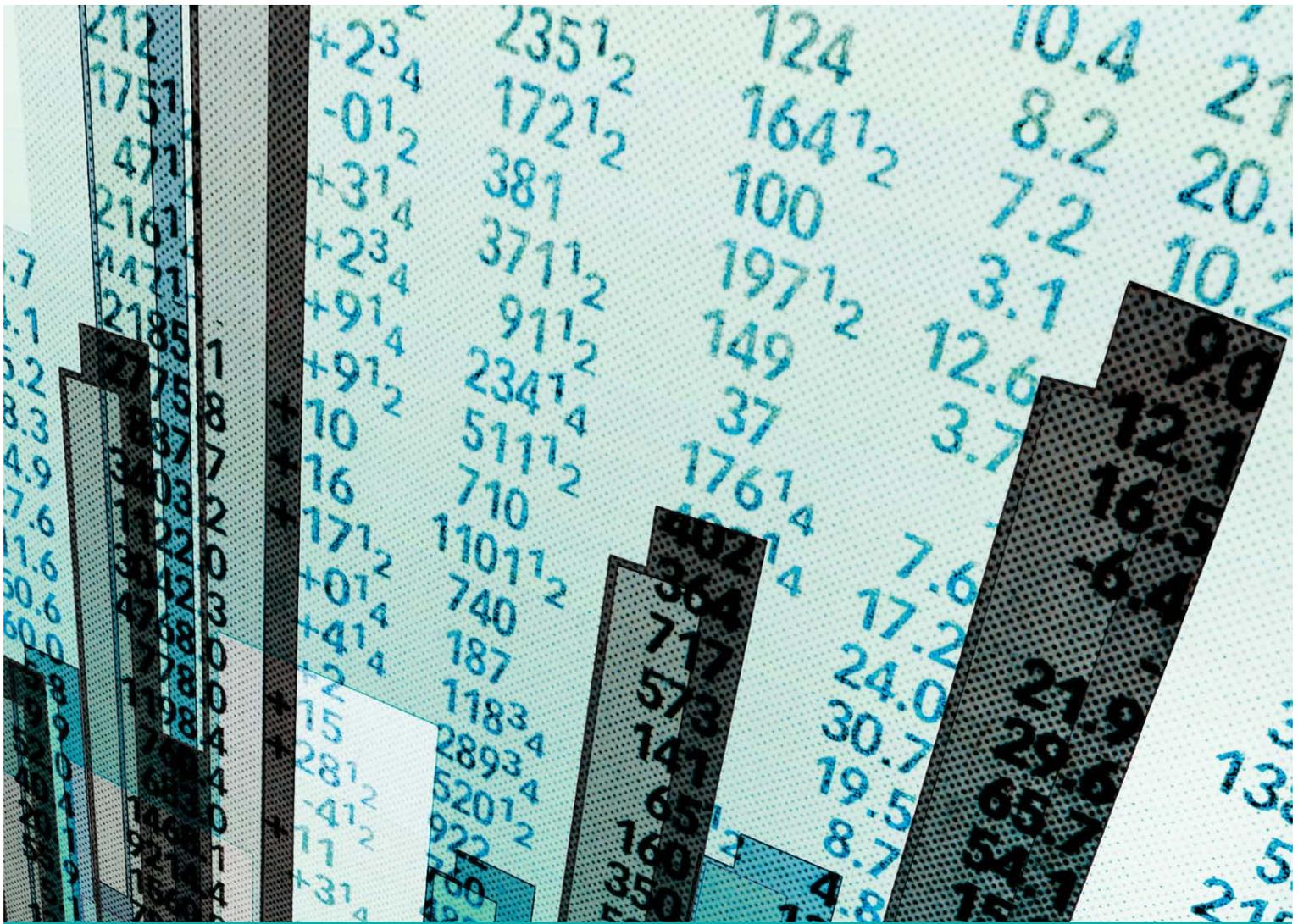


# beat

## the competition

with predictive intelligence





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# Good customer and sales insights deliver profitable business

With the economic downturn in full swing, profit margins squeezed and growth elusive, many companies are struggling to find sales, while others continue to grow and increase profits. How are these companies different? Why are they succeeding where the others fail?

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The answer lies in their customer focus and ability to respond quickly to the changing marketplace. Not only do the successful companies understand their customers, but they are able to predict sales trends and adapt products and campaigns to anticipate customer needs - putting them one step ahead of the competition.

SAP Business Intelligence comes with predictive intelligence technology that allows firms to identify emerging sales patterns, predict customer behavior, and identify potential sales opportunities. Similar predictive intelligence technology has been around for a long time, but rarely do companies use it to its full potential.

SAP Business Intelligence predictive applications can be deployed rapidly to drive quick business benefits - and enhanced functionality can be added in a phased approach. The insights derived from these applications can be used as reports, or integrated directly into CRM or planning applications such as sales forecasting, campaign, merchandise and assortment planning.

# Tools to track change

SAP Business Intelligence has a wide variety of predictive intelligence tools that can be used to understand your customers, identify emerging patterns, and predict customer behavior.

These analyses can be used for many purposes – to target and retain customers likely to leave, to increase cross-selling, to identify trade promotion opportunities etc. Access to this information is especially important today because the recession is driving widespread changes in buying behavior.

Most of these tools are delivered as business content that can be deployed rapidly for faster business benefits. They also integrate with data from SAP ERP, CRM and business planning systems if your company is using them.

## Understanding your customers

Customer behavior is analyzed and tracked over time by interpreting sales data, using classification and scoring techniques such as ABC analysis (revenue/profit classification), loyalty analysis, satisfaction survey scores and RFM analysis (recency, frequency and monetary value). Customers may regard some goods and services as commodities, and responding to competitors' pricing decisions could be a key driver of higher revenues, albeit with lower margins.

Advanced clustering techniques can be applied to group customers into different segments that exhibit similar buying behavior. The buying patterns of these customer segments are tracked over time, and analyzed with demographic data to understand and predict their behavior.

Churn analysis can be used to predict and influence the propensity of your customers to leave. Behavioral patterns of former customers are identified using a range of data mining methods, and applied to current customers to determine their likelihood to churn. This means that valuable customers that are likely to leave can be targeted with relevant products and campaigns to help retain them. Unlike ABC analysis, churn drivers may be related to service quality levels rather than product price. Reducing prices might not help retain customers in this instance, but it would almost certainly reduce margins.

## Identifying emerging patterns and predicting customer behavior

Predictive intelligence models are used to track, interpret and predict changing customer preferences over time. The results of these models can be used to improve sales and profitability in various ways: by identifying cross-selling and up-selling opportunities, predicting the impact of campaigns, improving merchandise and assortment plans, reducing customer defaults etc.

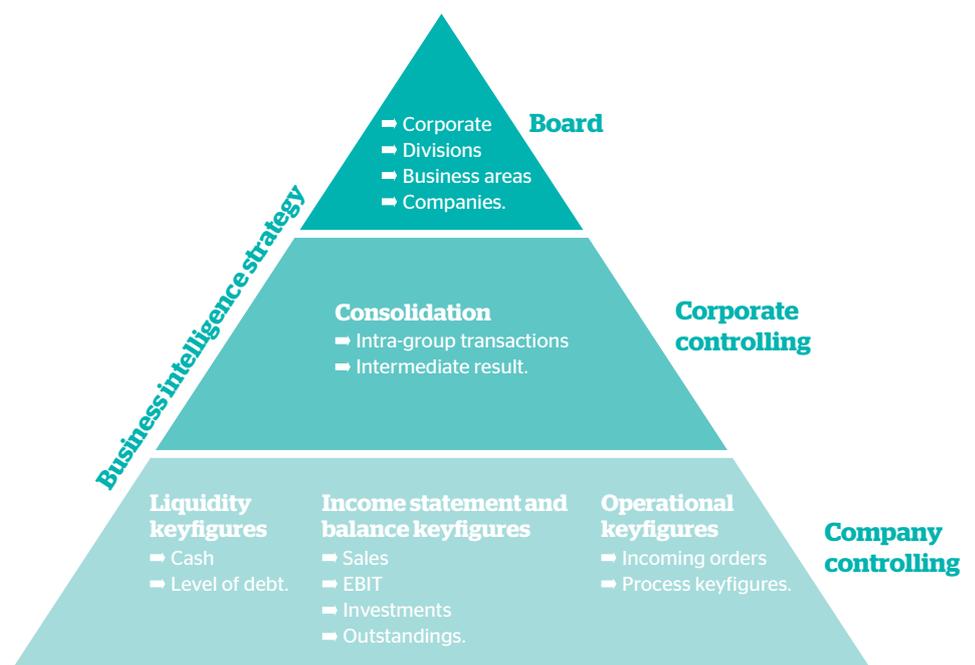
Customer Lifetime Value (CLTV) models enable firms to analyse the growth of customer base and profitability over time for each customer segment. Predictions can be made about the profit, retention rate, lifetime value and lifetime periods of customers as a result of marketing campaigns, trade promotions and external factors.

► Response Prediction Modelling is used to predict the profitability and return on investment of marketing campaigns and trade promotions, based on historical success rates of similar campaigns. This allows firms to run targeted marketing campaigns aimed at customers with the highest likelihood of success

- Cross Selling Analysis uses association analysis to identify products that are frequently sold together
- Customer Credit Analysis is used to monitor and control the cash flow from your customers. It can predict the likelihood of customers defaulting, based on their payment history and that of customers with similar behaviour. This provides an early warning about customers that are likely to default.

Custom predictive intelligence models can be defined for businesses where the standard SAP models are not suitable. These are created specifically for your business model to take into account internal and external factors unique to your business.

The sales, profitability and campaign projections from the predictive models can be reported in Business Intelligence reports, or integrated back into SAP processes for a truly automated system. The following diagram shows the typical flow of information for a predictive intelligence model.





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# Deployment options

Most companies that use predictive intelligence start with specific questions they want to answer and build upon their models to improve accuracy and add functionality.

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It is important to fast track predictive models that deliver higher business benefits. Additional predictive models and advanced functionality can be delivered to a phased roadmap.

A predictive intelligence solution will consist of multiple models, each predicting outcomes for specific business processes, and delivering the predictions to reports and other forms of input for ERP, CRM and planning systems.

Predictive intelligence offers many benefits:

- ▶ The ability to forecast product demand and optimum inventory levels
- ▶ A clear view of predicted sales and quantity margins
- ▶ Increased customer satisfaction
- ▶ Significant cost savings
- ▶ Trade promotion and marketing campaign predictions.

## Next steps

To find out how Atos can help you in implementing predictive intelligence solutions, please email: [dialogue@atos.net](mailto:dialogue@atos.net) or visit: [atos.net](http://atos.net)

For more information, contact: [dialogue@atos.net](mailto:dialogue@atos.net)

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