to the line of business.**




Removes barriers to adoption




No up-front investment

Cost

- Eliminates
- Servers and hosting
- maintenance
- services



Minimal IT involvement

Deployment

- Minimal IT approval
- Outsourcing
- Integration with IT/data infrastructure



No analytical skills required

Need for **Expertise**

- Minimal training



Minimizes time to value

Time

- Minimal IT in place before starting work
- Complete analysis and deploy results

Makes the power and value of advanced analytics accessible to new types of user



Insurance Renewals



Which of my insurance policy holders are unlikely to renew next month? How could I persuade each one to stay loyal?

Purchase Analysis & Offer Targeting



Which products do my customers tend to buy together? Can I leverage that knowledge to create combination offers and promotions that increase basket size and revenue per customer visit?

Student Retention



Which of our students are performing below their predicted potential? How should we intervene to get them back on track and avoid the possibility of their dropping out?

Prioritized Collections



Which of my overdue debtors are likely to pay? How much can I recover from them, and which treatment will be most effective for each?



Dashboard

Current Month

Total Questions: 10
 Total Records: 119084
 Maximum Records: 1000000
 Overage Records: 0

My Answer Services



Insurance

De

Insurance Renewals.csv - Microsoft Excel

	K	L	M	N	O	P	Q	R	S
1	COUNTRY	COVERAGE	EDUCATION	EFFECTIVE_TO_DATE	EMPLOYMENT_STATUS	FIRST_POLICY_OPENING_DATE	GENDER	INCOME	LAST_CLAIM_FIRST
2		Extended	high school or below		Medical Leave		F	17026	
3		Basic	bachelor		Employed		M	99287	
4		Extended	college	2/24/2011	Unemployed		F	0	
5		Extended	bachelor	2/20/2011	Employed		F	90035	
6		Basic	high school or below		Employed		F	38931	
7		Basic	master		Unemployed		M	0	
8		Basic	high school or below		Employed		F	58401	
9		Basic	high school or below	2/26/2011	Unemployed		F	0	
10		Basic	college		Unemployed		M	0	
11		Basic	high school or below		Employed		F	52015	
12		Premium	bachelor		Employed		M	32764	
13		Basic	college		Employed		M	48747	
14		Extended	master	2/17/2011	Medical Leave		F	22490	
15		Basic	college	2/27/2011	Unemployed		M	0	
16		Basic	college		Employed		F	44762	
17		Extended	master	2/14/2011	Unemployed		M	0	
18		Basic	high school or below		Employed		M	30851	

Dashboard

Current Month

Total Questions: 10
Total Records: 119084
Maximum Records: 1000000
Overage Records: 0

History

Total Questions: 10
Total Records: 119084

My Answer Services

1-1 of 1 items

Insurance Renewals Demo(10 Questions, 119084 Records)



Detail

My Questions

New Question

Refresh

1 - 10 of 10 items

10 | 25 | 50 | All

1

Question No.	Answer Service	Status	Submitted By	Submitted Time	Records	Answer	Insight
11194	Insurance Renewals Demo	Completed	Insurance	3/14/13 3:10 PM	17012		
11193	Insurance Renewals Demo	Completed	Insurance	3/14/13 2:57 PM	17012		
11190	Insurance Renewals Demo	Failed	Insurance	3/13/13 12:09 AM	0		
11189	Insurance Renewals Demo	Failed	Insurance	3/12/13 7:31 PM	0		
11188	Insurance Renewals Demo	Completed	Insurance	3/12/13 7:14 PM	17012		
11187	Insurance Renewals Demo	Completed	Insurance	3/12/13 12:41 PM	17012		
11186	Insurance Renewals Demo	Completed	Insurance	3/11/13 10:43 PM	17012		
11185	Insurance Renewals Demo	Completed	Insurance	3/9/13 6:15 AM	17012		
11184	Insurance Renewals Demo	Failed	Insurance	3/8/13 3:22 AM	0		
11183	Insurance Renewals Demo	Completed	Insurance	3/6/13 8:30 PM	17012		

My Questions

New Question Refresh

1 - 10 of 10 items 10 | 2

Question No.	Answer Service
11194	Insurance Renewals Demo
11193	Insurance Renewals Demo
11190	Insurance Renewals Demo
11189	Insurance Renewals Demo
11188	Insurance Renewals Demo
11187	Insurance Renewals Demo
11186	Insurance Renewals Demo
11185	Insurance Renewals Demo
11184	Insurance Renewals Demo
11183	Insurance Renewals Demo

New Question

Select answer service

Insurance Renewals Demo

Select d


Insuranc

Upload

11183

OK Cancel

Message from webpage



Question submitted successfully.

OK

Insight

My Questions

New Question

Refresh

1 - 10 of 11 items

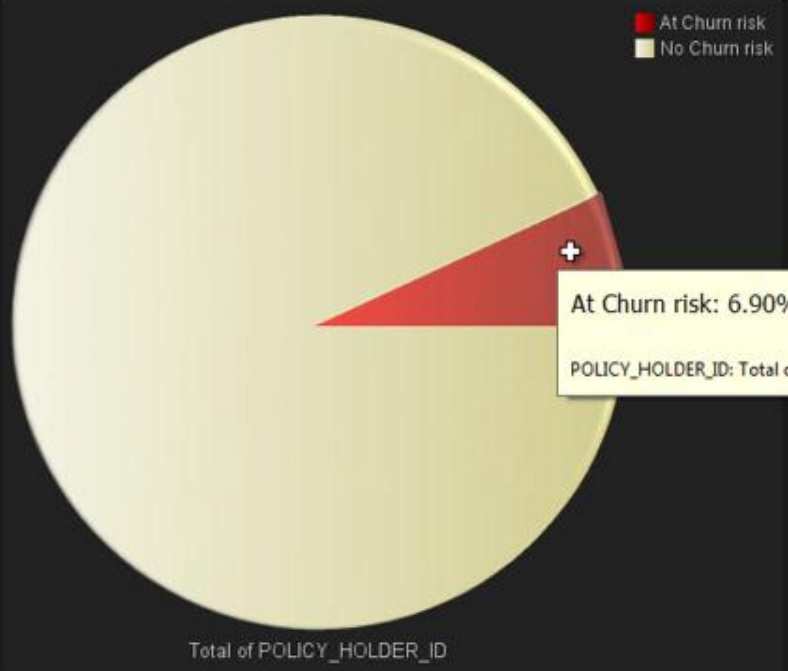
10 | 25 | 50 | All

1 2

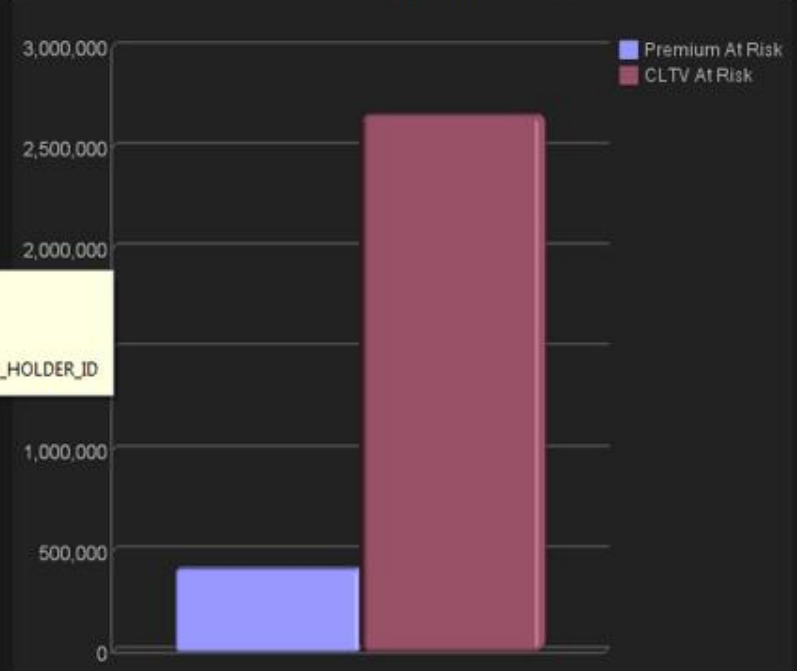
Question No.	Answer Service	Status	Submitted By	Submitted Time	Records	Answer	Insight
11195	Insurance Renewals Demo	Completed	Insurance	3/17/13 9:04 PM	17012		
11194	Insurance Renewals Demo	Completed	Insurance	3/14/13 3:10 PM	17012		
11193	Insurance Renewals Demo	Completed	Insurance	3/14/13 2:57 PM	17012		
11190	Insurance Renewals Demo	Failed	Insurance	3/13/13 12:09 AM	0		
11189	Insurance Renewals Demo	Failed	Insurance	3/12/13 7:31 PM	0		
11188	Insurance Renewals Demo	Completed	Insurance	3/12/13 7:14 PM	17012		
11187	Insurance Renewals Demo	Completed	Insurance	3/12/13 12:41 PM	17012		
11186	Insurance Renewals Demo	Completed	Insurance	3/11/13 10:43 PM	17012		
11185	Insurance Renewals Demo	Completed	Insurance	3/9/13 6:15 AM	17012		
11184	Insurance Renewals Demo	Failed	Insurance	3/8/13 3:22 AM	0		



Risk Overview



CLTV & Premium values at Risk





Policy Holder ID

- 1094917
- 1023751
- 1083266
- 1025876
- 1088169
- 1090501
- 1080966
- 1030567
- 1065461
- 1046019
- 1084314
- 1079518
- 1056689
- 1086375
- 1013208
- 1099130
- 1065188
- 1037848
- 1027508
- 1023529
- 1011856
- 1022490
- 1097561
- 1054410

		BEST OFFER PROB	Possible CLTV Save	Possible Premium Save
1094917	No Claims Protection	92%	\$ 10,138.90	\$ 3,127.56
1023751	No Claims Protection	90%	\$ 9,885.02	\$ 2,986.07
1083266	10% Premium Discount	89%	\$ 9,048.64	\$ 2,890.67
1025876	No Claims Protection	90%	\$ 17,275.40	\$ 2,585.77
1088169	No Claims Protection	75%	\$ 7,013.15	\$ 2,475.00
1090501	No Claims Protection	89%	\$ 22,932.16	\$ 2,281.93
1080966	No Claims Protection	91%	\$ 13,021.49	\$ 2,270.47
1030567	No Claims Protection	93%	\$ 19,278.07	\$ 2,267.03
1065461	No Claims Protection	88%	\$ 6,938.49	\$ 2,230.18
1046019	No Claims Protection	93%	\$ 11,974.39	\$ 2,110.68
1084314	No Claims Protection	91%	\$ 11,831.45	\$ 2,094.97
1079518	No Claims Protection	92%	\$ 12,650.35	\$ 2,000.31
1056689	No Claims Protection	75%	\$ 6,320.38	\$ 1,935.00
1086375	No Claims Protection	95%	\$ 15,116.84	\$ 1,803.36
1013208	10% Premium Discount	75%	\$ 9,552.62	\$ 1,696.95
1099130	No Claims Protection	95%	\$ 14,862.82	\$ 1,689.94
1065188	No Claims Protection	72%	\$ 9,713.52	\$ 1,656.68
1037848	No Claims Protection	89%	\$ 4,975.50	\$ 1,625.54
1027508	10% Premium Discount	75%	\$ 27,071.16	\$ 1,616.14
1023529	No Claims Protection	93%	\$ 4,698.33	\$ 1,585.80
1011856	No Claims Protection	72%	\$ 4,772.43	\$ 1,570.84
1022490	No Claims Protection	93%	\$ 4,556.64	\$ 1,552.30
1097561	No Claims Protection	92%	\$ 10,137.95	\$ 1,519.02
1054410	No Claims Protection	91%	\$ 4,987.27	\$ 1,509.84

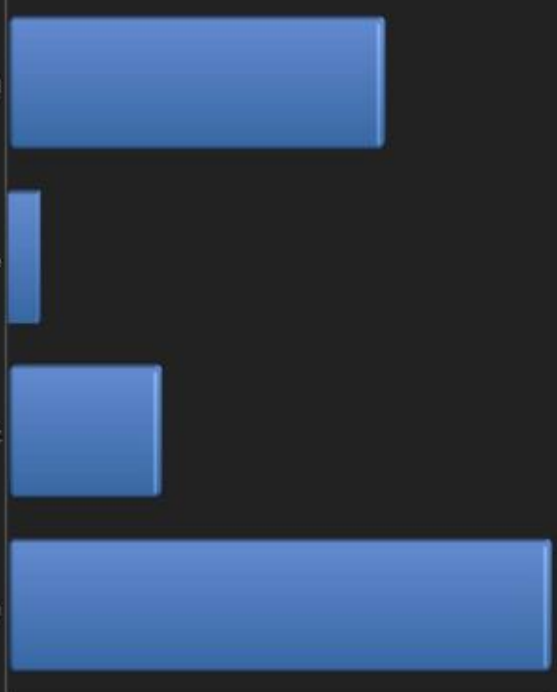
At Risk Count by Offer

Roadside Assist - Discounted

Roadside Assist - Free

10% Premium Discount

No Claims Protection



CalcType

\$
%

CLTV / Premium Saved Graph by Decile





Analysis mea...

- Count
- ADD_DRIVER_INTO_POLICY
- AGE
- AVG_LENGTH_OF_HANDLIN
- AVG_NOTE_ATTITUDE
- CLTV
- COLLECTIVE_POLICY

Months Since P...

- <3 Months
- 12 months+
- 3-12 Months

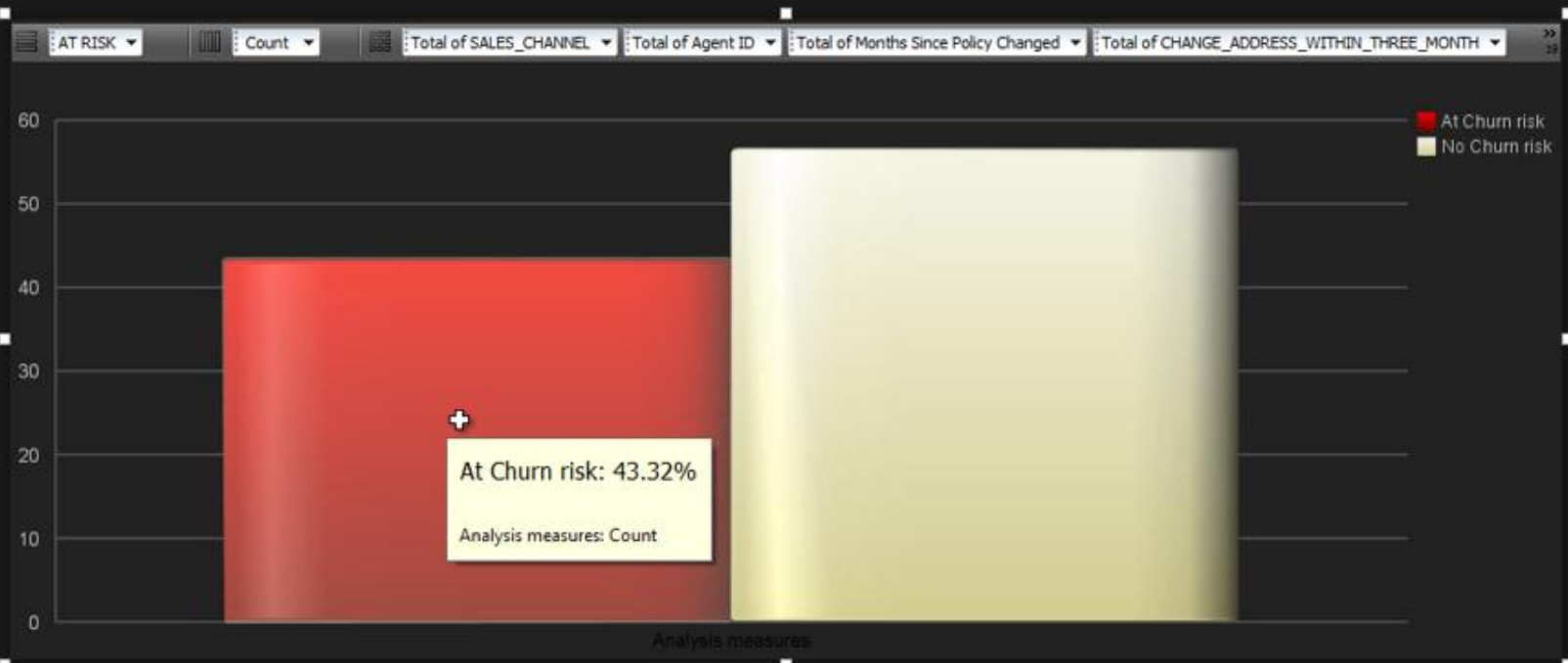
Age Group

- 50 and over
- Under 50

AT RISK

- At Churn risk
- No Churn risk

At Risk Analysis - Charts



At Risk Analysis - Charts

- Analysis mea...
- ADD_DRIVER_INTO_POLICY
- AGE
- AVG_LENGTH_OF_HANDLIN
- AVG_NOTE_ATTITUDE
- CLTV
- COLLECTIVE_POLICY
- INCOME

- Months Sinc...
- <3 Months
- 12 months+
- 3-12 Months

- Age Group
- 50 and over
- Under 50

- AT RISK
- At Churn risk
- No Churn risk

Total of SALES_CHANNEL | At Churn risk | <3 Months | Total of Agent ID | Analysis measures (List) | Total of CHANGE_ADDRESS_WITHIN_THREE_MONTH





At Risk Analysis - Charts

- Analysis mea...
- ADD_DRIVER_INTO_POLICY
 - AGE
 - AVG_LENGTH_OF_HANDLIN
 - AVG_NOTE_ATTITUDE
 - CLTV
 - COLLECTIVE_POLICY
 - INCOME

- Months Sinc...
- <3 Months
 - 12 months+
 - 3-12 Months

- Age Group
- 50 and over
 - Under 50

- AT RISK
- At Churn risk
 - No Churn risk





At Risk Analysis - Charts

- Analysis mea...
- At Risk
- Premium At Risk
- DRIVER_INTRO_POLICY
- LENGTH_OF_HANDLIN
- NOTE_ATTITUDE
- Months Sinc...
- Months
- Months+
- Months
- Group
- over
- .50
- RISK
- Churn risk
- Churn risk



Challenges to Growth

How to:



Attract more and better customers



Grow customer value

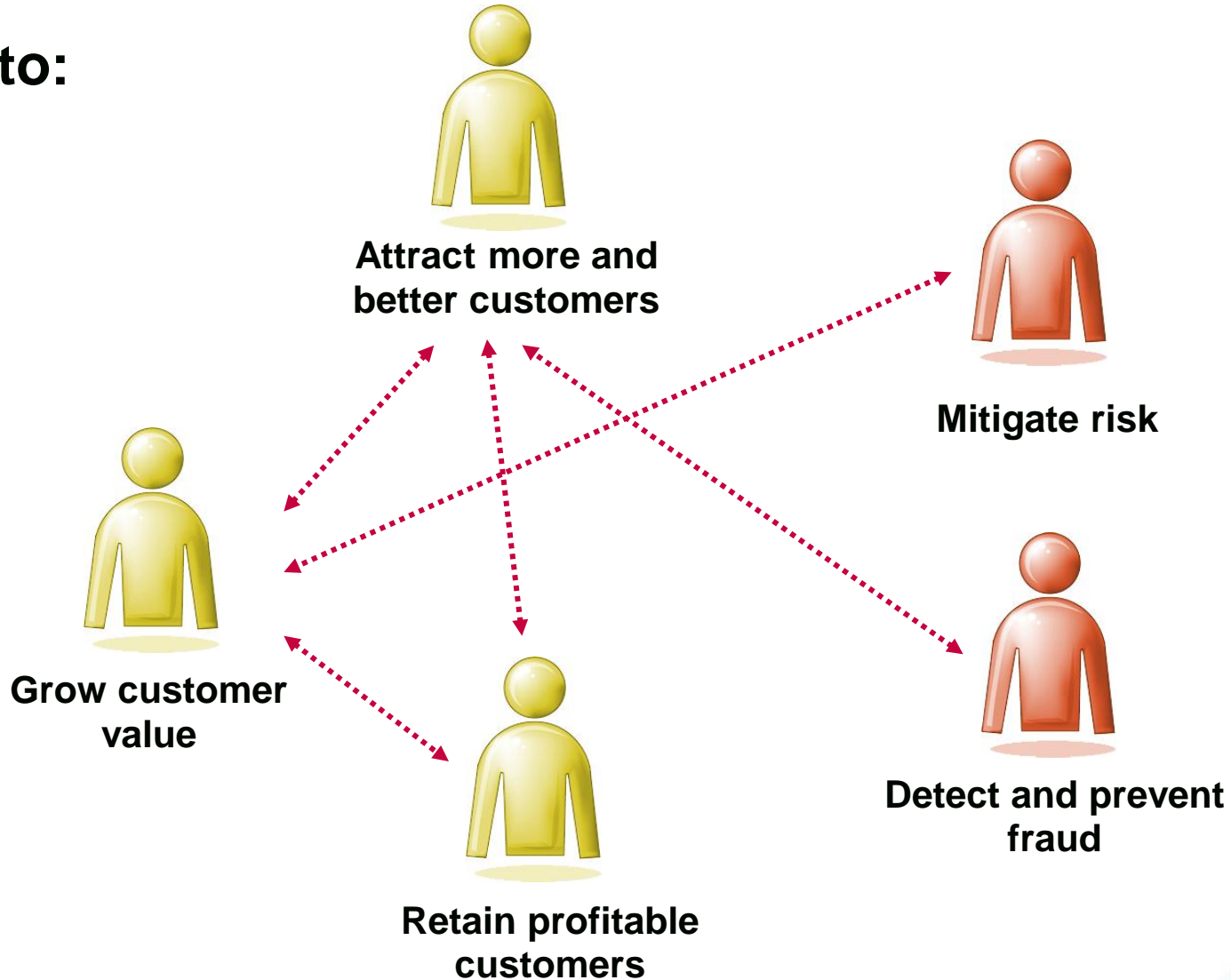


Retain profitable customers



Challenges to Profitable Growth

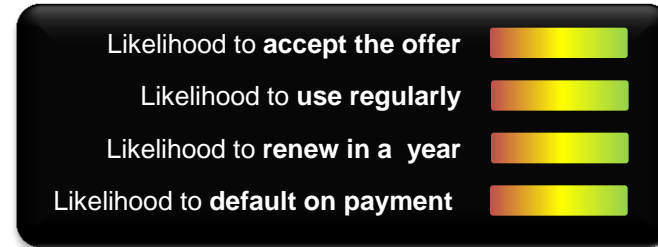
How to:



Business Scenario: Interconnected business objectives – Attracting profitable and non-risky customers



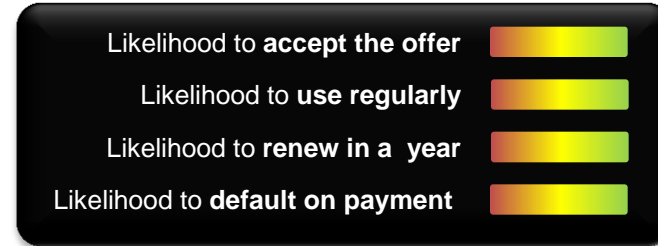
The decision to **extend an offer** for our new credit card as well as the **specific offer to make**, depends on the combination of a number of factors



Business Scenario: Interconnected business objectives – Attracting profitable and non-risky customers



The decision to **extend an offer** for our new credit card as well as the **specific offer to make**, depends on the combination of a number of factors



Customer 77.64.34.56



Credit card offer = **YES**

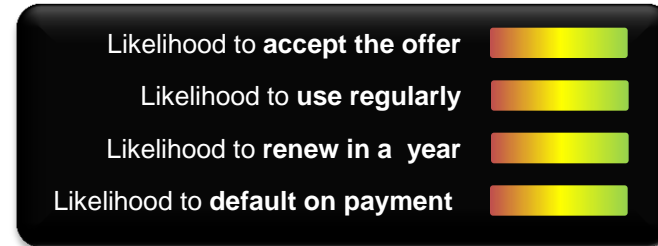
Conditions:

- No fees in the first year
- 0.5% interest discount
- 60 day payment terms

Business Scenario: Interconnected business objectives – Attracting profitable and non-risky customers



The decision to **extend an offer** for our new credit card as well as the **specific offer to make**, depends on the combination of a number of factors



Customer 77.64.34.56



Credit card offer = **YES**

Conditions:

- No fees in the first year
- 0.5% interest discount
- 60 day payment terms

Customer 74.83.84.85



Credit card offer = **YES**

Conditions:

- *2 year contract term, 50% off fee*
- 0.5% interest discount
- 60 day payment term

Business Scenario: Interconnected business objectives – Attracting profitable and non-risky customers



The decision to **extend an offer** for our new credit card as well as the **specific offer to make**, depends on the combination of a number of factors

Likelihood to **accept the offer**

Likelihood to **use regularly**

Likelihood to **renew in a year**

Likelihood to **default on payment**

Customer 77.64.34.56



Credit card offer = **YES**

Conditions:

- No fees in the first year
- 0.5% interest discount
- 60 day payment terms

Customer 74.83.84.85



Credit card offer = **YES**

Conditions:

- *2 year contract term, 50% off fee*
- 0.5% interest discount
- 60 day payment term

Customer 72.75.12.68



Credit card offer = **YES**

Conditions:

- No fees in the first year
- *No interest discount*
- *30 day payment term*

Business Scenario: Interconnected business objectives – Attracting profitable and non-risky customers



The decision to **extend an offer** for our new credit card as well as the **specific offer to make**, depends on the combination of a number of factors

Likelihood to **accept the offer**

Likelihood to **use regularly**

Likelihood to **renew in a year**

Likelihood to **default on payment**

Customer 77.64.34.56



Credit card offer = **YES**

Conditions:

- No fees in the first year
- 0.5% interest discount
- 60 day payment terms

Customer 74.83.84.85



Credit card offer = **YES**

Conditions:

- *2 year contract term, 50% off fee*
- 0.5% interest discount
- 60 day payment term

Customer 72.75.12.68



Credit card offer = **YES**

Conditions:

- No fees in the first year
- *No interest discount*
- *30 day payment term*

Customer 77.39.72.45



Credit card offer = **NO**

Summary

Predictive Analytics can enable genuinely individual relationships with customers

Leverage a 360-degree view of the customers

Vision of the “Predictive Enterprise”

“Analytics everywhere”

Functions connected through analytic intelligence

Make every decision smarter

But start small!

Look for quick wins to drive quick ROI

Use these to drive your “journey” to broader adoption of advanced analytics

