

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 marketers¹ made this observation in 2020. A clear driver of this development is the insufficiently targeted placement of marketing measures.

The result: 50-70% of investments remain ineffective. To counteract this, campaigns must be as precisely targeted as possible, rather than using a scattergun approach. According to the latest Demand Gen Report, 73% of surveyed companies emphasized the importance of "quality over quantity" when generating leads.²

The awareness of the problem is clearly high. Yet, for many companies, finding practical solutions remains challenging. The key question is: How can a vast pool of known and unknown target customers be quantified and qualified so marketers can precisely tailor their efforts? This white paper provides answers to that very question.

Determining potential as the key to success

One effective method of targeted lead generation is identifying target groups based on a data-driven analysis of market potential. By calculating the potential value for each market participant, you can easily develop data-driven campaigns for both new customer acquisition as well as up-selling and cross-selling initiatives.

„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? While there are various synonyms like revenue potential or sales potential, the term can be interpreted in many ways. Therefore, it is essential to clarify which definition will be used in this white paper.

¹ Not Another State of Marketing Report

² Demand Generation Benchmark Study: Quality Over Quantity Takes Center Stage For Demand Marketers

In this context, market potential refers to the total possible sales volumes within the relevant market. Market potential can be calculated using either a top-down or bottom-up approach. The top-down method assesses the total market potential of a specific market segment, such as the IT or metal processing industries. These figures are typically derived from market research, which aims to provide an overall view of an industry.

However, this general approach has a drawback: it is not suitable for identifying specific target groups because the potential values apply to the entire segment and cannot be assigned to individual companies.

On the other hand, the bottom-up method, while more complex, offers much greater detail. This approach focuses on individual companies to draw conclusions about the entire market segment. By analyzing historical sales data, it extrapolates the market potential each company represents within a segment. The potential for the upcoming contract cycle, which varies depending on the product, is calculated accordingly.

This value is then calculated for each company in the market, whether it is already known or yet to be discovered. The market potential calculated using a data analytics engine like MODELYZR is based on this method, providing a higher level of detail and 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

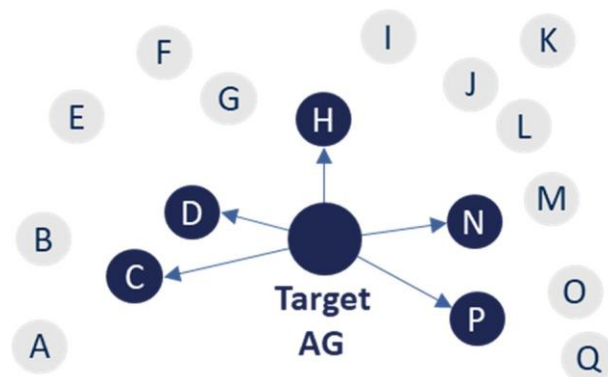
NTT DATA Business Solution AG, Head of Global Demand Management*

*At the time of the statement

Precise calculation instead of gut feeling

But what data forms the basis for determining market potential? MODELYZR employs modern machine learning methods to analyze all available information about existing customers. A similarity measure is then used to create a relevance cluster, consisting of up to 500 customers, whose organization-related criteria closely match those of the target company.

Take for example PostEst Ltd and how this process might look. They want to identify untapped market potential within a specific segment. To refine the market segment, limiting parameters such as industry, region, or number of employees can be added. The more parameters combined, the more granular the market segment becomes. In this example, the fictitious Target AG operates within the defined market segment and is assigned a potential value. To determine this, Target AG is compared with existing customers who share similar parameters.



To simplify the process, the number of data points per company is reduced to a manageable fraction. Additional company data might include factors such as the SIC code, gross domestic product, or the number of employees. For example, if Target AG has an annual turnover of 5.99 million euros and operates in the "Advertising Agency" sector, then each similar company must be evaluated. This results in the following model, based on a significantly reduced data set.

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

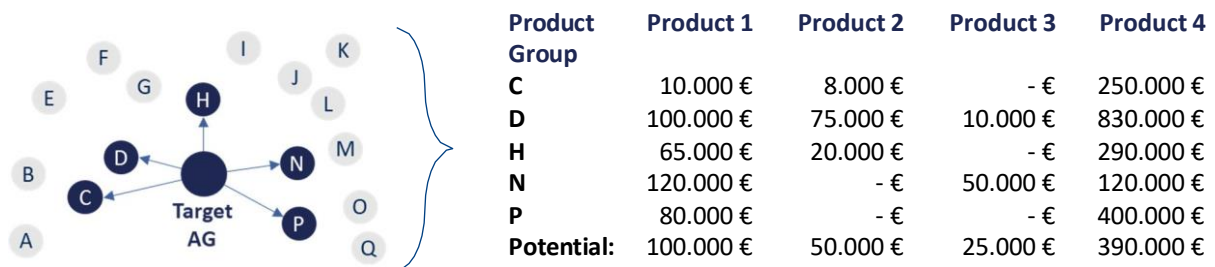
Company C would, therefore, presumably make it into the cluster of 500 data sets used to determine the market potential, whereas company A and B would not be considered.

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, primarily, of each of its companies.



At this stage, however, the market potential still needs to be validated. Further steps are needed to process the data and make it quantifiable. These steps involve analyzing both current and historical sales, as well as the current pipeline values of the identified existing customers. This analysis is conducted not only at the company level but also individually for each product that can be sold to the targeted companies.

Using this data, statistical methods are applied to remove outliers, both up and downwards, resulting in a final, refined data set. This data set can now be used to accurately estimate the revenue that can ideally be achieved with a company in the upcoming contract cycle.



Conclusion: More effective measures with falling costs

Understanding the market potential of target customers is valuable on multiple levels. For example, marketing efforts can be more precisely directed. If it's known that Company C has three times the market potential of Company A, advertising activities can be specifically tailored to Company C, with their development and implementation prioritized. This targeted approach also helps to conserve the marketing budget. Instead of using a "spray and pray" strategy—hoping to reach the right audience by casting a wide net and incurring high costs for broad campaigns—the budget can be allocated as effectively as possible.

The sales department also stands to benefit. Once potential new customers are drawn in through targeted marketing efforts, they can be prioritized according to their market potential and approached accordingly. This approach eliminates the wasted effort of preparing for acquisition meetings that are doomed from the start because the product portfolio does not align with the customer's needs. Additionally, it helps avoid the disappointment of acquiring new customers who ultimately fail to generate the expected turnover.

Instead, sales staff can focus on truly worthwhile target customers, enabling them to close more deals within the same amount of working time. The same principles apply to cross-selling and upselling. When the potential of specific product groups with certain existing customers is known, the next-best-offer activities become straightforward.

The MODELYZR Potential Estimator, a feature of the MODELYZR data analytics engine, allows both marketing and sales activities to be optimized and made more cost-efficient. This typically leads to a noticeable return on investment and an increase in revenue, either in the short term or, at the latest, in the medium term.

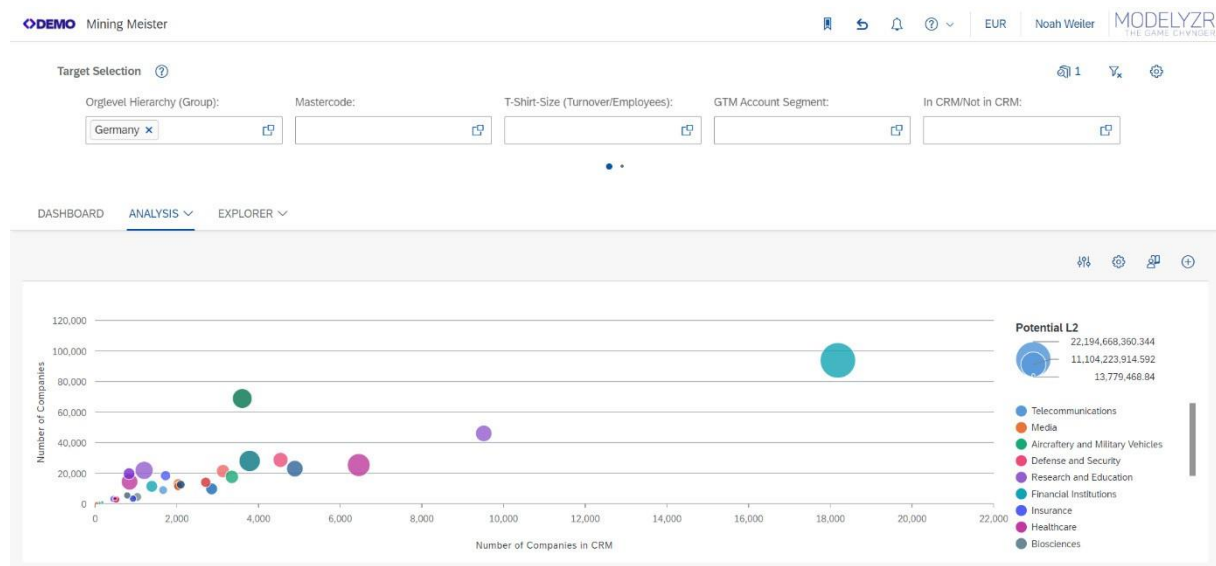
How does MODELYZR work?

MODELYZR begins by analyzing your existing information, identifying inconsistencies, and significantly enhancing data quality across all systems sustainably. Your in-house data is then enriched with relevant external sources. Finally, our algorithms refine and enhance all data with key performance indicators (KPIs) such as sales potential and valuation methods. This continuous, real-time connection of all sources provides a **clear, up-to-date view of your business**.

The user interfaces of MODELYZR are custom designed to reveal your company's untapped knowledge and provide valuable new insights. This enables targeted queries and analyses across a wide range of dimensions. For example, you can systematically examine industries, products, services, or sales partner landscapes and strategically align your business areas accordingly.

Most importantly, you retain complete control over your company's most valuable assets: your data and processes. You have the flexibility to choose whether to run MODELYZR in your own data center or within the secure environment of the SAP Cloud Platform.

Modelyzer Mining Meister



Modelyzer Market Analyzer – Market potential by Industry in CRM and outside the CRM systems

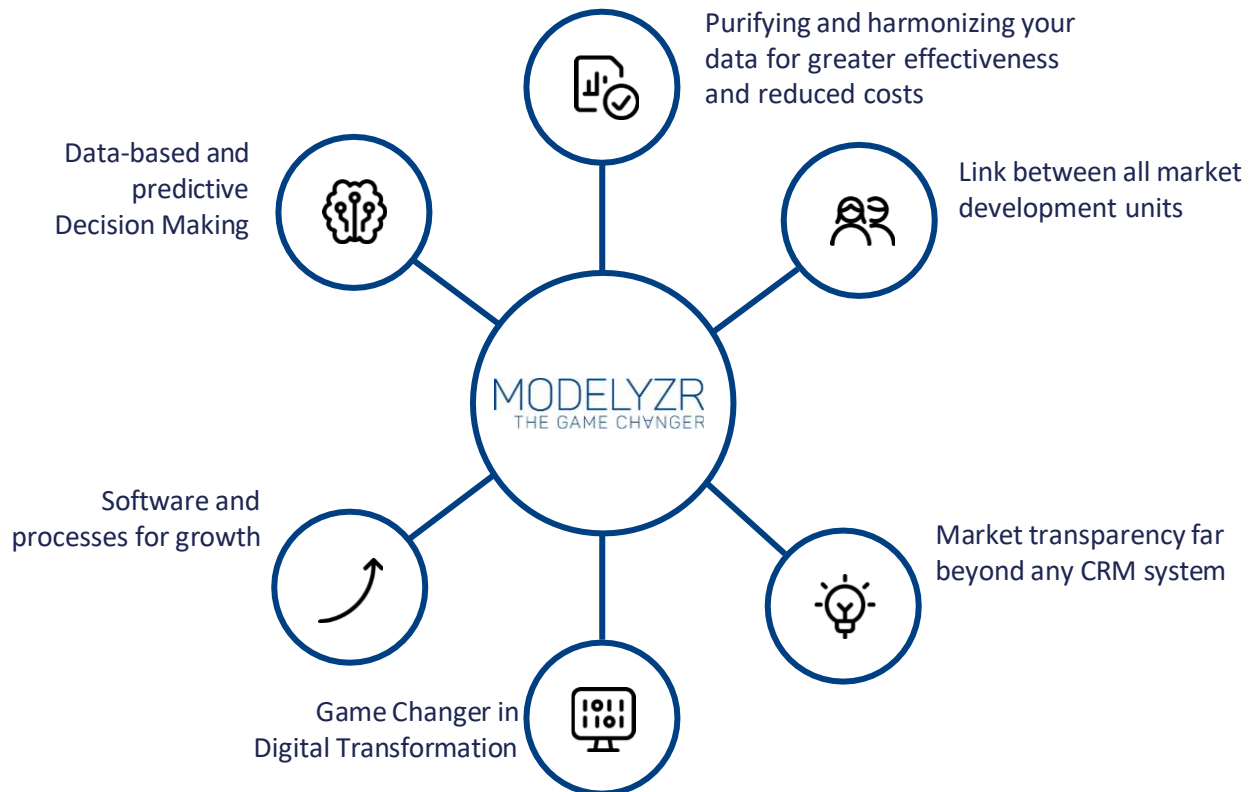
The queries are easy and intuitive for users to implement. We provide individualized training for each user group and ensure they receive only relevant information through advanced authorization management.

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

Finally, MODELYZR standardizes and defines your data, creating a unified foundation for communication across all parties when discussing company figures. This facilitates modern control and fosters a broader understanding of the business and its evolving requirements. After all, change occurs not only in technology but also in the mindset 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:

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