



## Union Investment achieves precision-targeted marketing

*Gaining predictive insight into investor behavior*

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### Smart is...

**Analyzing customer behavior patterns to predict investment choices and make the right marketing offers at the right time**

Union Investment offers investment opportunities in a vast range of funds to a wide variety of customers, whose needs and objectives vary significantly. Seeking to cut its marketing spend and boost revenues, the company decided to use analytics to gain a greater understanding of why investors are attracted to particular funds. Deep insights into investor behavior now help to predict which financial products will be most popular with each customer segment, allowing Union Investment to target its sales and marketing efforts accordingly.

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Choosing the right funds to invest in can be a confusing business for retail investors. The huge range of options available and the wide variation in individual investors' interests, objectives and risk appetites mean that no single investment strategy will meet everyone's needs.

Union Investment wanted to offer its customers a more personalized service, guiding them towards the funds that would be most likely to meet their investment needs. Using predictive analytics solutions from the IBM® Watson™ Foundations portfolio, it can now perform advanced customer segmentation, uncover previously unknown patterns in customer behavior, and make the right offers to the right customers at the right time.

With a deeper understanding of investor behavior, Union Investment has succeeded in tailoring its customer interactions and streamlining its marketing efforts, helping to optimize costs, boost loyalty in its existing client base, and acquire new customers.

### Serving a diverse customer base

Asset management specialist Union Investment sells a huge range of financial products to retail investors, both directly and through the German co-operative banking group Volksbanken Raiffeisenbanken. The banks within this group are often highly specialized, and serve very different types of investors.

Dr. Thomas Fender, Head of Data Mining and Statistical Analysis at Union Investment, comments: "The needs and objectives of the end-customers who invest in our funds vary significantly, so a one-size-fits-all approach to promoting new products simply won't work.

"To stay ahead in this competitive industry, we needed to gain a greater understanding of the costs and revenues associated with each customer, predict how much they will contribute to a fund, and work out how to increase their loyalty and create value for the company.



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### Business benefits

- Greater return on marketing spend by targeting promotional activities more effectively.
  - Improved customer service by directing investors towards the right kinds of products for their needs.
  - Smarter product development by predicting the success of new products before they are launched.
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“Going forward, we also wanted to boost profitability by accurately predicting the success of new financial products before launching them, and gain a greater return on our marketing spend by targeting only the customers who are likely to invest in certain products. We asked IBM to help us find a solution.”

### Sophisticated predictive analytics

Union Investment decided to expand its use of IBM SPSS® Modeler and IBM SPSS Statistics software to perform in-depth analysis of customer behavior. The combination of data-mining techniques and complex statistical analyses helps managers at Union Investment to make the best decisions for their business.

A team from SPSS Lab Services provided consulting services and technical support throughout the project, plus training sessions for Union Investment’s business users, enabling them to use the solution without support from the IT team.

Sales data from millions of transactions is extracted from core systems and stored in the company’s central data warehouse. The analytics solution combines this data with information from external sources, such as customer demographics and regional profiles, to perform in-depth analyses of customer behavior. The outputs include customer segmentation, scoring, and predictions of how much each customer is likely to invest in the company’s retail funds in the future.

“We can support a huge variety of analyses, allowing us to gain a very thorough understanding of our customers’ financial needs and objectives,” explains Dr. Fender. “Depending on the type of customer and the type of analysis, we have identified between 300 and 1,000 characteristics that can influence the results of modeling such as customer segmentations, predictions concerning customers’ buying decisions.”

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## Smarter Financial Markets

## Predicting customer investment patterns

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**Instrumented**



**Interconnected**



**Intelligent**

Sales data from millions of transactions is combined with information from external sources about customer demographics and regional differences.

Insight into likely customer preferences is sent to banks in the Volksbanken Raiffeisenbanken group, which use the information to target investors with the products most relevant to them.

Marketing and sales activities can be tailored to make the right offers to the right customers at the right time, allowing Union Investment to predict the success of new financial products before they are launched.

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## Solution components

### Software

- IBM® SPSS® Modeler
- IBM SPSS Statistics

### Services

- IBM Business Analytics Software Services
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*“We can support a huge variety of analyses, allowing us to gain a very thorough understanding of our customers’ financial needs and objectives.”*

— Dr. Thomas Fender, Head of Data Mining and Statistical Analysis, Union Investment

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The characteristics that usually have the greatest impact on the models are customers’ portfolio activity index, financial risk affinity and the general financial behavior in their portfolio.

## Deeper insights into investor behavior

Underpinning business decisions with analytics is already providing huge rewards for Union Investment.

Dr. Fender comments: “For example, we can help our intermediary banks attract new customers – people who haven’t previously invested in a mutual fund. By analyzing the business potential right down to a branch-by-branch level, we can provide the local agents with lists of qualified customers. This helps the banks target their sales and marketing efforts much more effectively; boosting efficiency, increasing sales, and gaining a greater return on marketing spend.

“Our end-customers benefit too, because we can steer them more quickly towards the types of funds that are most relevant to their needs, and make the whole process of choosing a fund much easier for them.”

The analyses also revealed that Union Investment had a disproportionately high churn rate among 55- to 75-year-old customers. A more detailed multivariate analysis of the data revealed that 60 percent of the revenues lost from this group were due to only 10 percent of these customers reducing their investments. This new insight has enabled Union Investment to design incentives to secure the loyalty of these high-value customers.

## Boosting profitability

Going forward, Union Investment can determine the most effective ways to increase customer engagement and maximize customer lifetime value, helping to boost long-term revenues. Over the past two years, the company has managed to boost the proportion of high-value customers on its books by nearly two percent.

The company can also examine long-term trends to understand changes in company performance and identify new trends in customer behavior.

Dr. Fender adds: “Forward-looking analytics is an investment in the future of our company. It allows us to predict the likely uptake of our financial products among particular types of customers, supporting us in identifying the key business opportunities that will help us boost profitability and design more successful products in the future.”

## About Union Investment

Based in Frankfurt on Main, Germany, the Union Investment Group is one of Europe's leading asset managers for private and institutional clients. The company offers a wide range of investment solutions in various asset classes and investment styles including equity, fixed-income and money market. With more than four million private customers and over 1,400 institutional clients, the company employs 2,500 people and manages assets worth around EUR200 billion across more than a thousand different funds.

To learn more about Union Investment, please visit [www.union-investment.de](http://www.union-investment.de)

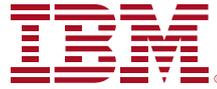
## About IBM Business Analytics

IBM Business Analytics software delivers data-driven insights that help organizations work smarter and outperform their peers. This comprehensive portfolio includes solutions for business intelligence, predictive analytics and decision management, performance management, and risk management.

Business Analytics solutions enable companies to identify and visualize trends and patterns in areas, such as customer analytics, that can have a profound effect on business performance. They can compare scenarios, anticipate potential threats and opportunities, better plan, budget and forecast resources, balance risks against expected returns and work to meet regulatory requirements. By making analytics widely available, organizations can align tactical and strategic decision-making to achieve business goals.

### For more information

For further information please visit [ibm.com/business-analytics](http://ibm.com/business-analytics)



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