PYTHON PREDICTIONS

Eneco eni

LONG-TERM VALUE ANALYSIS

Taking informed strategic decisions based on predicting future customer profitability

SUMMARY

For every company, customer profitability is key. Certain companies already manage to obtain a good view on past profitability based on historical data. Only a few however, succeed in getting an idea about future customer value, while such output delivers valuable information to take strategic decisions. Using Predictive Analytics, Eni and Python Predictions developed an accurate Long Term Value Model, which enables management to take informed strategic decisions on customer and company level.

"Python Predictions is a company you can rely on. They are good in their field and realistic about the expectations of projects. They communicate well and make clear agreements that are respected."

**Elke Coremans
Marketing Manager,
eni Belgium**
(April 2017)

ABOUT ENI, PART OF THE ENECO GROUP

Eni Belgium was recently acquired by the Eneco group. This group is active in the energy sector and aims to deliver 'everyone's sustainable energy'. The group is active in 5 countries and employs about 3000 people. In the Belgian market, Eni and Eneco are the main challengers with a top 3 position in the supply of energy.

CUSTOMER VALUE DIFFERS

Every customer is unique, and today's customers expect a treatment tailored to their individual needs. It's crucial for companies to take this into account. On the one hand, to serve customers in the most optimal way. On the other hand, to increase customer profitability.

For example, some customers will stay connected longer than others, some customers will pay their invoices conscientiously while others won't, certain customers request more service than others,… All these elements define how valuable a customer is for your company over time. By better understanding these differences

and assessing future customer value, Eni wants to fine-tune its individual customer approach and turn unprofitable customers into profitable ones.

LONG TERM VALUE MODEL

In order to assess future customer value, Eni and Python Predictions developed a predictive Long Term Value model in 2013.

Typically, predictive models make use of historical customer data to make predictions about future behavior. In order to make the insights transparent, not one, but a set of predictive models were developed in order to cover four main value related components:

- customers' expected contract duration
- future energy volume consumed
- expected costs to serve
- and future bad debt costs.

Each component was analyzed separately before being consolidated into one single indication of expected customer value for the next two years. This resulted into an increased understanding of the drivers of

customer value, and a good predictive performance of the final solution. In total more than 800 customer profile indications were analyzed, resulting into an accurate prediction on customer level.

BENEFITS

The long term value insights are very useful to Eni and Eneco for many reasons. The individual information allows to understand the worth of each customer, and allows to tailor marketing and servicing approaches in a highly personalized manner.

But the solution goes beyond insights on individual level: the expected value can be aggregated on different levels to evaluate the future value of customer segments, product types, acquisition channels,...

Based on these insights Eneco can take informed strategic decisions for the future. It allows to define strategies on the long run, where many companies today focus on quarterly results only.

Additionally, the tool permits to simulate and compare the impact of possible actions and run what-if scenario's: 'what will be the expected value if we increase or decrease product margins', or 'what will be the impact of a churn reduction by 5 percent', ...

As a result this tool can become an important asset for Eneco's management and can be used continuously in the board room to define strategies, take decisions, and compose business plans.

ABOUT PYTHON PREDICTIONS

Python Predictions is a Brussels-based service provider specialized in data science projects with impact.

The company has a strong legacy in predictive analytics projects in a business context, and success cases of applied data science in marketing, risk, operations and HR. Python Predictions enables clients to take their adoption of data science to the next level.

Founded in 2006, Python Predictions is active in b2b and b2c retail, financial services, utilities, postal services, telecommunications and fundraising.

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For additional information, please visit www.pythonpredictions.com