

# MODELYZR POTENTIAL ESTIMATOR

NO MORE SHOOTING

AT SPARROWS WITH CANNONS

## Modelyzr Potential Estimator:

### No more shooting at sparrows with cannons!

Generating leads is a top priority for marketers. However, the associated costs have risen noticeably in recent years. According to a global study by the CRM provider Hubspot, 60% of the surveyed marketers<sup>1</sup> made this observation in 2020. A clear driver of this development is the insufficiently targeted placement of marketing measures.

The result: 50-70% of the investments remain ineffective. To counteract this, campaigns must be targeted as precisely as possible instead of literally shooting at sparrows with cannons. In the current Demand Gen Report, 73% of the companies surveyed stated that the principle of "quality before quantity" applies to most companies when generating leads.<sup>2</sup>

The awareness of the problem is obviously high. Nevertheless, the search for solutions is still difficult for many companies. The question here is: How can a large mass of known and unknown target customers be quantified and qualified in such a way that marketers are able to precisely target measures to them? This white paper provides answers to precisely this question.

## Determining potential as the key to success

One method of targeted lead generation is the determination of target groups on the basis of a data-driven determination of market potential. A potential value is calculated for each market participant, with the help of which both new customer and up- and cross-selling campaigns can be developed easily and data-based.

**„With Modelyzr we really have the transparency we do need for General Business. The ability to see our Potential in the Net New Names, Installed Base and the White Spaces in the Swiss Market, makes it easier for us to walk in the right direction. “**

**– Pascal Strnad Head of GPO & SME SAP Switzerland (At the time of statement)**

But what exactly is meant by market potential? In addition to various synonyms such as turnover potential or sales potential, there are also very different interpretations of the meaning. Therefore, it must be determined which definition of the term is to be valid in this white paper.

<sup>1</sup> Not Another State of Marketing Report

<sup>2</sup> Demand Generation Benchmark Study: Quality Over Quantity Takes Center Stage For Demand Marketers

When market potential is referred to in the following, it includes the totality of all possible sales volumes in the relevant market. The market potential can be calculated either top-down or bottom-up. The top-down method determines how high the total market potential of a specific market segment is. Such a segment can be, for example, the IT sector or the metal processing industry. These figures are usually based on market research, which usually aims to provide an overall view of an industry.

However, this general view has the disadvantage that it is not suitable for target group identification, as the potential values cannot be assigned to individual companies but apply to the entire segment.

On the other hand, the bottom-up method is more complex but much more detailed. This approach focuses on a single company in order to draw conclusions for the entire market segment. Based on historical sales, it is extrapolated how much market potential the company represents in a segment. The potential in the coming contract cycle, which varies depending on the product, is calculated in each case.

This value is then calculated for each company in the market, regardless of whether it is already known or still unknown. The market potential that can be calculated with the data analytics engine MODELYZR, for example, builds on this method, as it offers a higher level of detail as well as significantly more analysis options.

**„With MODELYZR and its lean machine learning processes we recognise market potential quickly and in a targeted manner - both in the existing customer segment and with potential new customers. This allows us to manage sales and marketing activities in a very focused way.“**

**Heinz Lorenz**

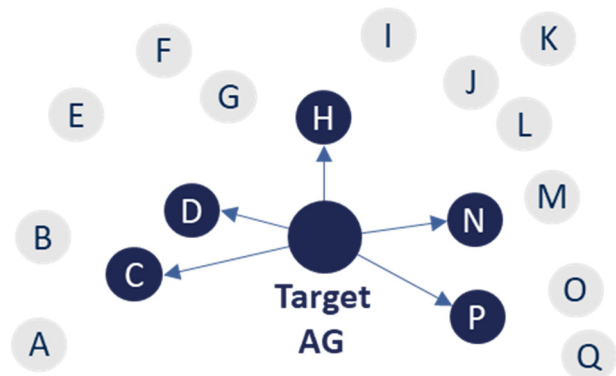
NTT DATA Business Solution AG, Head of Global Demand Management\*

\*At the time of the statement

## Precise calculation instead of gut feeling

But on what data basis does such a market potential arise? MODELYZR uses modern machine learning methods to analyse all available information about existing customers. A similarity measure is used to create a relevance cluster containing up to 500 customers, which contains up to 500 customers whose organisation-related criteria show the greatest analogies with the company to be determined.

In terms of an example company, this would look like this: PotEst Ltd. would like to know what market potential it has not yet tapped in a certain market segment. In order to determine a market segment more precisely, limiting parameters such as industry, region or number of employees can be added. The more parameters are combined, the more fine-grained the market segment under consideration becomes. In this example, the fictitious Target AG operates in the defined market segment and is to be assigned a potential. For this purpose, Target AG is compared with existing customers who have similar parameters.

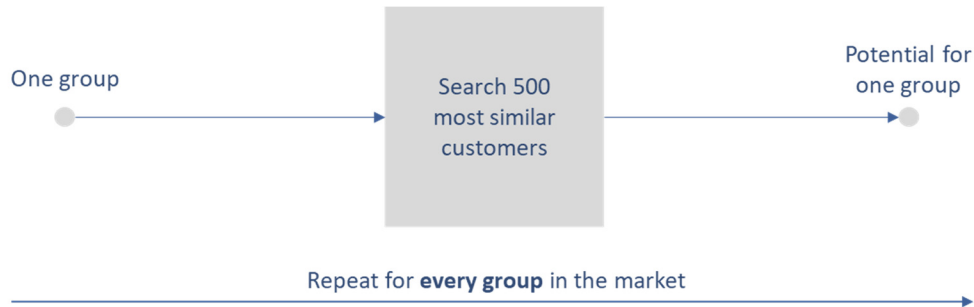


To simplify the procedure, the number of data points per company is now reduced to a fraction. Possible additional company data could be, for example, the SIC code, the gross domestic product or the number of employees. If Target AG, for example, has an annual turnover of 5.99 million euros and is located in the "Advertising Agency" sector, then each similar company must be evaluated. This results in the following model in the greatly reduced data set.

Target AG	Company A:	Company B:	Company C:
<ul style="list-style-type: none"> <li>Annual Turnover: 5.990.000 \$</li> <li>Germany</li> <li>Advertising Agencies</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>Annual Turnover: 1.658.984 \$</li> <li>Germany</li> <li>Real Estate</li> <li>...</li> </ul> <p>Matching 60%</p>	<ul style="list-style-type: none"> <li>Annual Turnover: 13.658.984 \$</li> <li>Brasil</li> <li>Grocery</li> <li>...</li> </ul> <p>Matching 14%</p>	<ul style="list-style-type: none"> <li>Annual Turnover: 6.258.984 \$</li> <li>Germany</li> <li>Advertising Agencies</li> <li>...</li> </ul> <p>Matching 95%</p>

Company C would therefore presumably make it into the cluster of 500 data sets used to determine the market potential, whereas company A and B would not be considered.

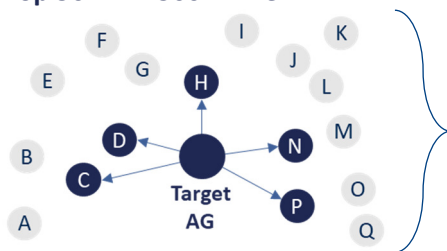
This procedure is applied iteratively to each company in the prior developed relevant market. Accordingly, such a cluster is created for each company. This creates a very sharp picture of the market, its segments and, first and foremost, of each of its companies.



At this point, however, there is still no validatable market potential. This requires further steps to process the created data basis and make it quantifiable. In these steps, the current as well as the historical sales and the current pipeline values of the identified existing customers are used. This is done not only at the company level, but also individually for each product that can be sold to the investigated companies.

Based on this data, statistical methods are used to eliminate the outliers, both upwards and downwards, so that a final data set is created. This data set can now be used to calculate as accurately as possible the turnover that can ideally be achieved with a company within the coming contract cycle.

**Top 50 < n < 500 Firmen**



Product Group	Product 1	Product 2	Product 3	Product 4
C	10.000 €	8.000 €	- €	250.000 €
D	100.000 €	75.000 €	10.000 €	830.000 €
H	65.000 €	20.000 €	- €	290.000 €
N	120.000 €	- €	50.000 €	120.000 €
P	80.000 €	- €	- €	400.000 €
<b>Potenzial:</b>	<b>100.000 €</b>	<b>50.000 €</b>	<b>25.000 €</b>	<b>390.000 €</b>

## Conclusion: More effective measures with falling costs

Knowing the market potential of possible target customers is of great value on several levels. For example, marketing measures can be steered in a more targeted manner. If it is known that company C has three times the market potential of company A, advertising activities can be specifically tailored to the former and their development and implementation prioritised. This target-customer-oriented distribution of measures also helps to conserve the marketing budget: Instead of hoping to address the right addressees more or less randomly by means of the "watering can principle" and thereby accepting high costs for broadly spread campaigns, the budget can be distributed as effectively as possible.

The sales department also benefits. After potential new customers have become aware of a product through appropriately targeted marketing measures, they can be sorted according to market potential and approached in the resulting order. There is no longer a futile preparation for an acquisition meeting that fails at the outset because one's own portfolio does not match the targeted customer. It is also avoided that new customers are won but do not bring the hoped-for turnover afterwards.

Instead, sales staff can concentrate on really worthwhile target customers and thus achieve more deals in the same working time. What applies to new customer acquisition also applies to cross-selling and upselling. If the potential that certain product groups have with certain existing customers is known, next-best-offer activities are easy.

With the help of the Modelyzr potential estimator, a functionality of the MODELYZR data analytics engine, both marketing and sales activities can be optimised and at the same time made more cost-efficient. Usually in the short term, but at the latest in the medium term, this results in a noticeable return on investment and an increase in turnover.

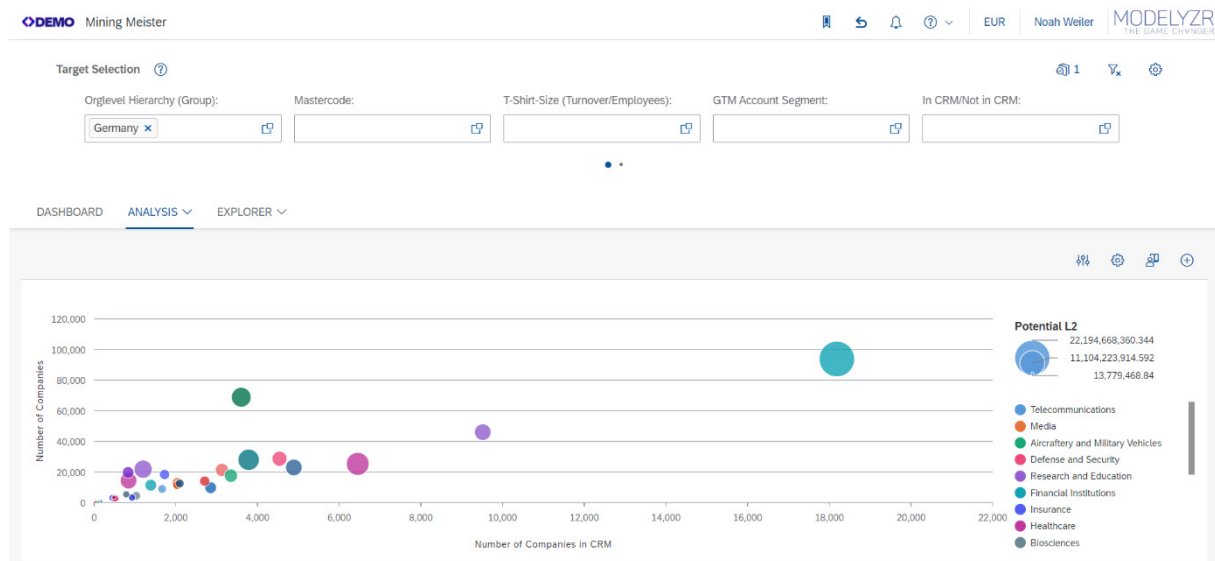
## How does MODELYZR work?

Most importantly, you remain in control of your company's most important asset: your data and processes. And you can decide for yourself whether you want to run MODELYZR in your own data center or in the secured environment of the SAP Cloud Platform.

MODELYZR first analyzes existing information, identifies inconsistencies and significantly and sustainably increases data quality in all systems. Your in-house data is enriched with relevant external data. Finally, all sources are refined by our algorithms and enhanced with KPIs (e.g. sales potential, valuation methods, etc.). The permanent up-to-date connection of all sources creates **a new, clear view of your business** in real time.

The user interfaces of MODELYZR are tailor-made: They make your company's knowledge, which is unused in many areas, visible and provide you with new insights. This enables targeted queries and analyses in a wide range of dimensions. For example, you can select industries, products, services or sales partner landscapes, systematically examine them and strategically align business areas accordingly.

## Modelyzr Mining Meister



Modelyzr Market Analyzr –  
Marktpotenzial nach Industrien  
in CRM und außerhalb des  
CRM Systems

The queries are easy and intuitive for the user to implement: We train each user group individually and provide them exclusively with relevant information through sophisticated authorization management.

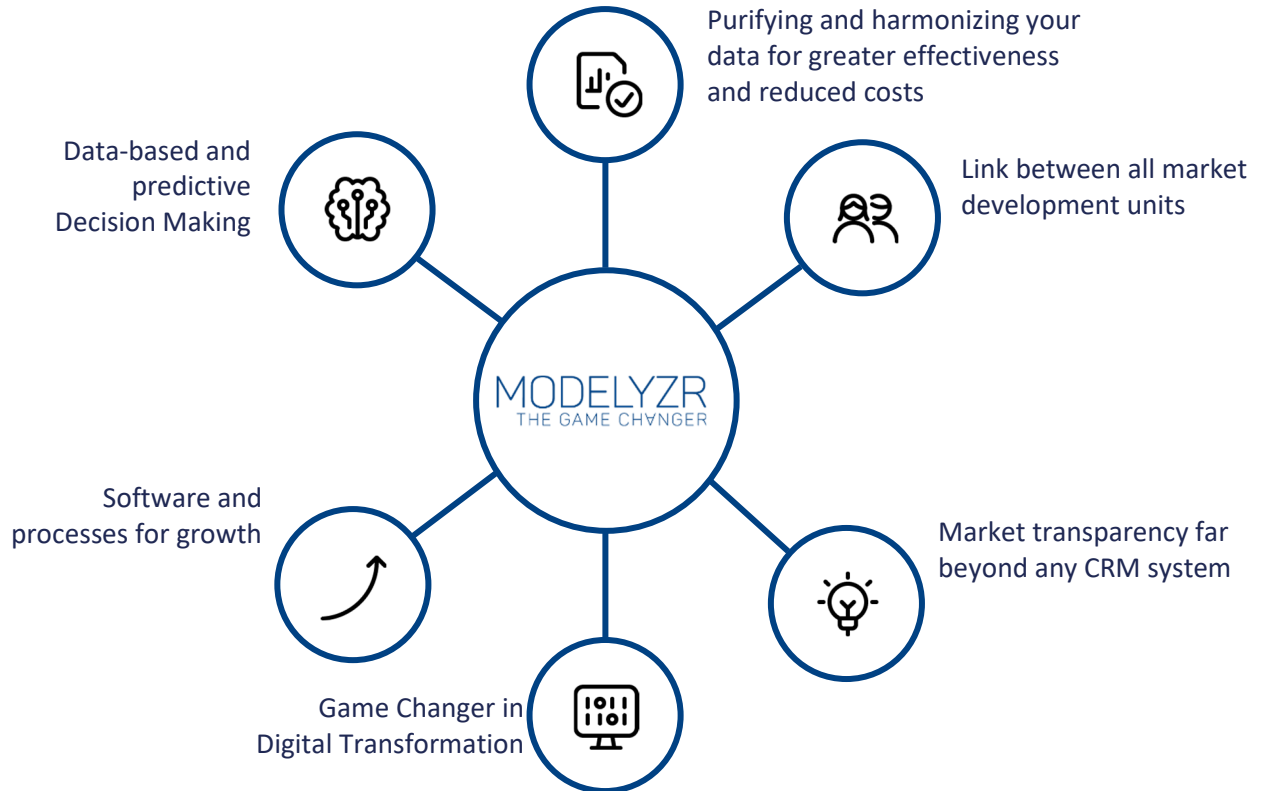
MODELYZR is so easy to use that users can safely navigate through any market. Of course, we support you in the use and operationalization of the results, so that you achieve your goals more efficiently and your investments in sales and marketing pay off better.

Another advantage of MODELYZR is that your data is standardized and defined, creating a common basis of communication for all parties involved when talking about company figures. This enables modern controlling - and a broader understanding of the business and the resulting requirements. Because change does not only take place in technology, but also in the heads of your teams.

**This is what makes MODELYZR a true game changer.**



Your advantages at a glance:



Ready when you are.

- MODELYZR is already used in over 100 countries worldwide and has been successfully integrated into complex, highly individual business scenarios.
- Data-driven demand management, **including indirect sales channels**, has been implemented by us with proven success.
- We cooperate with the best data providers worldwide.

Want to make new connections? Get connected:

**MODELYZR GmbH**

Ludgeristrasse 54  
48143 Münster

Nils Niehörster  
Geschäftsführer  
nils.niehoerster@modelyzr.com  
+49 173 382 691 5