New Segmentation Strategies for Risk & Marketing

Presented by
Paul Ballew, D&B Global Chief Data & Analytics Officer
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Today’s Speaker

Paul Ballew
D&B Global Chief Data &
Analytic Officer

New Segmentation Strategies for Risk & Marketing
Today’s Agenda

- The Philosophy of Segmentation Strategies
- Segmentation Strategies with Standard Scores and Custom Analytics
  - Pre-screening for Risk
  - Identifying your Best Prospects
  - Taking Risks Confidently
  - Advanced Portfolio Management
- Use Cases & ROI
- Q&A
Today, as we advance the Art & Science of Data, we can segment the Universe with great degrees of precision and with less latency...
It takes powerful predictive analytics to get the Foresight needed to assess the risk or opportunity with a business and anticipate future behavior.

Creating an informed perspective for customers

- Robust Global Data
- Single Complete View
- Forward Looking Perspective
- Standard Scores
- Custom Analytics

Virtuous Cycle

Continuous Improvement

Assess Outcome
These new Analytics bring greater transparency, precision, and foresight into future behavior…
To enable that level of precision in segmentation D&B has built analytic solutions that provide a holistic view

*Make better decisions*

- Have the most complete view of accounts for various use cases
- Make better credit risk management decision
- Improve bottom line results, grow your accounts without impacting bad debt loss
- Enhanced Decision Support
- Prospects that ‘look’ like best customers
- The full commercial opportunity
And can be combined with other segmentation tools and more complex, higher value, custom predictive analytics.

**Customer & Lead Management Actions**
How do I mobilize my audience and create new growth?

CMA/LMA help deliver the most relevant message to a receptive audience, at the right time, via the right channel to convert new customers, expand relationships, increase spend, or loyalty.

**Lead Gen Models**
Need help finding more quality leads?

Businesses with similar characteristics often have similar needs and buying behaviors of those in the past. Models help narrow focus.

**Lead Scoring**
Have qualified leads, but which do I prioritize?

Rank ordering leads by estimated opportunity size, by greatest potential to close, or by length of time to close and funneling to the right sales team maximizes revenue while optimizing resources.

**Pre-screen and Segmentation Tools**
Swimming in data and unclear where to start?

Basic segmentation tools help organize businesses by their estimated financial outlook, demand for your products and services, or firmographic profile.

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New Segmentation Strategies for Risk & Marketing
To contrast, let’s imagine there were no segmentation tools to help you manage risk and opportunities within your account portfolio…

No account segmentation

Where would you focus?

Accounts would turn ‘bad’ seemingly at random

Would you treat every account the same?
By applying firmographic insights (size and industry) you could suppress some bads, but also probably too many good accounts…

No account segmentation + Firmographics

Narrowed universe, but still too large for effective decision making
Now adding more predictive insights concentrates potentially bad accounts in increasingly granular segments for more precise suppression.

<table>
<thead>
<tr>
<th>No account segmentation</th>
<th>+ Firmographics</th>
<th>+ AR/Trade and PAYDEX</th>
<th>+ Standard Risk Score</th>
<th>+ Composite Risk Score</th>
</tr>
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</table>

Legend:
- Red: Bad account
- Light blue: Good account

New Segmentation Strategies for Risk & Marketing
Pre-screening for risk prior to engaging with prospects can lead to more profitable growth and a 10% improvement in marketing efficiency.

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<td>Suppress</td>
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Bad account

Good account

New Segmentation Strategies for Risk & Marketing
Delinquency, Viability Rating, and Total Loss Predictors used together (Composite Risk Score) offer superior segmentation and risk discrimination

A customer does not have the means to manually steward 16K accounts. Strong separation of potentially good and bad accounts enables this customer to confidently automate decisions and operate more efficiently.

In the best composite segment (above) good : bad ratio incrementally improves with the addition of each score from 20:1 to over 100:1 when all three are applied.

In the worst composite segment (right), the combination of all three scores isolates 1 bad account for every 3 good.
Improved risk/pricing segmentation leads to increased profitability and competitive advantage

Calculating even the most modest improvement in risk/pricing segmentation is impressive:

- Business Owner Policies 1% increase in premium = $380K in revenue
- Workers Compensation Policies 1% increase in premium = $331K in revenue
- Commercial Auto Policies 1% increase in premium = $678K in revenue
- Commercial Property Policies 1% improvement in premium = $781K in revenue
- Total Impact of Re-Pricing Worst Scoring 1% of Enforce Policies = $2.71M annually
Enhanced segmentation and targeting is of course not just a journey to help manage risk--- the upside for sales and marketing is also substantial.

No account segmentation + Firmographics

Narrowed universe, but still too large for effective targeting
Demand Estimators make it more precise – you can see not just large accounts, but also accounts with demand for your services.
Adding Material Change™ – you can see companies with the right size, demand and trajectory. Congratulations! You’ve identified your most attractive accounts! 😊
However, not all attractive accounts will be attracted to you. 😞 Apply a Custom Solution (a responsiveness dimension) to identify the best segment to target!
Segmenting by size, propensity, growth and responsiveness can improve targeting by 20-30%

No account segmentation + Firmographics + Demand Estimators + Change Indicators + Custom Solutions

Game-changing analytics provide critical advantage in a fiercely competitive industry
New innovative approaches for marketing optimization can flip the paradigm and deliver compelling ROI and breakthrough growth.

Expand Prospect Pool by more than 150%.

Get Ahead of Competition by differentiating between best segment with 4Xs more spend potential than worst segment with 5Xs less spend potential.

Pinpoint Up-sell Opportunities by isolating 50% of the highest growers in best 20% of the customer segments.
Businesses that are increasing sales and marketing efficiency and effectiveness at every stage of the acquisition lifecycle are getting ahead of competition.

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<th>Target</th>
<th>Prioritize</th>
<th>Convert</th>
<th>Cultivate</th>
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**ACQUISITION LIFECYCLE**

- Develop more agile and precise campaigns
- Generate more high quality, low risk leads
- Deepen existing relationships and forge profitable new ones

Marketing departments are under greater pressure to contribute more to companies’ bottom lines.

New Segmentation Strategies for Risk & Marketing
For example, the D&B Viability Rating™ identifies the most ‘traditionally attractive” businesses, knocking out those with the least potential lifetime value.

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Attractiveness
D&B global data extends your reach to a broad universe of businesses, and enables basic segmentation and attribution of your portfolio.

Overlaying standard scores helps estimate demand, or can be used to knockout higher risk entities and narrow your focus.

As you interact in the marketplace, some businesses respond to your direct mail, telemarketing, or click your website. D&B can use this history to help you improve lead generation even further with predictive models.
With Lead Scoring, Marketing organizations can ensure that only the best, most responsive opportunities make it to Sales

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<td>Portfolio / Total Market</td>
<td>Historical Interaction</td>
<td>New Qualified Leads</td>
<td>Scored Leads</td>
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**Responsiveness**

Once leads are qualified, D&B can tell you how likely you are to close a deal, how long it may take, for which product, what the estimated opportunity size is, etc.

And as leads are worked by Sales in your CRM system, we’ll continue to provide support by telling you the optimum time to apply different nurturing treatments.
Behavioral analytics help you discover patterns and hidden buying signals that traditional methods simply miss – and provide critical differentiation.

Attract

Portfolio / Total Market

Foundational global data

Basic firmographic profiling

Standard demand estimators

Risk pre-screen scores

Target

Historical Interaction

Look-alike models

Response models

Opportunity sizing

Prioritize

New Qualified Leads

Conversion models

Time to close models

Opportunity sizing

Channel assignment

Convert

Scored Leads

Treatment optimization

Sales forecast optimization

Opportunity sizing

Cultivate

Buyers

Anticipating future needs

Share of wallet estimation

Engaged Buyers

Grow

Repeat Buyers

Customer & lead management actions

Behavioral Analytics
After conversion, we’ll suggest avenues for future growth and keeping your customers engaged.
And we’ll apply learnings from these outcomes as part of a closed feedback loop to continue to refine and optimize your sales and marketing effectiveness.

### Continuous Feedback Loop

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<td>Buyers</td>
<td>Repeat Buyers</td>
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<tr>
<td>Treatment optimization</td>
<td>Anticipating future needs</td>
<td>Customer &amp; lead management actions</td>
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**Portfolio / Total Market**

Foundational global data

**Historical Interaction**

Look-alike models

**New Qualified Leads**

Conversion models

**Scored Leads**

Time to close models

**Buyers**

Opportunity sizing

**Repeat Buyers**

Opportunity sizing

**Engaged Buyers**

Channel assignment

**Anticipating future needs**

Customer & lead management actions

**Continuous Feedback Loop**
This requires close collaboration, and in later stages of the lifecycle -- robust archives of past sales activity, stage progression, treatments, and outcomes.

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Dependence on internal views

Dependence on external views
Use Cases
“Cloud Propensity” Model for Lead Generation

Client Need

• Identify growing companies that are most likely to utilize cloud technology
• Drive new revenue for customer’s new cloud computing platform.

Our Approach

• Developed a custom ‘cloud propensity’ model based on current customer profile
• Leveraged client-data and internal assets:
  o D&B ICM
  o D&B Material Change
  o Age
  o Annual Sales
  o Web Traffic Score
  o Client Data

Outcome

• Model validation suggests high predictive value
• Captures 54% of 3K+ customer’s cloud customers in top 2 deciles, with KS = 42%
• D&B partner web traffic data added significant lift to model performance
Market Analysis-to-Lead at a Financial Institution

Client Need

- **Grow international trade finance business**
- Challenged to find and prioritize new prospects
- Target audience = U.S. businesses trading globally
- Previous effort relied on basic segmentation using:
  - Market Insight
  - Import / Export indicator
  - Linkage
  - Annual Sales

Approach

- **Custom analytics engagement**
- Leveraged multiple data assets to identify and rank order globally-active entities, such as:
  - Custom-developed ‘annual sales’ estimation model
  - Global trade repository
  - U.S. Customs import data
  - Contact data with international job titles
  - D&B customer behavior (cross-border inquiries, contracts, country risk report purchase, etc.)

Outcome

- **Identified 195K net new prospects for the bank**
- Provided valuable knowledge on the type and extent of global activity for each entity
- D&B insight contributes to bank study assessing the link between global expansion and profitability
- Door is opened to future custom engagements

![Net New Prospects’ Global Activity Rank](chart.png)

New Segmentation Strategies for Risk & Marketing
Client Need

- A way to prioritizing collection activities
- Help managing collections and loss reserves.
- A way to identify those businesses that have a propensity to go 120 days past due.
- Total bad rate was 39% which is exceedingly high.

Our Approach

- Custom analytics engagement
- D&B had robust data (data depth A, B or C) on 93% of the company customer portfolio
- D&B created custom segmentation utilizing the Triple Play and standard scores
  - Different scorecards were created for the US and Canada.
  - Using risk overlay to collections provided additional lift.

Outcome

- Custom segmentation utilizing Triple Play did a good job of identifying risky customers
- Individual scores alone did not prove valuable
- Creative use of custom groupings provided segmentation between “goods” and “bads”
- Company is now able to prioritize collections better

<table>
<thead>
<tr>
<th>US Customers</th>
<th>DNB_Risk_Band</th>
<th>Total_Bad</th>
<th>Count</th>
<th>% Records</th>
<th>Bad Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance&lt;=0</td>
<td>Low Bad, No Balance</td>
<td>77</td>
<td>2897</td>
<td>21.3%</td>
<td>2.7%</td>
</tr>
<tr>
<td>Current</td>
<td>High Risk</td>
<td>70</td>
<td>286</td>
<td>2.1%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Current</td>
<td>Low Risk</td>
<td>822</td>
<td>4229</td>
<td>31.2%</td>
<td>19.4%</td>
</tr>
<tr>
<td>DPD1_30</td>
<td>High Risk</td>
<td>90</td>
<td>136</td>
<td>1.0%</td>
<td>66.2%</td>
</tr>
<tr>
<td>DPD1_30</td>
<td>Low Risk</td>
<td>934</td>
<td>1853</td>
<td>13.7%</td>
<td>50.4%</td>
</tr>
<tr>
<td>DPD31_60</td>
<td>High Bad, 30+</td>
<td>1011</td>
<td>1345</td>
<td>9.9%</td>
<td>75.2%</td>
</tr>
<tr>
<td>DPD61_90</td>
<td>High Bad, 30+</td>
<td>1078</td>
<td>1328</td>
<td>9.8%</td>
<td>81.2%</td>
</tr>
<tr>
<td>DPD91_120</td>
<td>High Bad, 30+</td>
<td>1242</td>
<td>1496</td>
<td>11.0%</td>
<td>83.0%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5324</td>
<td>13570</td>
<td>39.2%</td>
<td></td>
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Note:
1. 91.5% records have valid scores
2. Only "Current" and "DPD 1-30" Risk Band are based on 3 DNB scores (CCS9, VR-PC, TLP)
Client Need

- Grow revenue by optimizing Indirect Sales Channels
  - Discover early warning signals in the bookings data
  - Understand relationship between bookings data and macro-economic information
  - Identify top performing and growing segments
  - Forecasting model for Total $ Net Bookings

Approach

- Custom Analytics Engagement
  - Cleanse and aggregate customer purchase transaction history into single company view
  - Data Discovery: Isolate and profile segments conducting 15% of transaction while contributing 96% of total $ Net Bookings; Segment and profile transaction types; Categorize spend patterns over last 2 years
  - Develop Preliminary Spend Growth Model
  - Develop Preliminary Total Dollars Net Booking Forecast Model

Outcome

- 75% lift in percentage of top growers in first 2 deciles capturing >35% of total spend growth
- Highly correlated D&B variables: Detailed Trade, IT Spend month over month trending in amounts owing and purchased of IT related products
- Total Dollars Net Bookings has significant correlation to D&B Small Business Health Index: economic trends have bearing on the movement in Total $ Net Bookings over time
- Move into full development for production environment
Late-Stage, Qualified Lead Scoring Use Case

Client Need

• Late Stage Lead Qualifying
  • Identify prospect businesses that are most likely to become customers when the prospect has been targeted for some time.

Approach

• Developed a custom ‘conversion model’ to score all prospects in pipeline and determine which are most likely to convert.
  • Leveraged client-data and internal assets:
    o D&B Archive Mrktg Data
    o D&B Archive Credit Data
    o IT/Office Standard Score
    o IT Spend (Partner Data)

Outcome

• Delivered late stage lift where conversion rates already exceeded 50%
  • D&B is helping customer develop strategies based on insights learned from model

Lead Scoring

Have qualified leads, but which do I prioritize?

Rank ordering leads by estimated opportunity size, by greatest potential to close, or by length of time to close and funneling to the right sales team maximizes revenue while optimizing resources.
Actions you can take to transform your data and analytics environment in support of your company’s strategic goals this year and into 2015

Assess your **current analytical capabilities**
- In managing Risk
- In growing your business and seizing more Opportunity
- Cross-sell and Up-sell
- Globally

**Current State Assessment**
- Think about the Use Cases your business could benefit from and conduct a **Proof of Concept**
- Engage a trust advisor to validate your findings and **construct** and **implement** a new or enhanced program to drive toward desired future state.

**Insight Enrichment**
Thank you for joining us today!

What Questions do you have?

Let’s continue the conversation!
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