



ADVANCED CUSTOMER ANALYTICS WITH SAP FOR BANKING

Accurate profiling and segmentation of customers is central to a bank's profitability and operational efficiency. Profit analyzer functions and data-mining models in the SAP® for Banking set of solutions give banks the information they need to enhance their strategies for product development, marketing, cross-selling, up-selling, and customer service.

At the heart of any program for customer relationship management is the effective segmentation and profiling of customers. Such profiling helps banks define increasingly finer customer segments for greater profitability. Segmentation occupies a key position in an institution's customer-centric strategies and sits at the hub of the customer value chain (see Figure 1). It facilitates the intelligent deployment of data that banks need to offer, market, and sell their products. Segmentation can also help a bank increase customer satisfaction and loyalty. Through accurate segmentation, banks can both reduce their costs and take advantage of opportunities for generating extra revenue.

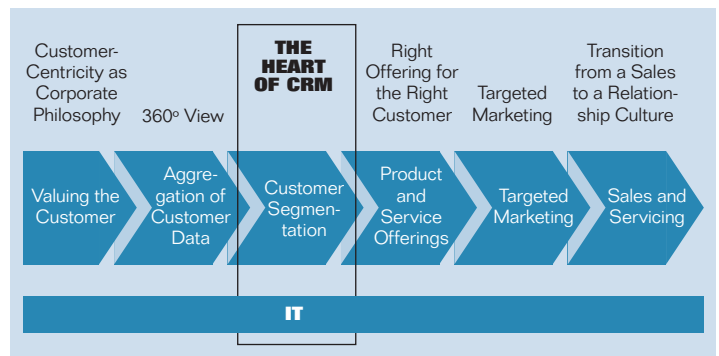


Figure 1: The customer value chain

Customer segmentation and profiling typically involve such attributes as geographic location, number of products owned, type of products used, age, or total bank account amount. Segmentation seldom reflects the real profitability of each customer, however. Because customer data is often spread among a variety of legacy systems, it can be very hard for banks to create a single view of their customers and extract the information they need for an accurate profitability analysis.

Using profit-analyzer functions in the SAP for Banking set of solutions, banks can calculate profitability at the customer level. A net present value function, for example, helps banks calculate both the potential future value of their customers and what that value is worth today. Once you know which customers drive future profitability, you can target those customers for marketing activities that suit their particular needs.

Getting Quick Results

Increasingly banks are using small-scale projects to gain a quick and improved understanding of their customers. SAP for Banking can help you create new targeting models for specific customer segments in a relatively short time. The portfolio miner capability within SAP for Banking helps you leverage your investment by enhancing analytical functions in the solutions with ready-to-run data-mining models.

To get your project running quickly, SAP for Banking offers:

- Ready-to-run templates and models that work with the profit analyzer functions
- Workshops – facilitated by a business-consulting team that specializes in customer relationship management and customer segmentation – that can help your project team use available data-mining models, expand on those models, and create new ones
- Help with mapping existing customer data into the new models

The workshops train your project team to build data-mining models using as many as nine different customer attributes. In addition to SAP for Banking, these attributes are derived from data in mySAP™ Customer Relationship Management and SAP® Business Intelligence. Besides calculating the current profitability of individual customers, you can use the models to segment customers by customer lifetime value and predicted future profit (see Figure 2).

Another model helps you calculate a customer's risk of churn (likelihood to leave). Once you know which customers have the greatest risk of churn, you can map those customers to your customer profitability models and create a targeted retention campaign through a particular marketing channel.

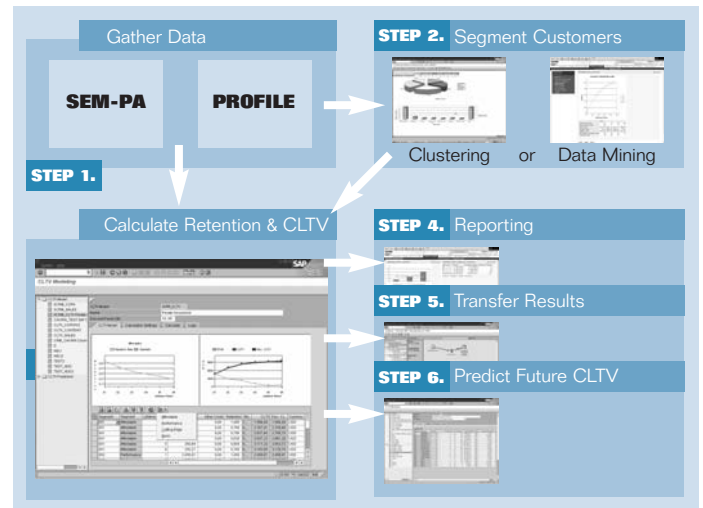


Figure 2: Example of customer lifetime value calculation

A Wide Range of Business Benefits

An accurate analysis of your current and prospective customers offers many business benefits. These include:

- The ability to identify customers that have the most assets and would be the most profitable
- Identification of the most profitable products
- Enhanced cross-selling and up-selling of products that are most relevant to a customer's life stage and financial needs
- Improved customer service and reduced service cost
- Enhanced operational efficiency

Improve Your ROI

SAP for Banking provides a ready-to-run model for customer profiling – plus specialized consulting to get you started. Dedicated workshops and data-mining models can help you determine the most valuable customer segments. You can have first results within two to three months of starting your project.

By helping you identify customers that will have the biggest impact on current and future profitability, SAP for Banking can directly improve the return on your investment. For more information, please visit the SAP Web site at www.sap.com/banking