SIZING UP THE WALLETS

Abstract

In a highly competitive, dynamic marketplace, a better understanding of customers — and their wallets — is a critical determiner of revenue growth. This case study details how one of the largest global retailers of office supplies partnered with Infosys BPM to leverage advance analytics, which helped identify potential new areas of growth worth $400 Mn.

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A business of office supplies

Infosys BPM's client is a global retail company, primarily selling office supplies and related products via retail channels and business-to-business (B2B)-oriented delivery operations. Infosys BPM is a strategic partner to the client, providing digital transformation solutions and business process management (BPM) services.

When objectivity matters

The office supplies and services marketplace being extremely dynamic and competitive, the client was facing increasing costs for new customer acquisitions as well as poor returns on its marketing and sales efforts. One reason for this was the company's approach towards targeting B2B accounts. It was driven greatly by the purely subjective knowledge of the salesforce about customers' needs, which for many reasons proved to be an imperfect input for sales planning and was also not scalable.

However, because of its extremely large customer base, the company had a rich, though underutilized, CRM database which could be analyzed to identify new sources of growth and to accordingly drive focused marketing and sales efforts. Towards this goal, the client sought Infosys BPM's expertise to better analyze its customer database and thereby gain a more in-depth understanding of existing customers.
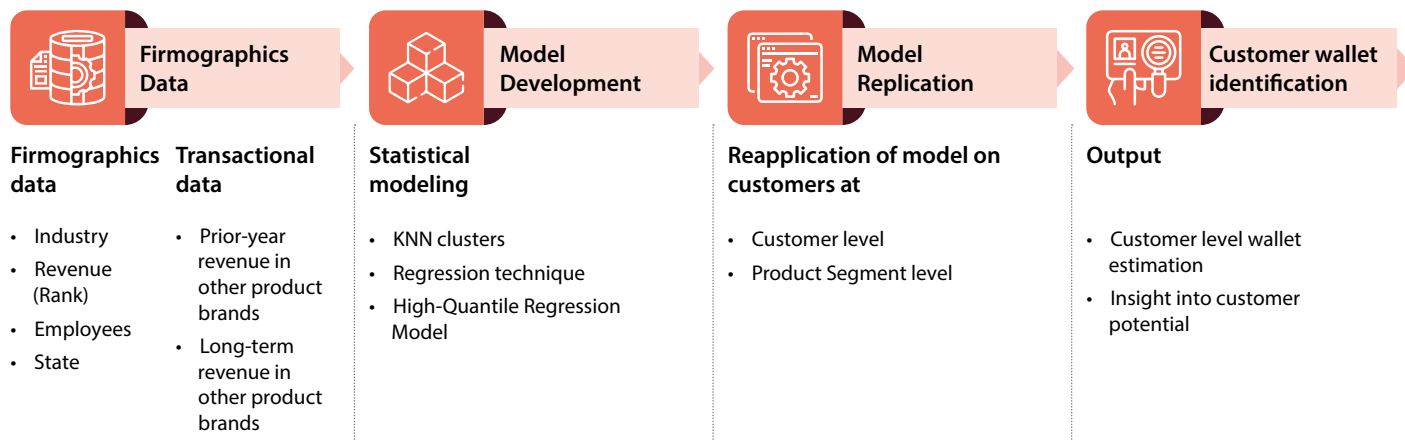
Building predictions

The specific objectives that the client tasked Infosys BPM with included providing an estimate of the total wallet size of the existing customer base, as well as visibility into the areas of maximum revenue. Working towards these objectives, an Infosys BPM team of analytics experts began developing a solution that could analyze wallet information for a random subset of customers. The analysis would then be used to estimate the total wallet size for other customers, as well as their potential spending broken down by categories.

On a broad level, the solution's analytical and predictive capabilities would be used in four main stages: estimating customer's wallet sizes, estimating the value at stake, identifying customers with large wallet sizes, and activating selecting customers.

Firmographic and transactional data was utilized to develop share of wallet model at customer as well as category level			
Firmographics Data	**Model Development**	**Model Replication**	**Customer wallet identification**

Firmographics data	**Transactional data**	**Statistical modeling**	**Reapplication of model on customers at**	**Output**
• Industry • Revenue (Rank) • Employees • State	• Prior-year revenue in other product brands • Long-term revenue in other product brands	• KNN clusters • Regression technique • High-Quantile Regression Model	• Customer level • Product Segment level	• Customer level wallet estimation • Insight into customer potential

To do this, the analytics experts first created a unified view of all customers using external and internal customer spend data, firmographics, transactional data, product holdings, and the like. Next, the team developed statistical models to segment the universe using clustering techniques. Then, for each identified segment and at a customer level, the team estimated the wallet sizes using high-quantile regression techniques. Lastly, the team established end-to-end estimation of realistic wallet share, categorization, and customer drilldowns to identify and develop unique growth strategies for individual customers.

An abundance of insights

Once developed and deployed, the predictive analytics solution delivered key insights for the client. Based on their estimated wallet size, customers were classified into high, medium, and low buckets. The solution also identified the areas with maximum revenue potential as well as areas requiring resource allocation decisions.

Other insights included the company's competitive position and depth of customer relationship at an individual customer level, as well as key factors driving the size of customers' wallets.

Sizing up the payoffs

Infosys BPM's cutting-edge analytic work for the client yielded outstanding business outcomes.

The team's use of advance analytics leveraging predictive and regression techniques, helped the company measure the strength and depth of its customer relationships and provided early signals of partial defection or silent attrition. Using all these inputs, marketing and sales teams were able — through an efficient targeting strategy — to greatly improve not only the ROI of their efforts, but also customer retention, satisfaction, and loyalty.

More importantly, the client was able to identify potential revenue opportunities totaling $400 Mn while also improving its decision-making with respect to marketing and sales resource allocation. Thus, the success of this project underscores a vital truth – it always pays to understand one's customers better.

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