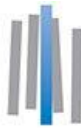




**Croatian
Adriatic
Region**



POSLOVNA UČINKOVITOST
Kontroling | Financije | Menadžment

HORVÁTH & PARTNERS
MANAGEMENT CONSULTANTS

ICV webinar

Sales efficiency improvement with Advanced Analytics

Mladen Meter
Bálint Palotai
Gábor Ádám

10:30 – 12:00, November 11th 2020

Webinar timeline

10:00 – 10:05 Who we are?

10:05 – 10:25 How to steer your sales?

10:25 – 10:45 How to use Analytics in sales steering?

10:45 – 11:30 Case studies from practice: Retail Industry

11:30 – 11:45 How we do Analytics projects?

11:45 – 12:00 Q & A

Content

Who we are?

How to steer your sales?

How to use Analytics in sales steering?

Case studies from practice: Retail Industry

How we do Analytics projects?

Your speakers during the webinar



Dr. Mladen Meter

Poslovna učinkovitost d.o.o.
Controlling and Finance
Senior Consultant



Bálint Palotai

Horváth & Partners Ltd.
Head of Strategy & Sales in HU
Responsible Partner for CEE



Gábor Ádám

Horváth & Partners Ltd.
Head of Advanced Analytics
Chief Data Scientist

Poslovna učinkovitost d.o.o. / Business Effectiveness Ltd.

Consulting

30 unique business advisory services
100+ associates in projects/educations



Education

200+ trainings
Open / in-house
Distance learning
Blended learning using own LMS system



Conferences

3 conferences
(controlling, finance, management)



Events

4 CFM Club Events
4 CFM Club Breakfasts
2 ICV Workshops



Core competences



Publication & Studies

Controlling standards
IBCS® standards
Professional magazine
„Controlling, Finance, Management”



International certifications

Certified Controllers & Advanced Controllers
IBCS® Certified Trainers, Consultants and Analysts



International associations

IGC – International Group of Controlling
ICV – Internationaler Controller Verein
IBCS® – International Business Communication Standards
IMA – Institute of Management Accountants




International partnerships

Companies with proven experience
(Germany, Hungary, Austria, Switzerland, UK, USA, Finland...)




Horváth & Partners: Steering Business Successfully


Employees
Over 1,000



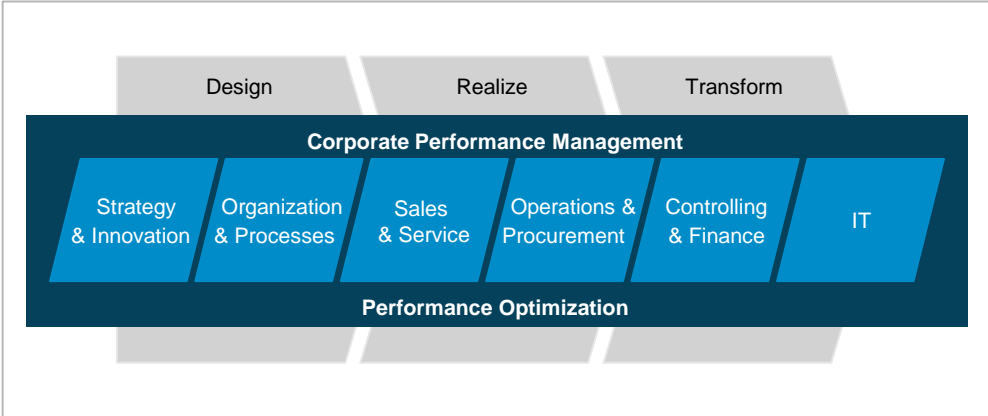
Core competences
Corporate Performance Management and Performance Optimization



Values
Entrepreneurship, Competence, Innovation, Openness and Trust




Offices
Abu Dhabi, Atlanta, Berlin, Bucharest, Budapest, Dubai, Düsseldorf, Frankfurt, Hamburg, Munich, Riyadh, Stuttgart, Vienna, Zurich


Digitalization
Data Analytics & AI, Digital Ecosystems, In-Memory Technologies, Robotics, Steering Business Digitally




Global Delivery Competence
Cordence Worldwide Alliance with 5,100+ consultants



Industry expertise
Automotive, Banking, Chemicals, Consumer Goods, Health Care, High Tech, Industrial Goods, Insurance, Logistics, Media, Oil, Pharmaceuticals, Public Sector, Retail, Telecom, Transportation, Travel, Utilities



Awards
Best of Consulting, Hidden Champions Top Innovator, etc.



Content

Who we are?

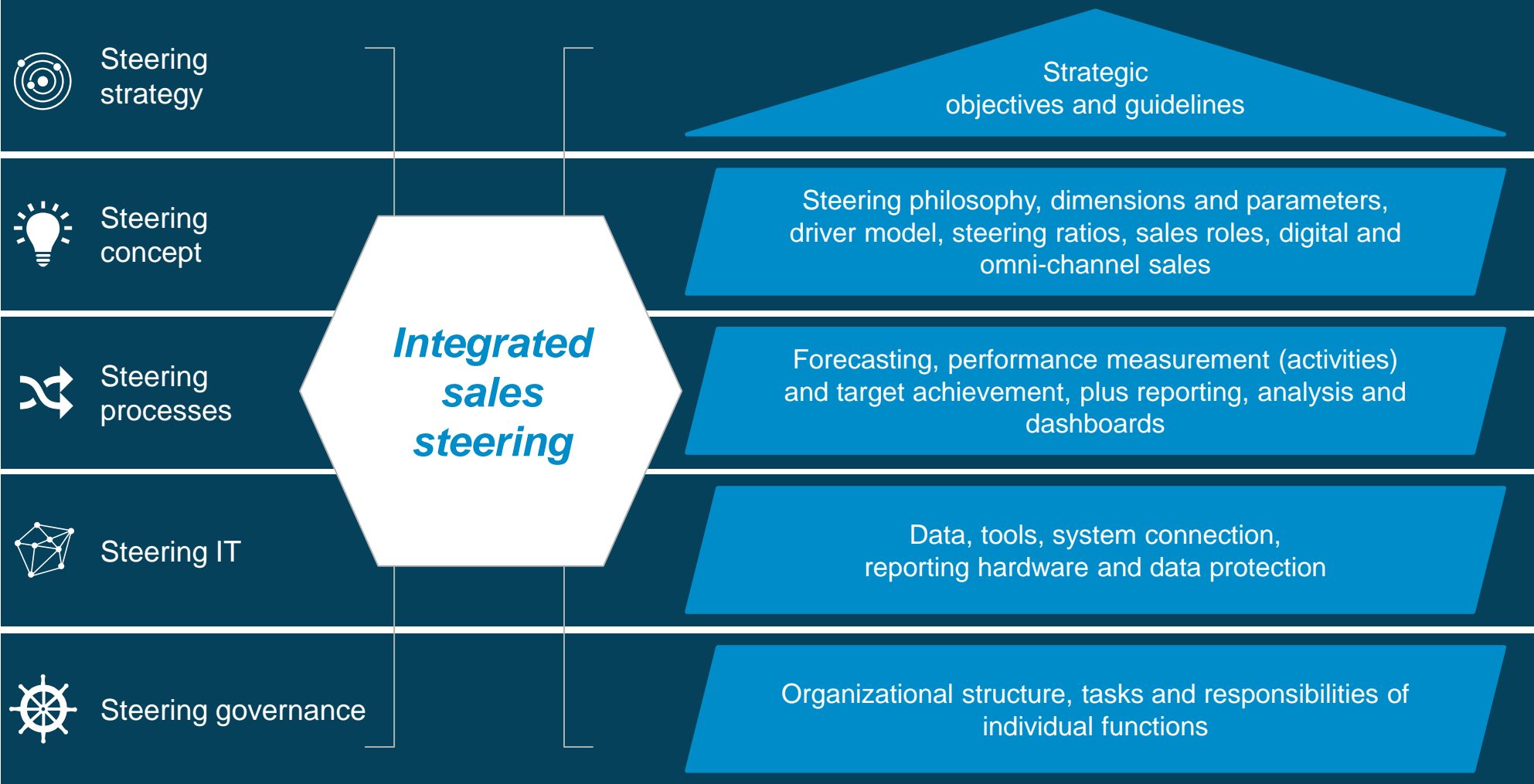
How to steer your sales?

How to use Analytics in sales steering?

Case studies from practice: Retail Industry

How we do Analytics projects?

Horváth & Partners' best practice solution to sales steering involves a five-dimensional approach



Sales steering objectives are derived from the sales strategy

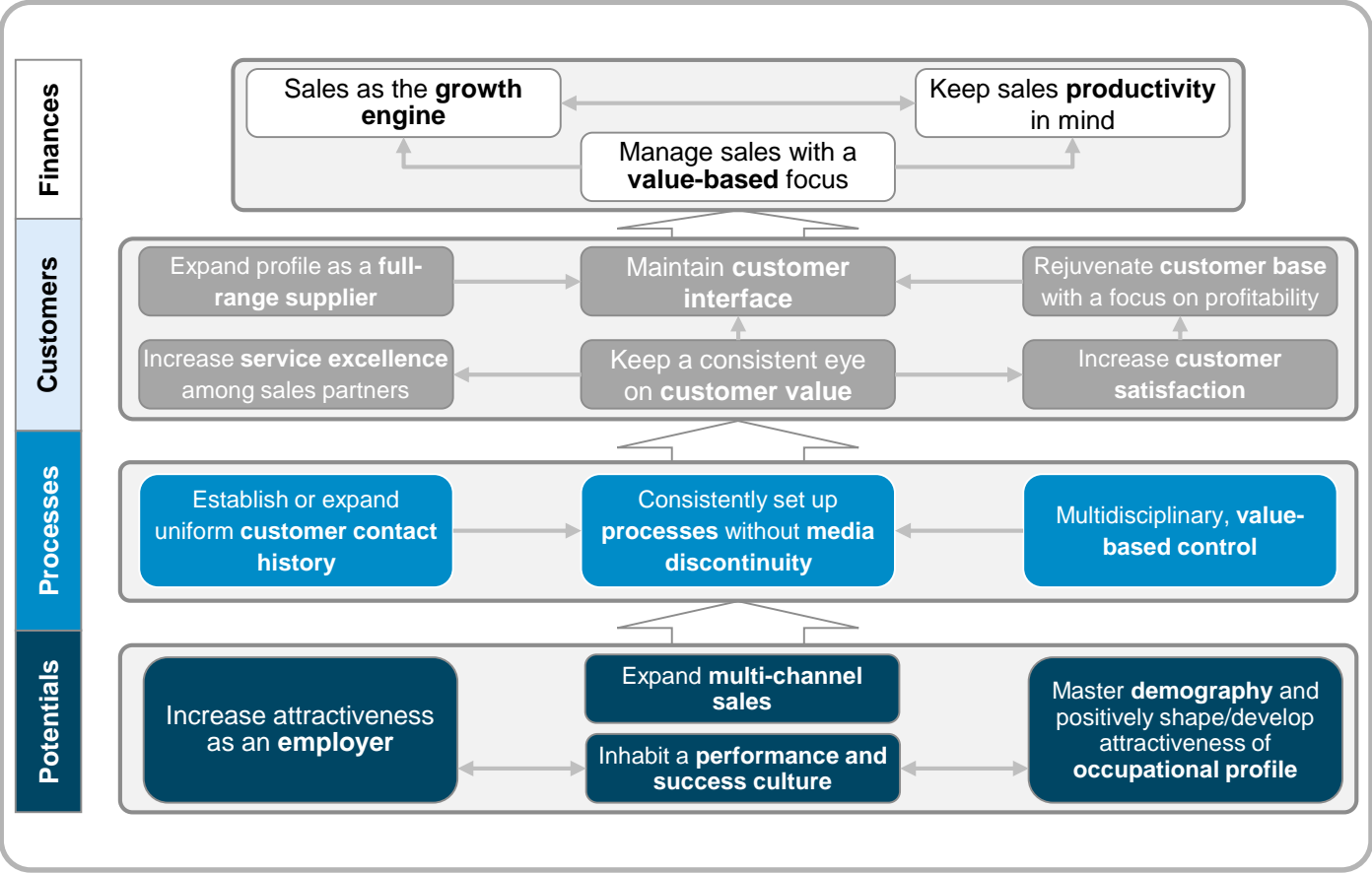


Steering strategy

Illustrative

Notes

Sales strategy roadmap as the basis for deriving the steering strategy



The sales strategy roadmap **summarizes** key sales objectives and **visualizes** causal connections

The steering strategy is derived from the strategy roadmap and covers the following aspects:

- Selection and linking of activity and results-oriented **control parameters**
- Definition and partition of the **time horizons** of various sales targets

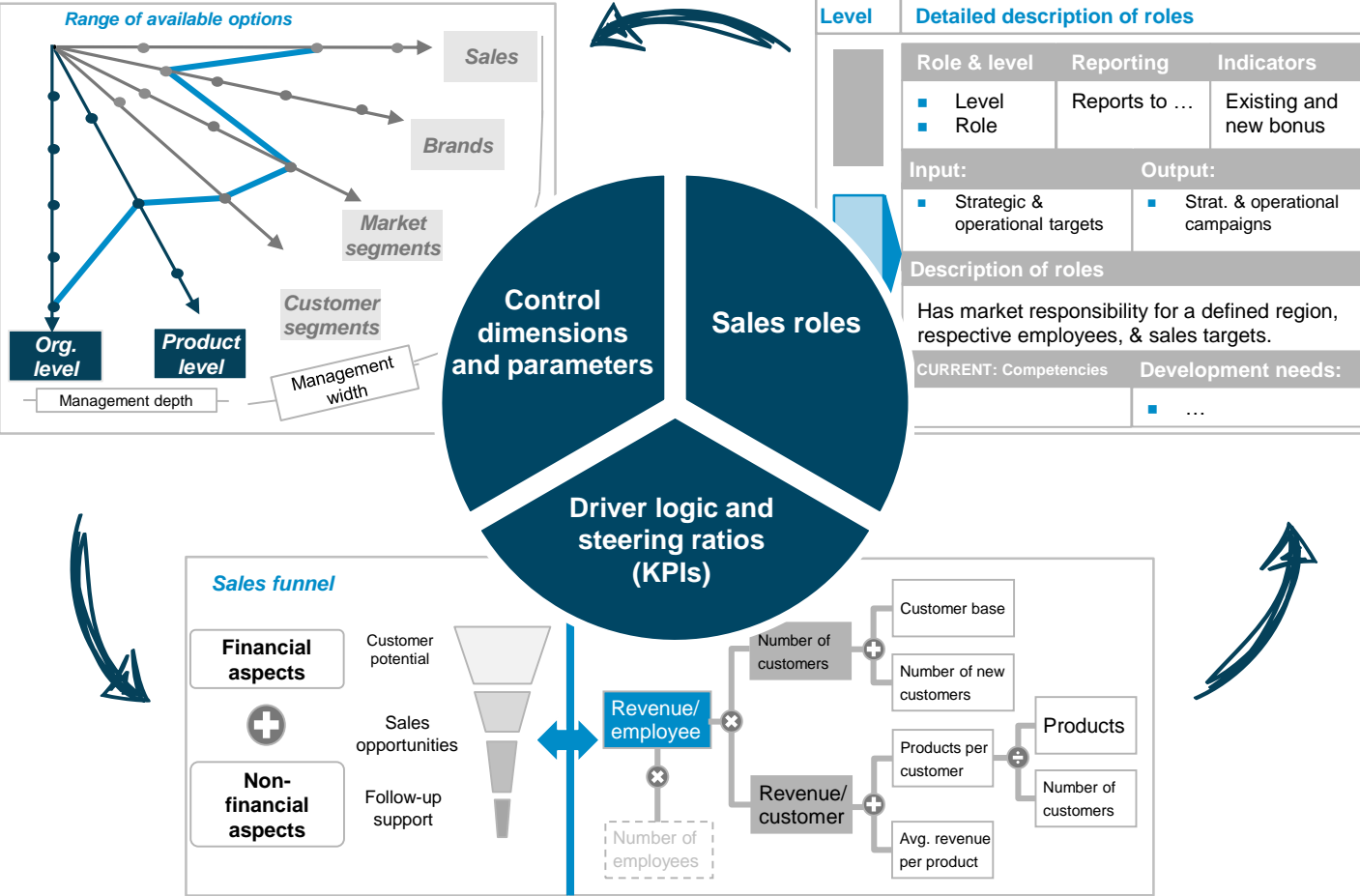
This represents the necessary precondition for **linking the sales targets** with the drivers of the **steering concept**

The steering concept covers control dimensions and parameters, driver logic and sales roles



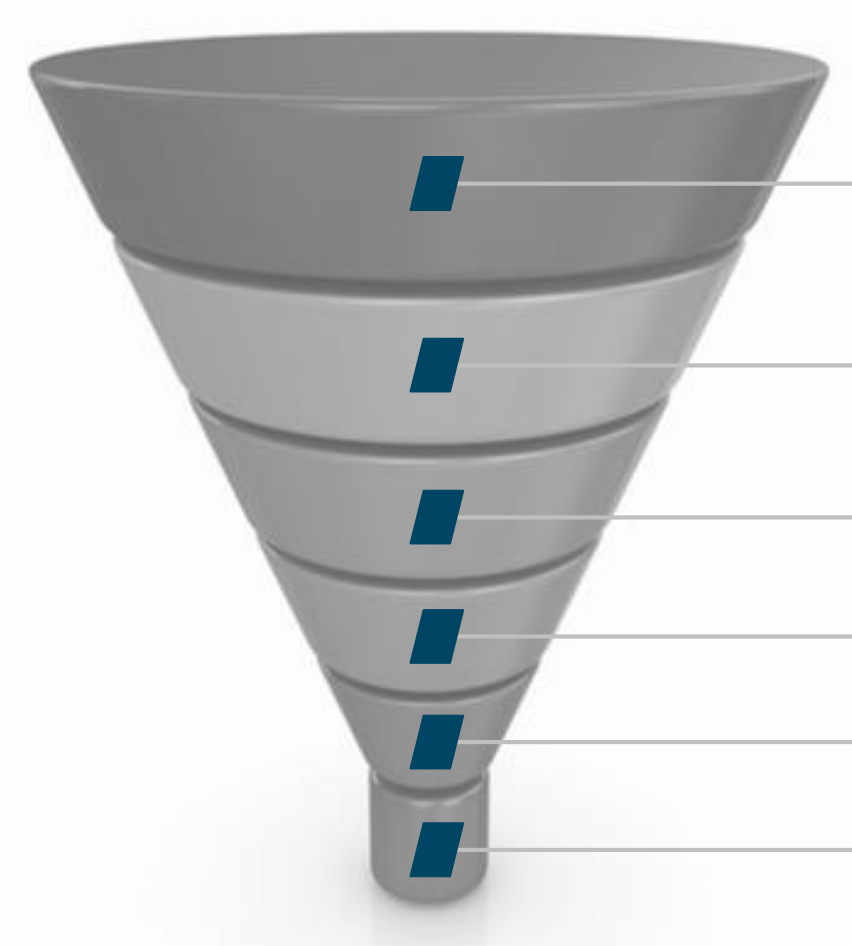
Three-stage steering concept

Notes



- The **control dimensions and their respective parameters** constitute the range of available options and serve as a framework for more specific steering
- The driver logic covers **driver trees**, which depict the causal **connections** between the (steering) **indicators** and define the **key performance indicators**
- The sales funnel takes account of existing potential in particular
- The sales roles are defined from **4 perspectives**: Strategy implementation, task profile, structure and process, and hierarchy
- A **control stimulus** is defined for each role

The sales funnel is essential for steering regional sales networks in a proactive manner



Attention

E.g. Visits, unique users, cost-per-click

Contact

E.g. Cost per lead, total leads, visitor frequency

Offer

E.g. Dwell time

Negotiation

E.g. Bounce rate

Completion and purchase

E.g. Conversion rate, closing rate, gross shopping cart value

Advice & cross-selling

E.g. Reorder rate, customer lifetime value

Notes

- With the aid of the sales funnel, **data for optimizing conversion** and thus sales success can be collected in a structured manner
- The sales funnel system enables **marketing and sales campaigns to be measured, evaluated, and improved**
- The **number of phases** in the funnel is **not static** and must be determined based on the sales requirements
- The sales funnel makes **leading KPIs** available and shows the **conversion** between different phases

Selecting the correct indicators for multiple-channel sales steering is vital

Purchasers

- Exploitation of purchaser potential
- Meeting demand (loyalty)
- Purchaser value per target group
- Transaction value (avg. receipt)
- Purchasing frequency
- Consumer satisfaction
- Visitor count/traffic
- Active purchasers
- Repurchase rate
- Visiting time for shop
- Conversion rate
- Avg. monthly shopping basket
- Micro conversion rates: Look-to-click rate, click-to-basket rate, basket-to-buy rate

Market

- Market share - quantity
- Market share - value
- Market share - brand names
- Sales
- Google ranking

Finance

- Revenue growth
- Growth in number of units sold
- Gross profit ratio
- Contribution margin
- Trademark revenue
- Promotion contingent
- Price index
- Revenue per customer
- Cost per customer - cost per visitor
- Cost per order - advertising costs in order to gain a customer
- Customer lifetime value - how much revenue is generated by a customer; how much can therefore be spent to obtain a new customer?
- Gross profit

Productivity

- Inventory
- Inventory turnover
- Product availability
- Warehouse spoilage
- Sales density
- Reliability of supply
- Incorrect deliveries (wrong product delivered)
- Number of returns
- Link to the shop through other shops

■ Online and brick-&-mortar ■ Brick-&-mortar ■ Online

The steering processes operationalize the target structure and constitute the basis for performance measurement

Sales planning and forecasting

The flowchart illustrates the sales planning and forecasting process, organized into three horizontal layers: Management Board, Sales controlling, and Sales executives. The process starts with 'Start' at the Management Board level, leading to 'Strategy development' and 'Approval of sales plan'. This results in a 'Target plan' at the Sales controlling level, which is then 'Plan update' and 'Verification' to create a 'Final sales plan'. This plan is then distributed as 'Plan per distribution channel' to Sales executives, who implement a 'Portfolio of target activities'. This leads to 'Target sales managers' and 'Checking', which feeds back into 'Verification' and 'Final sales plan'.

- The **sales planning process** defines the manner in which sales steering will be incorporated into the sales organization
- The starting point is the **target agreement process**, which is subsequently operationalized
- A holistic sales planning process incorporates **forward and reverse calculations**

Performance measurement and target achievement

The diagram shows a pyramid structure representing the hierarchy of sales reporting. At the top is the 'Vorstand' (Board), followed by 'Vertriebsdirektor' (Sales Director), 'Filialdirektor' (Branch Director), and 'Mitarbeiter' (Employee). The pyramid is supported by three levels of target systems: 'VD-Zielsystem' (Sales Director), 'FD-Zielsystem' (Branch Director), and 'Mitarbeiter-Zielsystem' (Employee). The pyramid is labeled 'Ziel-systematik' (Target Systematics) and 'Steuerung' (Control) at the top, and 'Reporting' at the bottom. The pyramid is also supported by 'Individualziele' (Individual Goals), 'Umsatzziele' (Sales Goals), 'Qualitätsziele' (Quality Goals), 'Entwicklungsziele' (Development Goals), and 'Profitabilitätsziele' (Profitability Goals).

- **Performance measurement and target achievement** must be systematically organized as a process
- Steering takes place using **top-down instructions**; reporting is prepared on a **bottom-up** basis
- **Support from IT tools** is still of value in this process step too, for reasons of efficiency

Reporting, analysis, and dashboard

The image shows a computer monitor and a smartphone, both displaying dashboards with various charts and data. An arrow points from the monitor to the smartphone, indicating the flow of information from the Board's cockpit display to the operational reports.

- **Pyramid-style** structure of **sales reporting**
- Key information includes **financial and non-financial indicators** along the length of the sales funnel
- From the Board's cockpit display to the operational reports, a **responsive reporting view** is generated on the basis of a **consistent management approach**

An integrated BI solution is a basic constituent of any scalable and forward-looking sales steering approach

Content and processes to be modeled



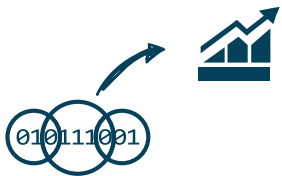
- For holistic steering, planning, **(predictive) forecasting** and reporting must be integrated into a BI solution
- **Integrated action planning** as a basic constituent of the steering process and link between planning, forecasting, and reporting should be supported by a BI solution

Data model



- A group-wide, **harmonized data model** is the basis and enabler for a procedural and content-related integration between the planning, forecasting, and reporting steering processes
- The integration and use of **external data** can significantly increase the informative value and quality of the forecast and must be supported by a suitable BI solution

Digitalization



- Modern BI solutions offer **automation potential**, particularly for the efficient design of standard processes in reporting and planning
- The use of modern **predictive approaches** enables high-quality forecasts to be created automatically

Requirements
for a digital,
scalable
planning and
reporting
solution

The steering IT is based on an architecture roadmap and focuses on achievable solutions

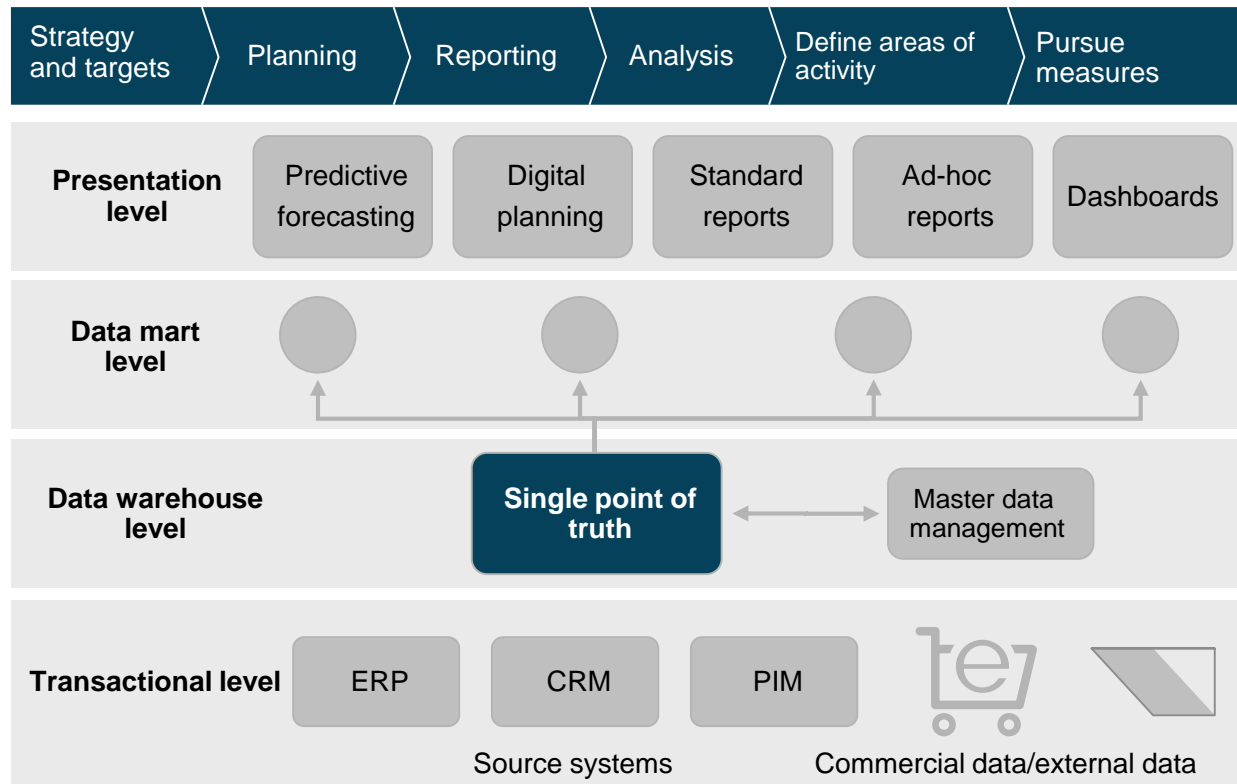


Steering IT

Illustrative

Notes

BI system architecture & data along the decision-making process chain



- The target structure for the BI system architecture must be **integrated into the overall IT system architecture** and be **geared to feasibility**
- **Current projects** and their impact on the overall IT architecture must also be **taken into account** (e.g. overarching group solution for reporting and planning)
- The target BI system architecture must be **scalable and flexible** enough to support future growth (e.g. new sales partners, new product solutions)
- **Master data management** is a requirement for consistent, cascading reporting

The benefits of an integrated, automated real-time sales steering system are wide-ranging



Efficiency

- **Improved decisions** through standardized view of performance indicators, with a simultaneous and **clear demarcation of responsibilities**
- Consistency of relevant KPIs as a result of **cascading from the steering model** through to the management and operational reports



Outcome

- **Maximization of profit** by taking account of **holistic corporate success** and its diverse individual components
- Proactive, forward-looking, steering behavior through efficient performance tracking and accurate **predictive forecasting**



Customer

- **Improved management of potential** through the generation and use of comprehensive **customer and market information**
- **Increased customer satisfaction** through the integration and targeted synchronization of various purchasing channels

Content

Who we are?

How to steer your sales?

How to use Analytics in sales steering?

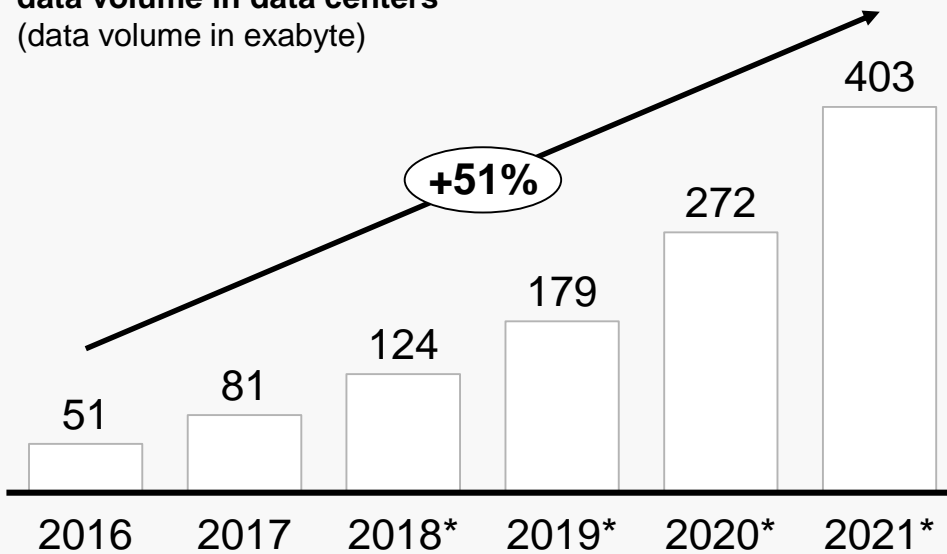
Case studies from practice: Retail Industry

How we do Analytics projects?

The availability of (big) data and the use of advanced analytics are increasing rapidly

Increasing big data volume

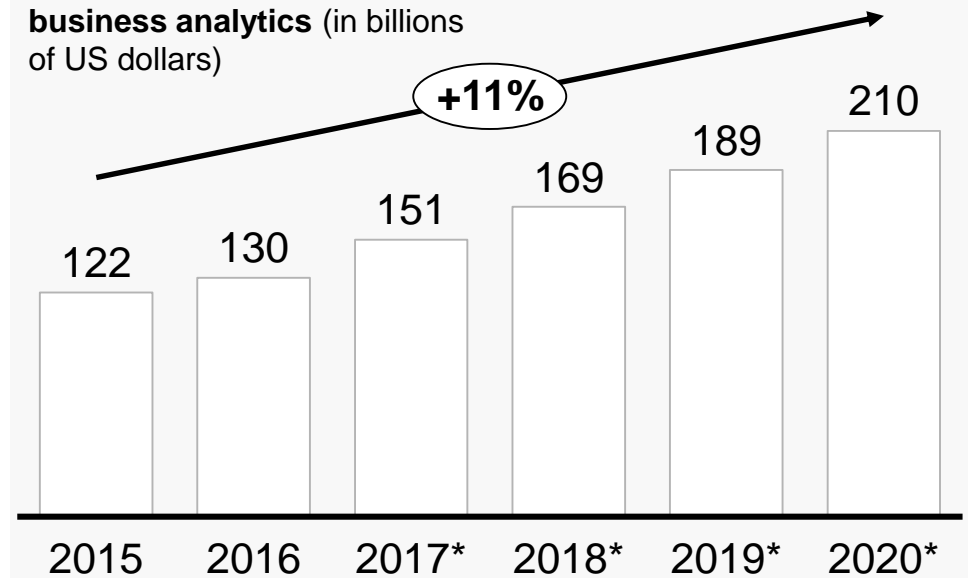
Forecast of the worldwide big data volume in data centers
(data volume in exabyte)



Source: Cisco 2018

The use of analytics is increasing

Global sales of big data and business analytics (in billions of US dollars)



Source: IDC 2017



Make greater use of big data and sales analytics in your sales department

Is your company's sales department using the full potential of your data?

Opportunities

Revenue effects



Improved customer and market development



Improved product portfolio and targeted approach



Increased customer satisfaction

Efficiency effects



Improved resource and budget allocation



Reduction of sales and marketing costs



Avoidance of customer churn

Our approach



Create a powerful data source

We help you to collect the relevant data internally, process it and enrich it with external data sources.



Generate valuable insights

We develop hypotheses and test different analytical models to generate valuable insights about your business, markets and customers.



Take better decisions

Based on the new data-driven insights, you will be able to take the right decisions - on managerial and operational level.

We see many fields of actions where Sales Performance Excellence could be increased

Mindset
Attitude
Professionalism

Performance Review
Peer Group Benchmarking
Compensation & Incentives

Competence Framework
Qualification & Development
Recruiting

Reporting Framework
Standard Sales Reports
Sales Analytics

Planning Framework
Target Setting
Forecast

Steering Dimensions and KPIs
Sales Funnel Structure
Revenue Allocation
Cost Allocation
Contribution Margin Scheme



Market & Customer Segmentation
Market & Customer Intelligence
Market Development Strategies
Customer Development Strategies

Portfolio Offering
Value Based Selling
Pricing
Sales Initiatives

Sales Channel Set Up
Sales Channel Integration
Customer Interaction Models
Customer Experience Management

Organizational Blueprints
Job profiles, Roles, Responsibilities.
Committee & Communication
Structure

Sales Processes Map
Sales Process Standardization
Sales Process Automation

Master Data Management
Front Office-Systems & Tools
Back Office Systems & Tools
Customer & Partner Integration

Data-driven solutions can provide answers to the most urgent sales questions

extract

Questions of the sales department

Sales analytics toolkit

Markets & customers

- How will sales develop in the coming months?
- Which customers have similar demands and how can they be optimally served?
- Which are the most valuable customers and how can we treat them accordingly?
- Which customers are at risk of leaving and what preventive actions can be taken?

Sales & communication channels

- Are current stores ideally located and where should future stores be opened?
- What is the ROI of sales & marketing campaigns?

Products & services

- How is the optimal price determined for the respective customer at a given time?
- Which product do I offer the customer next?

...



Content

Who we are?

How to steer your sales?

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Case studies from practice: Retail Industry

How we do Analytics projects?

We have done it before! – we provide a sound track record and expertise in retail industry

Our Retail Customers (excerpt)



Our Retail Publications (excerpt)



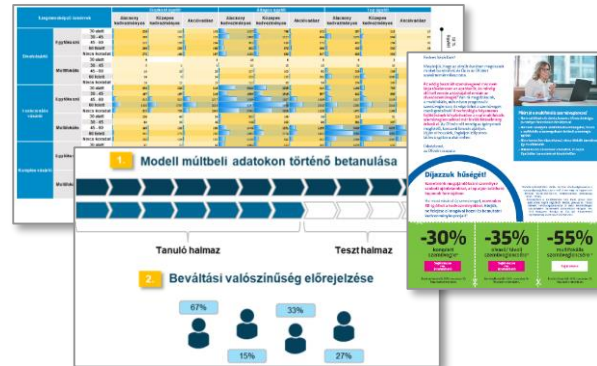
Further project, industry or personnel related references can be provided upon request

Knowing your customers' demographic and shopping behaviour could be the key success factor to sales up

Results

- Based on historical data, we identified that customer group which is most likely to consume premium products, then we created different customer segments within this group.
- We identified those people who are the most likely to redeem coupons of a special offer.
- Combining the abovementioned results we specified the target list of DM-letters.
- Coupon redemption-ratio increased.
- The average consumption value grew by nearly 50%.

Tasks & Challenges



Illustration

- The majority of clients purchase a given product for several years.
- Those customers, who bought nothing from the company within the last 2 years are targeted with DM-letters.
- The DM-letters had not been segmented before.
- Our client's primary goal was turnover growth by increased coupon redemption ratio.

Our approach

- We built a data warehouse based on our client's customer relationship and transactional data.
- Based on statistical analysis, we specified those customers who would choose premium products with greater likelihood.
- We applied machine learning solutions in order to identify customers who are the most likely to redeem coupons.

Success Factors

- Established data warehouse based on extensive dataset.
- Advanced statistical and machine learning know-how.
- Knowledge about the client's marketing and sales practices for better implementation.
- The delivered results and visualizations were easily understandable.

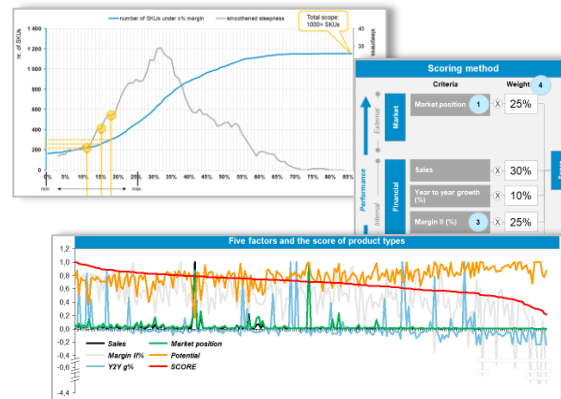
Data-driven product portfolio optimization could increase the ratio of the profitable products for an FMCG company

Results

Data-driven portfolio optimization

- Growing portfolio-returns while key stakeholders' expectations are met.
- Controlling: Detailed, realistic cost allocation, which links costs to their causes and identifies the non-profitable products.
- Manufacturing: Identifying that critical mass, where concrete cost savings are achievable (The removal of a few products will not significantly reduce the manufacturing costs).
- Sales: Identification of product combinations which are often purchased together.
- Marketing: Offering alternatives immediately by the identifying substitute products.

Tasks & Challenges



Illustration

- It is unknown, at what extent products contribute to profitability.
- Having too many product-types creates even more complex manufacturing. On the other hand, little batch sizes cut profitability back.
- There is no established practice for removing products from the market. The decisions are made intuitively in an ad hoc way.

Our approach

- (1) The product contribution margin; and (2) the products' market positions are both thoroughly analyzed.
- (1) A given product's cost is calculated on a margin-level, that has never been calculated before (transportation, not allocated manufacturing costs, etc.).
- (2) The given product is evaluated by a complex scorecard (growth, market position, potential).

Success Factors

- Involvement of several stakeholders: SCM, Controlling, Marketing, Sales, etc.
- The data were thoroughly verified several times by the key stakeholders.
- The product-removal decision-making processes were well prepared.
- The procedure became incorporated into the client's processes.

Turnover forecast in case of an FMCG company with broad product portfolio and strong international presence

Results

- The workload decreased in the forecasting team of the Supply Chain Management department.
- The forecasting error decreased significantly (from 80%+ to 15-30%).
- Increased efficiency and decreased OPEX, because of overstocking reduction.
- The security of supply improved while there were fewer shortages.
- We developed a service model, which supported our clients flexibly, while easily scalable without any extra coordination on the customer side.
- The service cooperation works successfully for several years.

Tasks & Challenges



Illustration

- At our client, which has 1000+ products, only a small team is responsible for turnover planning. It creates an enormous workload for them.
- The plans are not made accurately. On several occasions, there are overstockings or shortages from a product.
- The client has no capacity for the configuration of its own data-driven forecast-system.

Our approach

- Based on a service model, IFUA established a forecast system for clients within IFUA's own environment.
- For the 1000+ different types of products, we run 40 different model. The system chooses the best fitting model for the weekly and monthly forecasts.

Success Factors

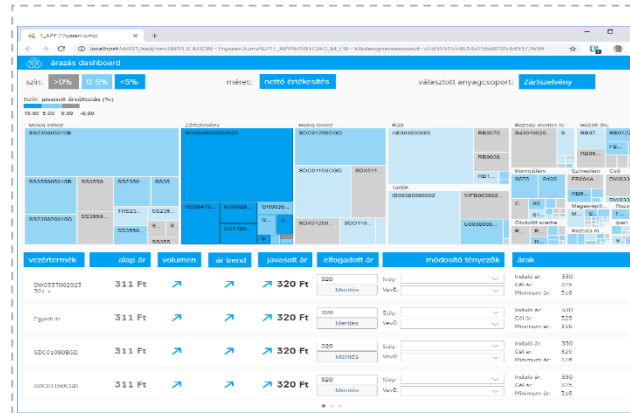
- Creation of an efficient data warehouse from transactional and external data.
- Advanced mathematical-statistical knowledge.
- Incorporating the results into the client's daily processes.
- Service approach.

With the development of an integrated pricing tool companies' sales efficiency could be increased significantly

Results

- Automated weekly price recommendation based on both demand and supply conditions
- Pricing discount system based on customer value and sales weight
- SAP Lumira platform for price monitoring and approval with overwriting opportunity.
- The system is integrated into the company's IT landscape (SAP BW, WebI, MySQL, R) with automated ETL

Tasks & Challenges



Illustration

- Over 6,000 SKUs in the portfolio
- Volatile steel market conditions make pure cost-based pricing insufficient
- Complex discount system for customer and weight categories
- No available data or structured follow-up on non-accepted offers
- Big pricing discretion of sales people resulting in broad range in prices

Our approach

- Analyzing and aggregating the 6,000+ SKUs into ~50 product groups with similar market dynamics
- Reviewing and simplifying the customer and weight-based discount system
- Delivering a BI tool for structured pricing review and approval for top management.

Success Factors

- CEO level support
- The platform is integrated in the existing processes and IT environment making it easier for users to adapt
- Close collaboration with internal stakeholders

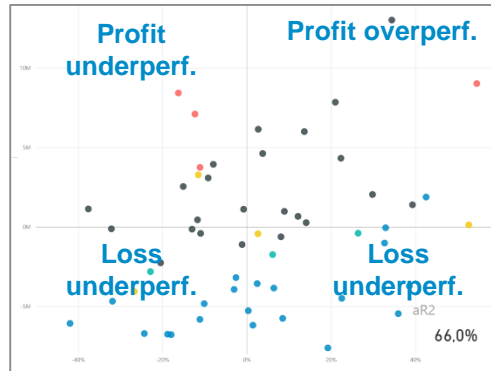
Potential-based sales network optimization in case of a specialty retailer

Results

Identification of actions with turnover potential analysis

- The stores' potential directly supported the performance evaluating and planning process, therefore our client had a more realistic view on the performance.
- By a data-driven method, Our client was able to identify those shops, in which price increase was possible.
- Our client was able to optimize the stores' shelf-category portfolio and the development targets (e.g. lottery monitor instalment) based on the potential model.
- Each suggested actions could be evaluated financially with the model, like the effect of a smaller fluctuation rate within store managers.

Tasks & Challenges



Illustration

- The given specialty store network operates with 300+ shops at different kind of locations (pl. shopping malls, markets, main streets, etc.), which complicated the measurement of the store's relative performances.
- The product portfolio is highly extensive and the relationships between different product types are ambiguous.

Our approach

- Connecting databases which contains store data.
- The stores' expected turnovers were estimated by advanced statistical tools.
- As a result of those estimations, we identified the most important turnover-influencing factors (including the shelf-category portfolio).
- Based on our model, changes were suggested.

Success factors

- Good quality data in great volume.
- Learning algorithm competence.
- The installation of the model into the extant systems.
- Stable and active cooperation both with the customer side network and with the sales experts.

Sales reporting made transparent the performance of the franchise partner network for a retailer

Results

Transparent network performance

- We identified those factors which mostly influenced the franchise partners' performances.
- The descriptive analysis showed correlations, which were not possible to present previously (e.g. correlation between the design and location of a shop and its turnover).
- The monthly refreshable dashboard allows an easy and quick selection of partners, whom sales activity changed and intervention is necessary.
- The dashboards were also applied extensively at the monthly franchise meeting for the franchise partners' performance-evaluations.
- We established a system which become incorporated into the monthly management accounting reports too.

Tasks & Challenges



Illustration

- The sales activity of a franchise-network, which consists hundreds of stores is hardly transparent.
- Complementing the mystery shopping system, a non-financial focused KPI-system was required in order to measure the performance of the Hungarian franchise-network.

Our approach

- We formulated an indicator, similar to Herfindahl-Hirschman concentration index, which is able to measure the diversity of the products purchased by the franchise partners.
- The results are visualized on a dashboard. Its operational framework were developed together with the sales controller.

Success Factors

- Application of a wide range of data sources.
- The statistical identification of the key performance-influencing factors.
- Familiarization with the current (financial and non-financial) evaluation system.
- Automation of index-calculation.

Content

Who we are?

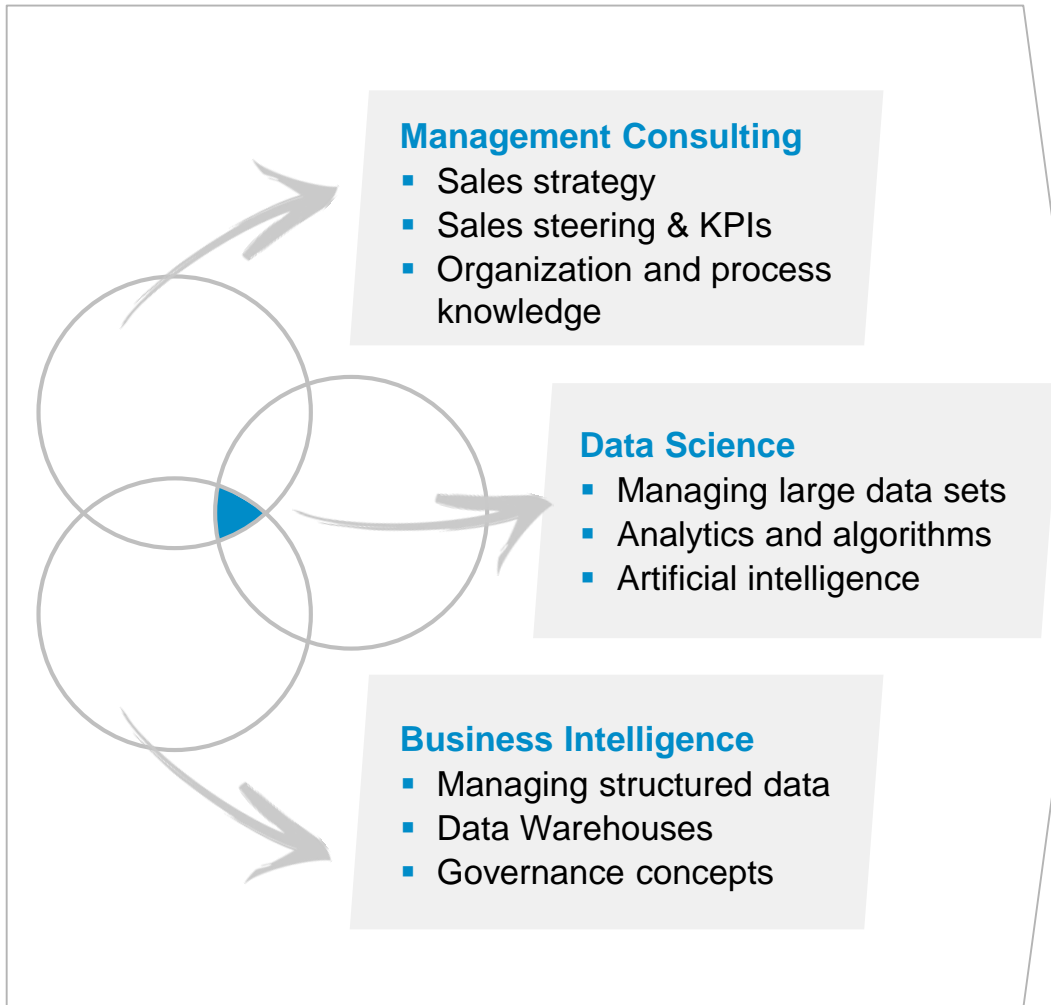
How to steer your sales?

How to use Analytics in sales steering?

How we do Analytics projects?

To reach real improvements business and analytical competencies need to be bundled in analytics projects

The optimal team for your project success

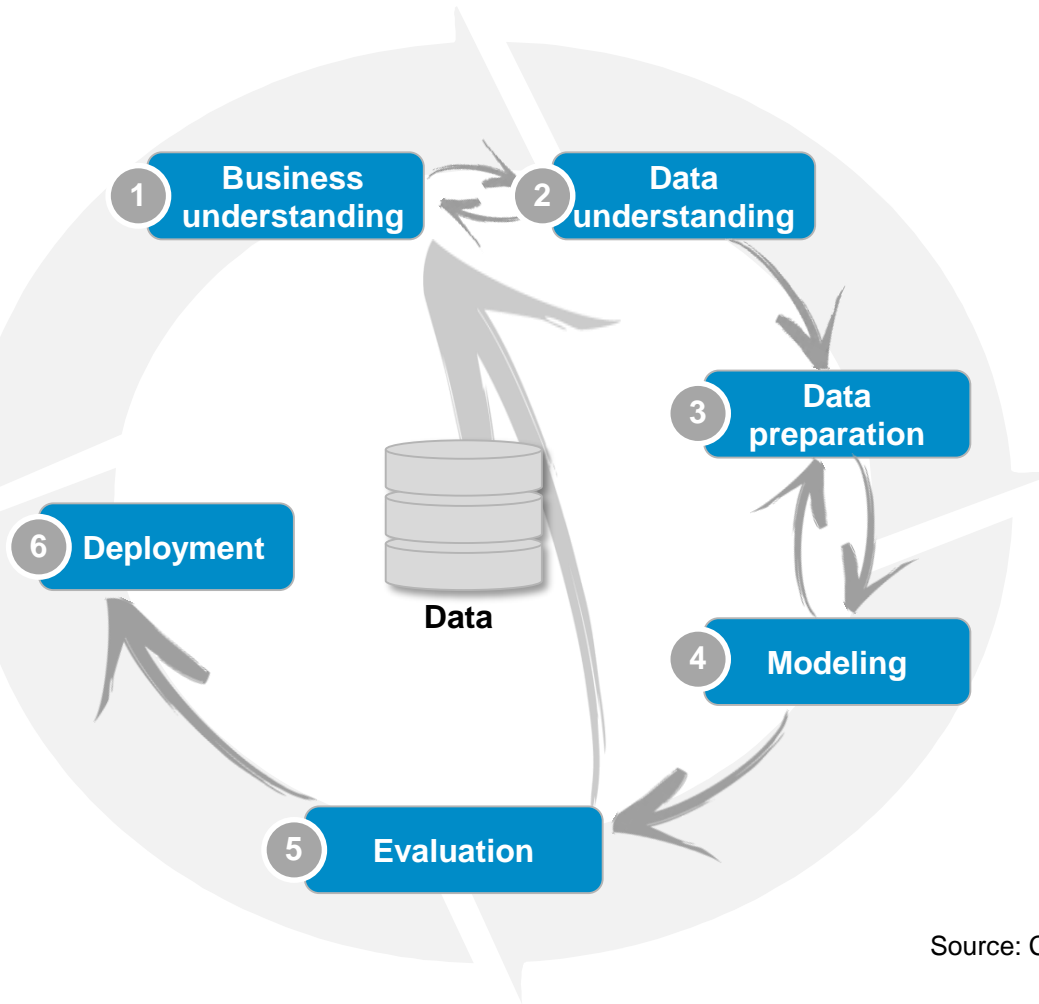


We provide guidance in all stages



We recommend to follow the Crisp-DM method with the combination of statistical analyses and business aspects

CRISP-DM METHOD

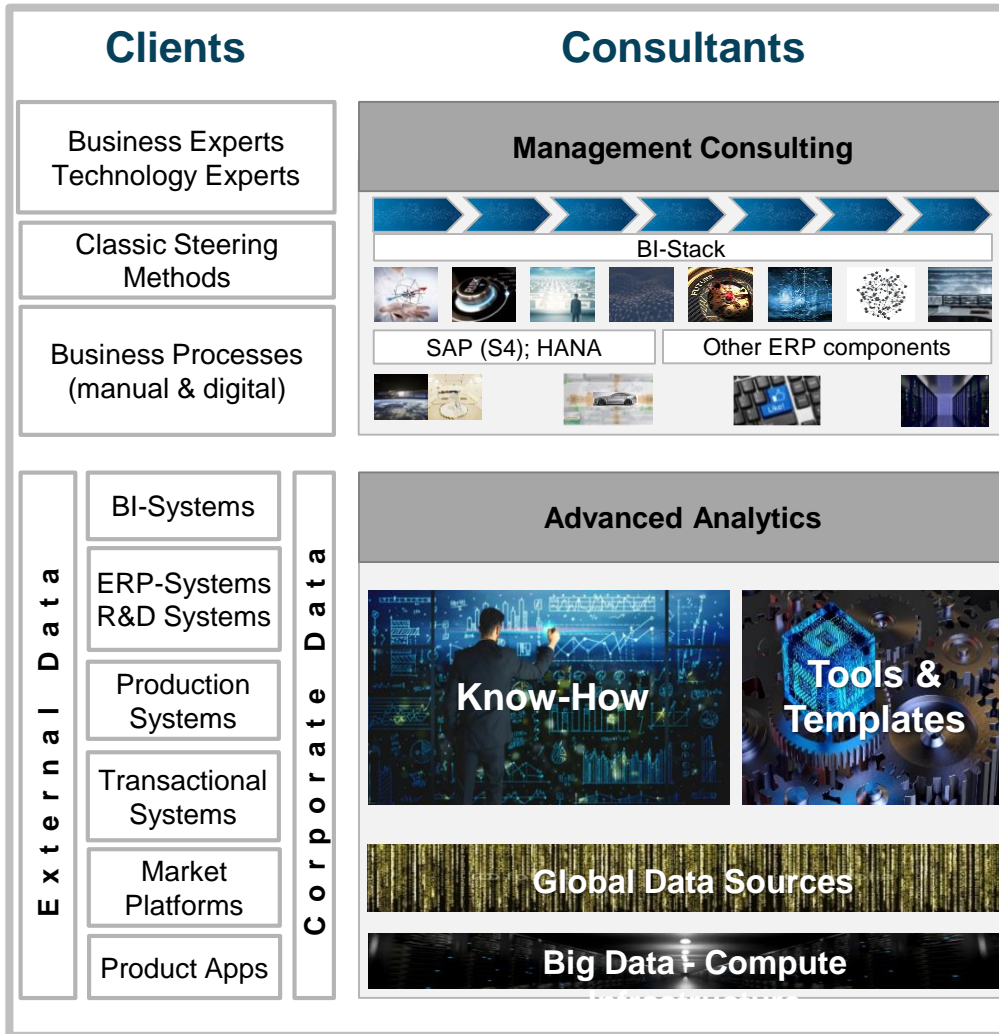


OUR SOLUTION

- We explore and **take into consideration the business needs of the client** to be supported by the analyses
- Only previously **verified, cleaned data will be used for the analyses** in order to avoid any distortion in the results
- We combine the **statistical results** of the modeling **with business goals and with our previous experiences** in order to achieve actionable segmentation
- We offer the **opportunity of business testing** regarding the results. In case of any need for modification changes will be implemented
- The evaluation and analyses will be **driven by business questions** to be answered to develop the strategy and / or the operation
- We present the results of our analysis in a **transparent, understandable and workable** form
- We build a **standard solution** which can be implemented in other countries as well
- We are ready to support the operation and the actualization process

Source: CRISP-DM (Cross Industry Standard Process for Data Mining) methodology

We help harness value from companies' data assets – from proof of concept to pilot and productive solutions



Services for Advanced Analytics

- Discover data sources
- Data structure and model potential analysis
- Data cleansing
- Data consolidation
- Massive external data enrichment historic/real time
- Fast, comprehensive proof of concepts
- Build and run complex quantitative models
- High performance heterogeneous data modelling
- Data visualization with dashboards
- Advanced Analytics as a Service (on monthly basis)
- Integration of quantitative models into existing IT systems
- Advanced Analytics trainings
- Physical data security in closed environment

Source: Pictures from www.fotolia.de

We follow a systematic approach from ideation of use cases to anchoring within the organization and IT landscape



IDEATION: Evaluate and prioritize use cases

- Introduction of possibilities, limitations and benefits of advanced analytics
- Evaluate identified use cases (supported input by Horváth & Partners project experience and use case catalogue)
- Select one use case incl. fall-back option (based on agreed criteria)
- Describe business context, target solution and business case for selected use case
- Assess technical and functional requirements and feasibility
- Prepare pilot implementation (resources, schedule, ...)



- Potential use cases are listed and evaluated
- One use case is selected as pilot
- Pilot implementation is planned



REALIZATION: Pilot realization and evaluation

- Identify, collect / procure and evaluate data (internal and external data)
- Gather relevant expert knowledge from business or functional experts
- Develop the model / algorithms (if necessary switch to fall-back option)
- Evaluate and stabilize explanatory power and quality of the model



- Model is developed and implemented
- Results can be evaluated and optimized



ANCHORING: Deployment & improvement

- Specify analytics target operating model (governance, roles, and responsibilities, processes, organization, skills, ...)
- Integrate the model into productive processes and systems (high performance and availability)
- Continuous improvement and enhancements
- Training and communication of experts and business users
- Planning of subsequent use cases



- Model is integrated within productive processes and systems
- Analytics target operating model is specified
- Next steps are defined



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