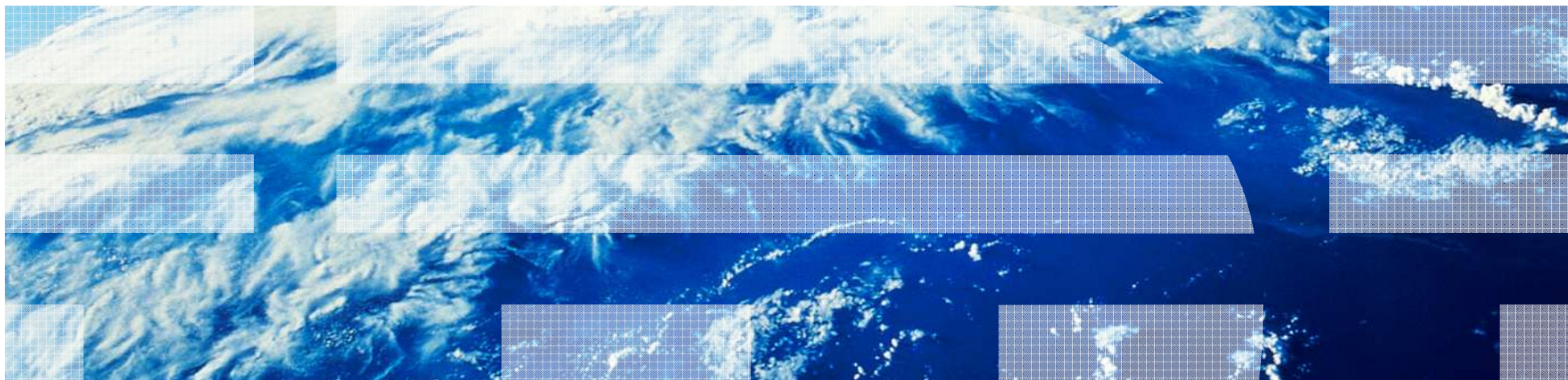

Moving towards customer-centric pricing

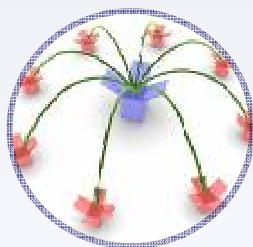
Product Catalog and Personalized Pricing Solutions



Client orientation transforms product distribution into personalized offering management

Emerging Distribution models 2 marketing directions...

Offering flexibility ...



Build a dynamic offering taking into consideration the evolution of the demand

...personalized pricing...



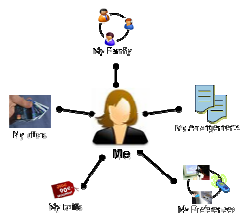
Reposition pricing as an essential strategic tool to preserve assets and increase markets opportunistically

... at the hand of the business



Offering management must be adapted with respect to market trends and to client needs; It must hence be as close as possible to the business

... position **the client at the heart of the sales process**



BNP Paribas

Customizing offers in real time through any channel

The need:

While most banks today are committed to providing “personalized” services to customers, they face significant challenges in doing so without a single, trusted view of critical business data. With data locked in silos across lines of business and applications, it was difficult for BNP Paribas offices to provide customized services on demand and quickly build new product offerings and promotions.

The solution:

Working with IBM, BNP Paribas created a flexible master data and decision management framework that allows it to rapidly define and change product offers, as well as the complex relationships between them and the conditions under which they are sold. BNP Paribas clients can receive personalized offers via any channel (online, branch, telephone, etc.) filtered according to their profile and eligibility.

What makes it smarter:

- Applies service fees and interest rates based on product selections and customer profile to provide clients with customized offers on demand
- Delivers 360-degree view of data to reduce time to market for new products and services from months to days
- Provides ability to flexibly and rapidly evolve offers according to market conditions for increased competitiveness

“We were able to reduce response time in France from months to days.”

*—Vladimir Milojkovic,
Prime Contracting Project Manager,
BNP Paribas*

Solution components:

- IBM® InfoSphere™ Master Data Management Server for Product Information Management
- IBM WebSphere® ILOG® JRules business rule management system



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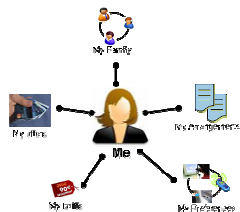
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Offering flexibility



Key message :

Re-think the notion of offering for a better match between client needs and optimization of the banking net revenue

→ Recompose the offering

- Take into account the evolution of banking consumer behavior when defining packages
- Segregate base offers by segment, by consumer behavior, or even by communities clients belong to

→ Develop offerings personalization

- Propose « à la carte » modules in order to increase the banking net revenue for subscribers and enroll part of the laggards
- Personalize pricing beyond the content of the offer

Offering re-composition means executing parallel go-to-market approaches



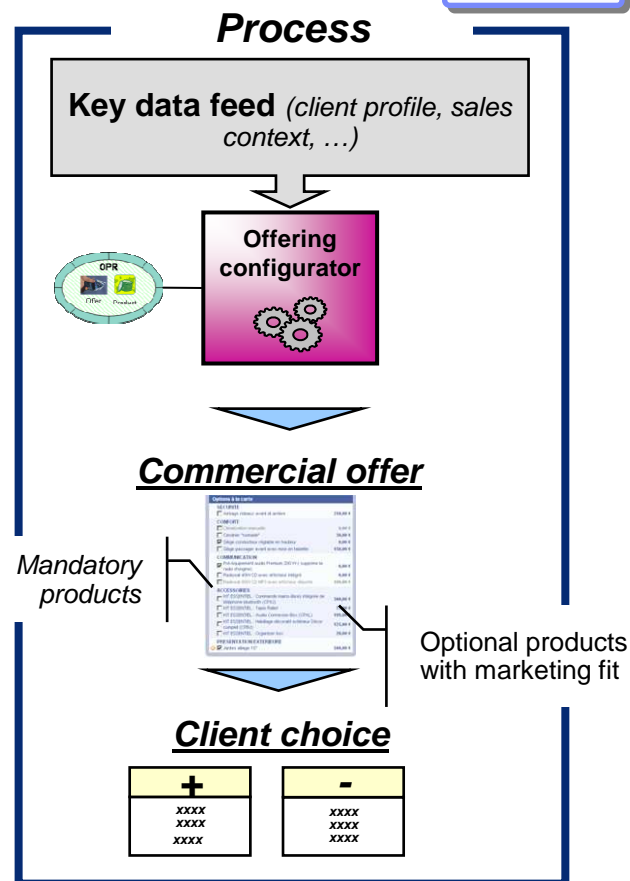
★ Client situations ★	Offer structure	Documents to sign	Price
<p>⇒ « Tailored product » approach: one single product at a personalized price with specific advantages for the client</p>	<ul style="list-style-type: none"> ✓ 1 product ✓ Discounts on other products 	<ul style="list-style-type: none"> ✓ 1 per product 	<ul style="list-style-type: none"> ✓ 1 price taking into account client specifics
<p>⇒ « Set Menu » approach: the best way to balance client advantages and net banking revenue; might however not fit some clients</p>	<ul style="list-style-type: none"> ✓ Mandatory product(s) ✓ Optional product(s) Discounts on products that are not part of the offering 	<ul style="list-style-type: none"> ✓ 1 for all products 	<ul style="list-style-type: none"> ✓ 1 « flat fee » ✓ Less expensive than the sum of all products
<p>⇒ « A la carte » approach: grants more choice to the client but can be unsettling for tellers and may require several cross-selling rules</p>	<ul style="list-style-type: none"> ✓ As many products as wished by the client 	<ul style="list-style-type: none"> ✓ 1 per product 	<ul style="list-style-type: none"> ✓ 1 price per product ✓ Specific discounts according to the number of subscribed products

Offerings flexibility and personalization built upon an offering configuration engine



Offering configuration engine

- A **configuration engine** based on the offering catalog enables the leverage of the marketing expertise and to propose the best offer to a client throughout the sales cycle (proposal, sales, upsell...) according to :
 - The **client situation** (age, equipment, behavior, risk factor, need, family events...)
 - The **client satisfaction**
 - The **sales context** (canal, shop, date...)
 - The active **marketing and sales policies** (upselling, cross-selling, touchpoint development/reinforcement...)

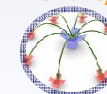


Assets

ILOG JRules
Rule Execution Server

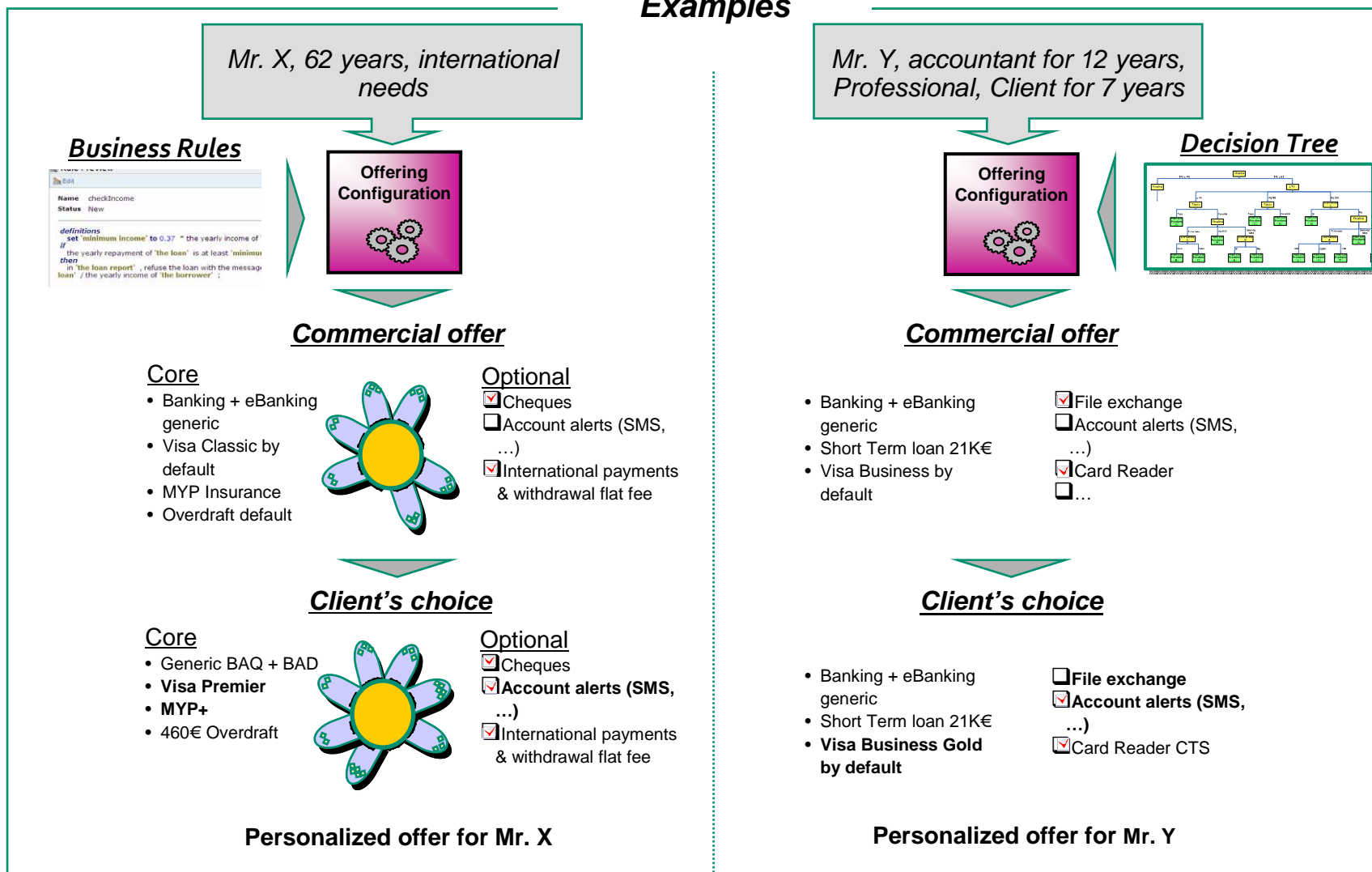
Banking Data/
Message Model

InfoSphere
MDM Server



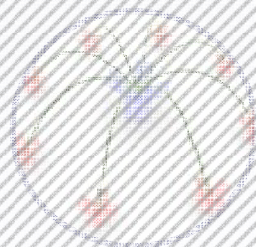
Examples of an offering configuration engine

Examples



Offering Catalog and Personalized Pricing

Offering flexibility ...



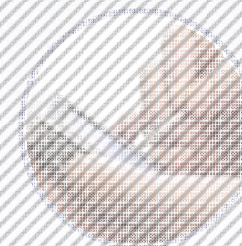
Build a dynamic offering taking into consideration the evolution of the demand

...personalized pricing...



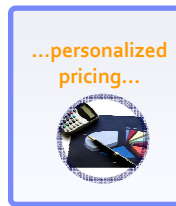
Reposition pricing as an essential strategic tool to preserve assets and increase markets opportunistically

... at the hand of the business



Offering management must be adapted with respect to market trends and to client needs, it must hence be as close as possible to the business

Personalized pricing



Key message :

Use pricing as a strategic tool enabling to increase and retain the client base

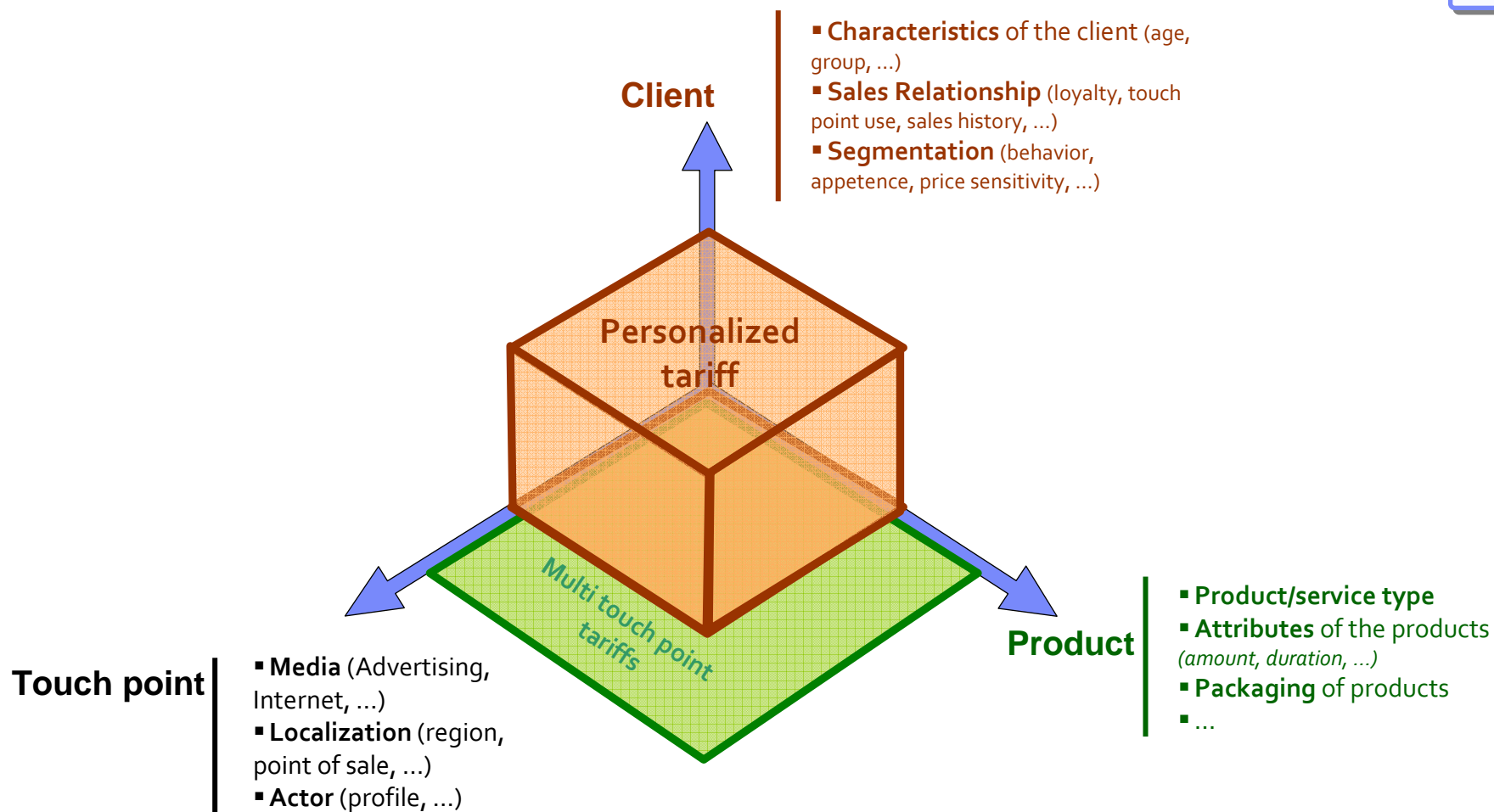
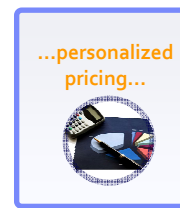
→ Leverage knowledge of the client

- Differentiate from competition by offering value-added products and services adapted to client's use and capabilities
- Bring forward pricing (or other) sales benefits to which the client is sensitive

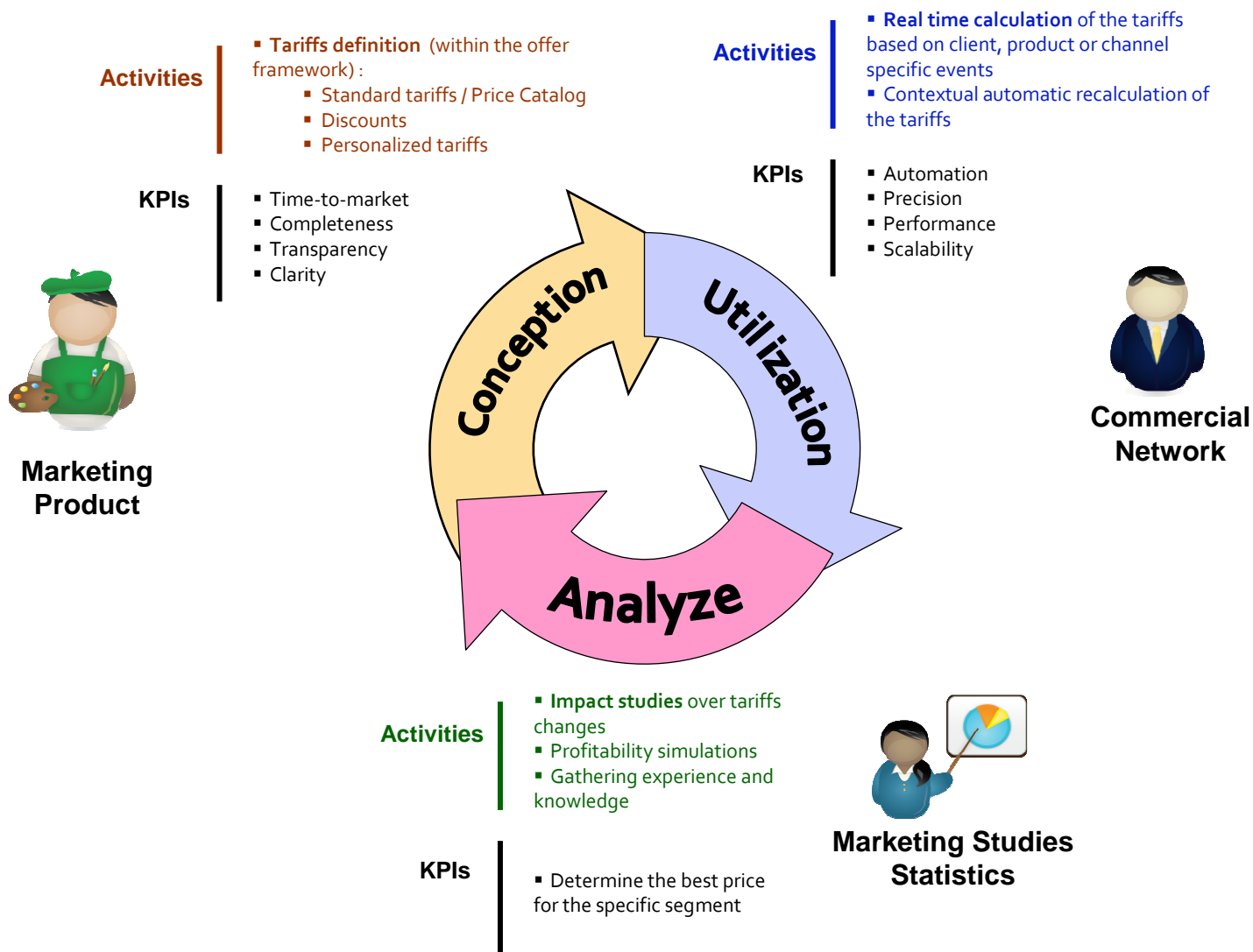
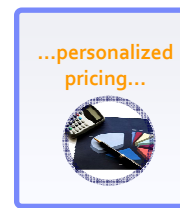
→ Align tariff structure with internal costs

- Leverage economies of scale resulting from mergers and acquisitions, rationalizations, and negotiations with producers
- Avoid campaigns with low odds of success (e.g. pricing war with e-bank on similar products & services)

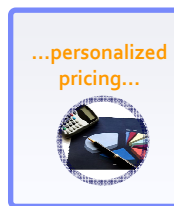
Tariffs must take into account client needs and touch point specifics...



The management of the tariffs it's an horizontal process which needs to be automated, managed and improved

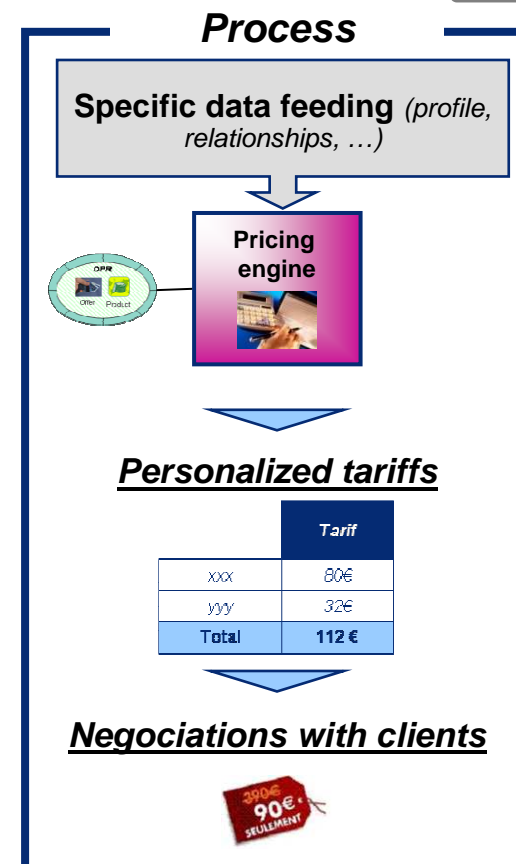


Tariffs personalization is based on a flexible and powerful pricing engine

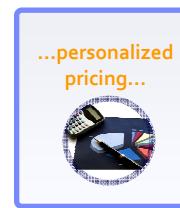


Personalized tariffs engine

- The front office applications can leverage during the sales process the pricing engine allowing:
 - calculate personalized tariffs customized based on:
 - client profile (age, income, ...) and the past relationship with the bank (number of contacts, preferred channel, ...)
 - Active promotional campaigns
 - Current pricing policies (expansion / retention, ...)
 - facilitate the commercial relationship en :
 - Underline the advantages for clients (pricing or other)
 - Provide negotiation specific information (e.g limits) with different clients

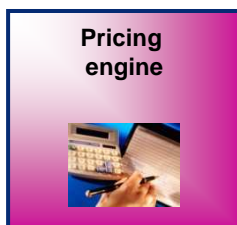


Example of utilization of the personalized tariffs engine

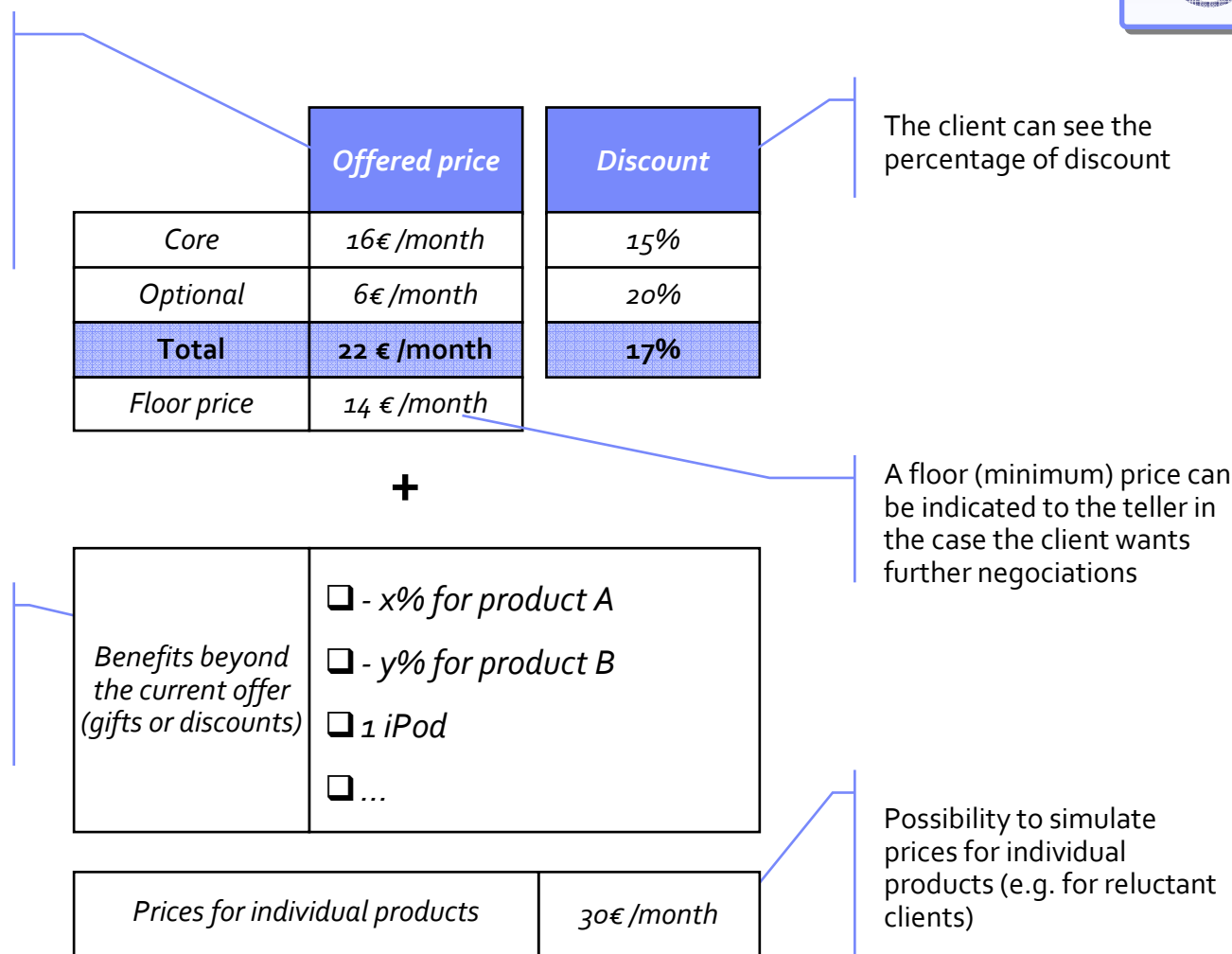


The price is re-calculated depending on client choices

- It depends on the chosen products
- Takes into consideration active commercial promotions



The pricing engine can also manage benefits beyond the current offering under the form of gifts or cash back



The client can see the percentage of discount

A floor (minimum) price can be indicated to the teller in the case the client wants further negotiations

Possibility to simulate prices for individual products (e.g. for reluctant clients)

Offering Catalog and Personalized Pricing



Offering flexibility ...

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Offering management must be adapted with respect to market trends and to client needs; It must hence be as close as possible to the business

The management of the commercial offers is done by LoBs

...at the hand
of business



Key message :

Parameterization of the commercial offers, of the content and of the price must be done as close to clients in order to improve customer service and adaptability to market conditions

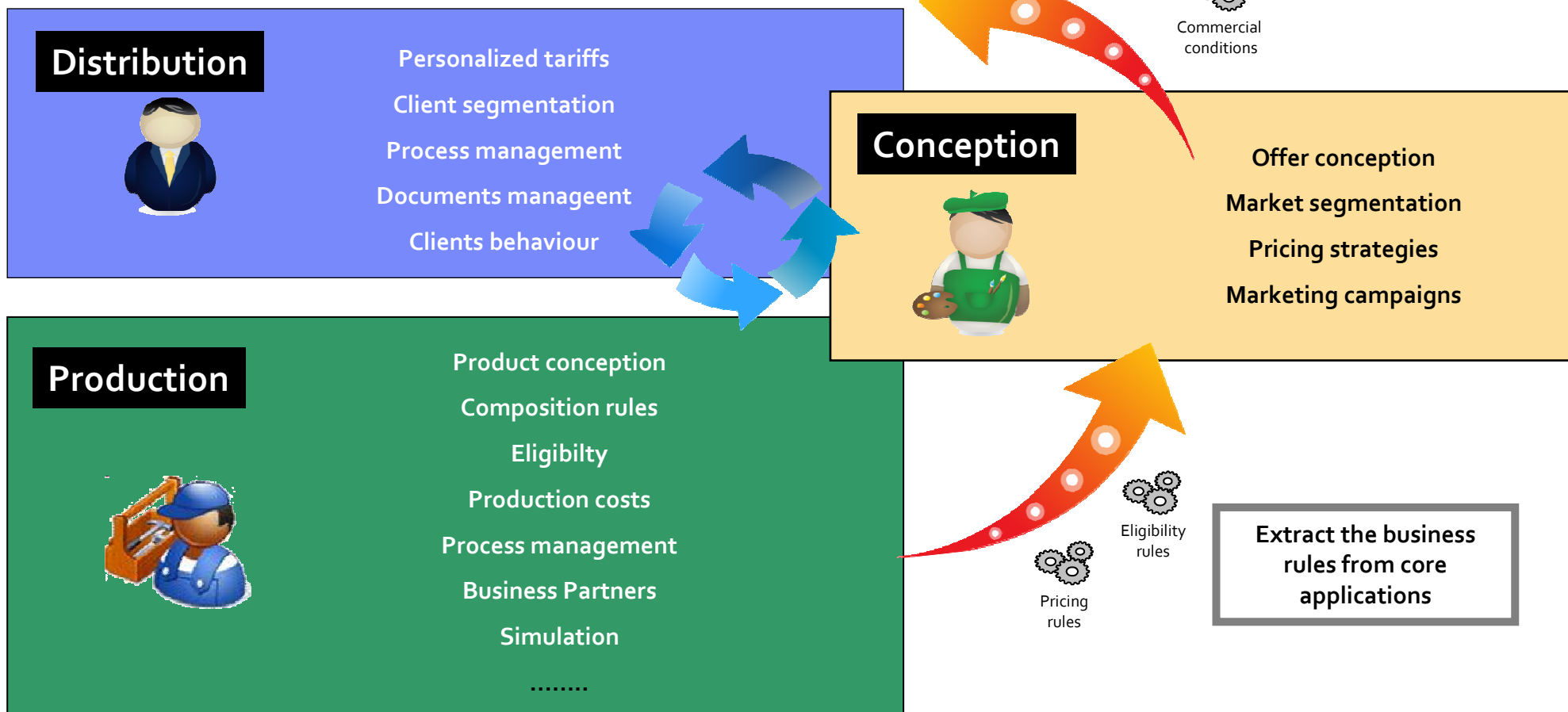
→ Enable tellers and other business users

- Allow business users to define new offerings and pricing strategies directly into information systems in order to quickly respond to competitive attacks or to implement new marketing strategies

→ Adapt the offerings and tariffs to market conditions

- Package special new offers using existing products for specific events or to achieve sales objectives
- Create on-the-fly commercial campaigns and promotional offers taking into consideration new market conditions

The direct access of the business users is done by separating the management of the rules related to commercial offers from applications



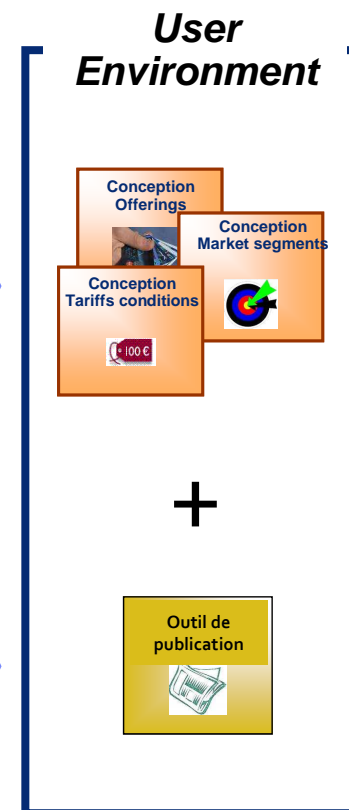
These objectives can be achieved by putting in place an integrated workbench



User Environment

- An **integrated development environment** allowing **business users** to manage in a **centralized application** :
 - Specific **attributes** for each offer or product
 - The **business rules** for the validity of the offers and for special prices

- Completed by a **publishing tool** allowing the distribution of the data to all channels for :
 - **Products** in a coherent manner
 - **Operational reports** for the business users (*data quality, price lists, ...*)

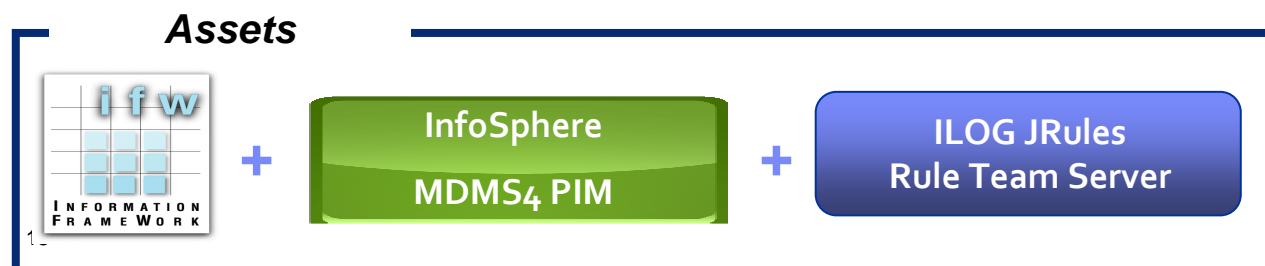


Direct access of the business users

Time to market

Right offer / right client

Coherence of the offers and tariffs



Thank you !