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# The power of Al

Reshaping business strategy and delivering massive impact: the power of Al





# Agenda

- 1. Executive Summary
- 2. Client Co's Pain Points
- 3. Identified Use Cases
- 4. Prioritization of Use Cases
- 5. AI-based Churn Prediction Model
- 6. Prototype Demo
- 7. Cost-Benefit Analysis
- 8. Implementation roadmap

### **Executive Summary**

#### Client situation



Client Co's **performance is declining**, falling behind
competitors that have better
in e-commerce and Al
strategies



ClientCo still relies heavily on physical branches and must embrace digitalization to catch up

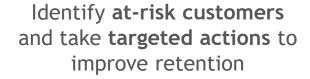


ClientCo lacks the Al-ready infrastructure and skilled employees to support this transformation

#### What we recommend

Implement a quick-win use case:

Al-driven Customer Churn Prediction Model



**Impact** 



~50%
Increase customer retention rates

+€150M Increase in sales through improved sales and marketing efficiency

# Four critical pain points are limiting Client Co.'s ability to grow its business effectively

Sales & Customer Engagement Issues



High-cost sales methods and weak digital presence hurt retention



Costs per in-person customer visit

Supply Chain Inefficiencies



Manual inventory tracking, frequent stock-outs, and delivery delays lead to customer dissatisfaction and lost sales



Annual losses due to inventory

Digital & Data
Transformation Challenges



Legacy systems and siloed data prevent effective AI and automation



Qualitative customer data available

Financial & Strategic Risks



Declining market performance, liquidity constraints, cybersecurity risks



Below market growth, since 2012

# Data & analytics can be leveraged in many ways to unlock business value and drive strategic growth at ClientCo

		1	Customer Churn Prediction	Uses historic data to predict which customers are likely to churn
Sales & Customer Engagement	$\rangle\rangle$	2	Multimodal data collection for customer segmentation	Determines customer profiles using speech-to-text AI, feedback analysis, and buying habits for better sales recommendations
		3	Dynamic Pricing	Adjusts prices in real time based on demand, competition, and inventory levels
	<b>&gt;&gt;</b>	4	Demand Forecasting	Forecasts product demand using past sales, seasonal trends, and customer behaviour
Inventory & Supply Chain Inefficiencies		5	Digital Warehouse	Uses RFID tracking and automation to improve stock accuracy and warehouse efficiency
		6	Delivery Routes Optimization	Optimises delivery routes using historical orders, traffic, and weather data
Digital and Data Transformation	<b>&gt;&gt;</b>	7	Streamlined dashboard for data visualization	Centralizes inventory, sales, and customer data into a single dashboard for insights
Challenges		8	Predictive Product Assortment	Analyses sales trends and market data to recommend the best product mix
Financial &	<b>&gt;&gt;</b>	9	Al Cybersecurity Monitoring	Detects and responds to cyber threats in real time to protect systems
Strategic Risks		10	Automated Sustainable Compliance Tracking	Tracks regulatory changes and sustainability metrics for compliance

Source: Minutes of expert interviews, Team analysis

# Use cases are evaluated based on business impact and ease of implementation to determine prioritization

#### **Definition of dimensions** Impact Feasibility Matrix High **Quick Wins** Plan **Operational Efficiency Customer Churn Digital** Multimodal data **Prediction** Customer satisfaction/acquisition Warehouse collection Pain point addressed **Demand IMPACT Forecasting Economic Benefit** Sales & Customer **Dynamic Engagement** pricing Scalability Inventory and **Supply Chain** Inefficiencies Strategic Fit Impact Digital & Data Consider Drop **Transformation** Al-powered Complexity of Implementation\* **Predictive** Challenges cybersecurity **Product** monitoring Financial & Assortment Streamlined **Automated** Data availability & Quality Strategic Risk **FEASIBILITY** dashboard data Sustainable visualization **Compliance Tracking** Organizational readiness\* Delivery routes Cost & Investment needed

Low

optimization

**Feasibility** 

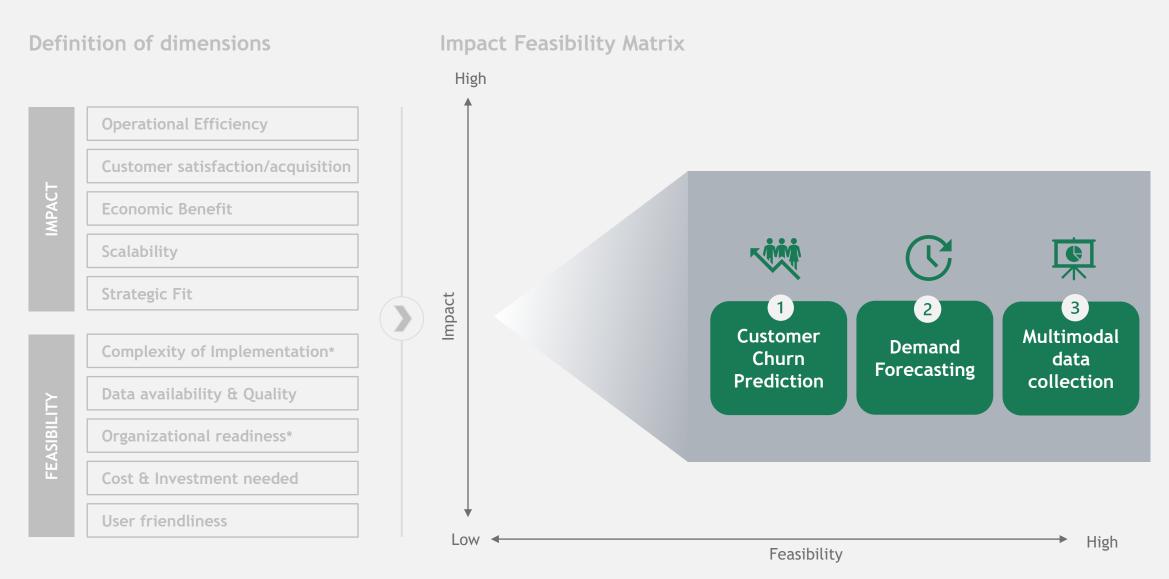
User friendliness

High

<sup>\*</sup> Complexity of Implementation as per technical requirements and time of implementation

<sup>\*</sup> Organizational readiness as per required training, onboarding and change management

# Prioritizing Customer Churn Prediction, Demand Forecasting and Multimodal Data Collection as quick win use cases



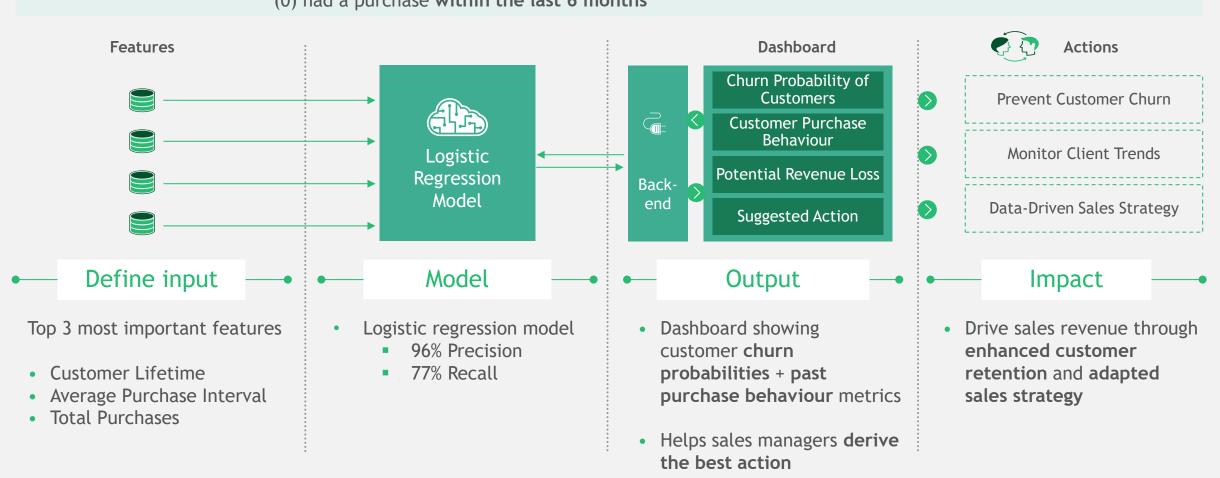
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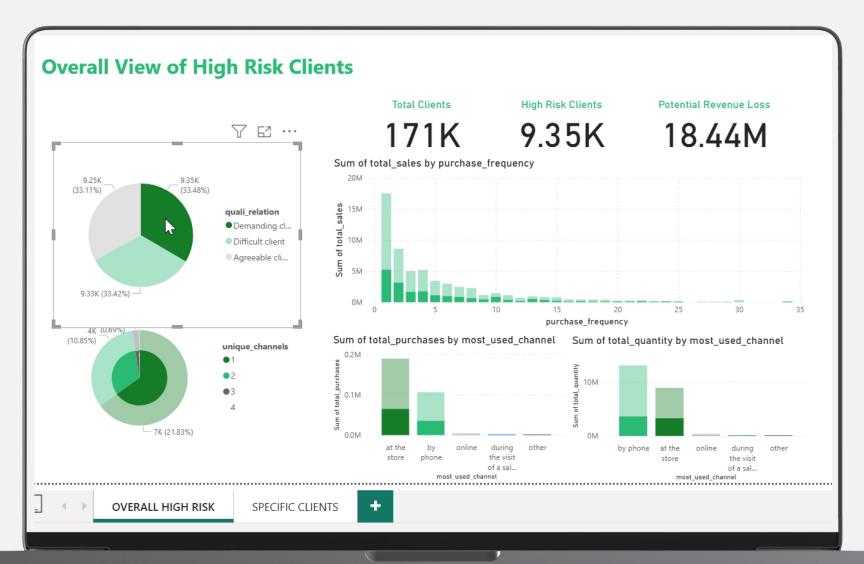
# Customer churn model identifies high-risk clients with adaptable metrics, enabling proactive engagement to boost retention and sales efficiency

#### **Customer Churn Definition**

- (1) churned if their last purchase was more than 6 months before the most recent order in the dataset
- (0) had a purchase within the last 6 months



## Churn prediction model prototype demo

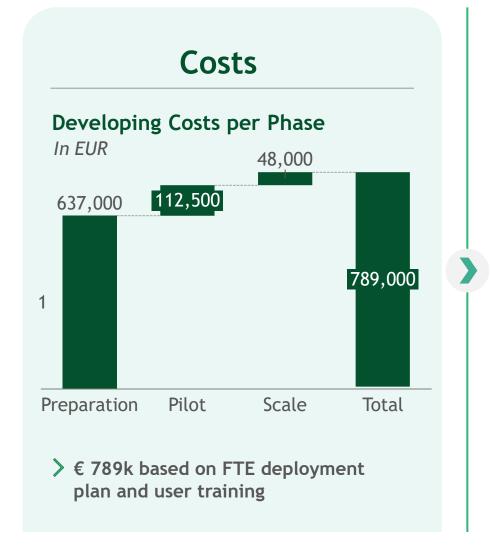


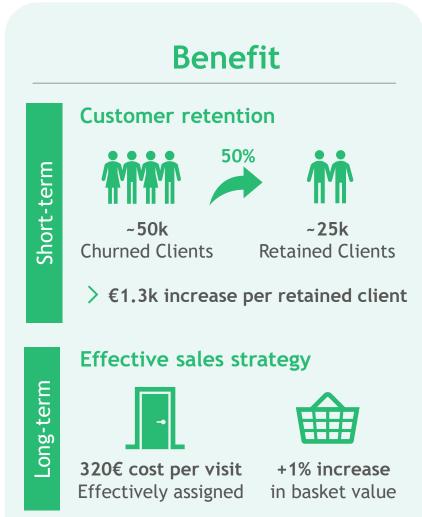
92.2 %
Accuracy at latest version

# **Next Steps:**

- Add more features to the model
- Test and compare performance with different models

# Low development costs achieving +€31M impact in year 1 demonstrate a quick win for ClientCo





# Total Impact

+ 25k
Customers retained in year 1

+ €31.7M
Revenues earned with retained customers in year 1

+ €150M
Increase in sales revenue estimated for 20301

# ClientCo can reduce customer churn with an AI-driven prediction model implemented in three phases over one year and a half

Y1 January - June

#### Y1 July - December

Y2 January - June

#### Phase 1 - Prepare



Lay the groundwork for successful implementation

#### Data Readiness & Infrastructure Setup

✓ Audit Existing Data and fill gaps in CRM

#### Al Model Refinement & Pilot Preparation

✓ Refine churn prediction algorithm, retention triggers and establish success KPIs

#### Stakeholder Engagement

✓ Train sales teams on customer prioritization

#### Phase 2 - Pilot



Test AI churn prediction in key locations, measure impact and refine approach

#### Pilot Launch

✓ Choose limited number of branches with highest churn rate to test the model

#### Measure Pilot Success and Optimize

- ✓ Adjust the model's parameters based on sales team feedback
- ✓ Compare pilot regions vs non-pilot branches

#### Phase 3 - Scale



Expand company-wide and optimize processes

#### Enterprise Wide Roll Out

- ✓ Deploy AI churn model across ClientCo
- ✓ Conduct company-wide training
- ✓ Establish process to improve retention offers

#### Continuous Model Improvement

- ✓ Set up dedicated Al governance team
- ✓ Refine customer prioritization logic based on observed retention patterns







9 employees (data scientist, leads & IT)



Success KPIs

Access to Data &
IT Infrastructure



€112.5k



7.5 employees (data scientist, leads & IT)



Business Units for Testing KPI Monitoring



€48k



7.5 employees (data scientist, leads & IT)



Change Mgmt.

Cross-Functional
Collaboration

# Thank you!

# Appendix 1: Customer retention revenue

Metric	Value	Unit
<b>Churned Clients</b>	50,240.0	Clients
Retained Clients	25,120.0	Clients
Avg. Purchase Sales (Lifetime)	1,850.0	USD
Customer Lifetime (Days)	534.0	Days
Annual Revenue per Client	1264.51	USD/Year
Total Annual Revenue	31,764,569.29	USD/Year

Source: Data Analysis on Transaction data

# Appendix 2: FTE Cost revenue

Phase	Total Costs (€)	Total FTEs	Length in Months
Scoping	225,000.0	18.0	2
Prototyping	225,000.0	18.0	2
Validation	187,500.0	15.0	2
Rollout	112,500.0	9.0	6

Number of	Hourly Rate	Training	Total Training	
Sales Reps	(EUR)	Hours	Cost (EUR)	
200	80	3	48,000.0	

Preparation Phase = Scoping + Prototyping + Validation
Pilot = Rollout
Scaling = Training of all sales reps

# Appendix 3: Churn Prediction Features

Feature Name	Description		
total_purchases	Total number of orders made by the customer.		
total_sales	Total revenue generated by the customer from all purchases.		
total_quantity	Total quantity of products purchased by the customer.		
most_used_channel	The most frequently used ordering channel by the customer.		
quali_relation	Qualitative relationship indicator (demanding, difficult, agreeable).		
customer_lifetime	The number of days since the customer's first purchase (loyalty indicator).		
avg_purchase_interval	Average time (in days) between consecutive purchases made by the customer.		
unique_products	Number of distinct products purchased by the customer.		
unique_channels	Number of different sales channels the customer has used.		

# Appendix 4: ClientCo can reduce customer churn with an AI-driven prediction model implemented in three phases over one year and a half

Y1 January - June

#### Y1 July - December

Y2 January - June

#### Phase 1 - Prepare



Lay the groundwork: align stakeholders, prepare data, and define success criteria

#### Data Readiness & Infrastructure Setup

- Audit existing data and fill gaps in CRM records
- Develop data extraction & Al dashboard for churn risk and suggested retention action

#### Al Model Refinement & Pilot Preparation

- Refine churn prediction algorithm, retention triggers and prioritization logic for outreach
- Establish success KPIs: churn reduction %, ...

#### Stakeholder Engagement

- Train sales teams on AI-driven customer prioritization and goals
- Establish incentives for sales reps to use Al recommendations

#### Phase 2 - Pilot



Test AI churn prediction in key locations, measure impact and refine approach

#### Pilot Launch

- Choose limited number of branches with highest churn rate to test the model
- Provide direct support to sales reps for implementation and feedback collection

#### Measure Pilot Success and Optimize

- Track customer response to Al-driven outreach
- Adjust the model's parameters based on sales team feedback (e.g., false positives, missed churners)
- Compare pilot regions vs non-pilot branches to assess impact

#### Phase 3 - Scale



Expand company-wide, optimize processes, and fully integrate into operations

#### Enterprise Wide Roll Out

- Deploy AI churn model across all ClientCo. branches & integrate into CRM
- Conduct company-wide training for sales reps & managers

#### Optimization & Cross-Department Integration

 Establish a joint process between Sales & Marketing to improve customer retention offers

#### Continuous Model Improvement

- Refine customer prioritization logic based on observed retention patterns
- Set up dedicated Al governance team to ensure ongoing model optimization

Total budget: €798,000

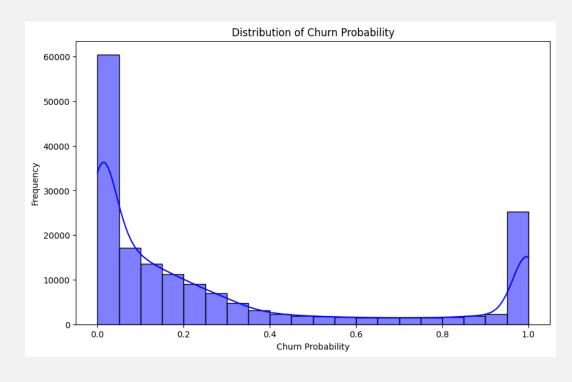
## Appendix 5: Churn Prediction Model Performance

Model	Class	Precision	Recall	F1-Score	Accuracy
Logistic Regression	0 1	0.91 <b>0.96</b>	<b>0.99</b> 0.77	<b>0.95</b> 0.85	0.92
Decision Tree	0 1	0.86 0.80	0.94 0.62	0.89 0.70	0.84

**Accuracy:** Correctly classified **92**% of churners and non-churners.

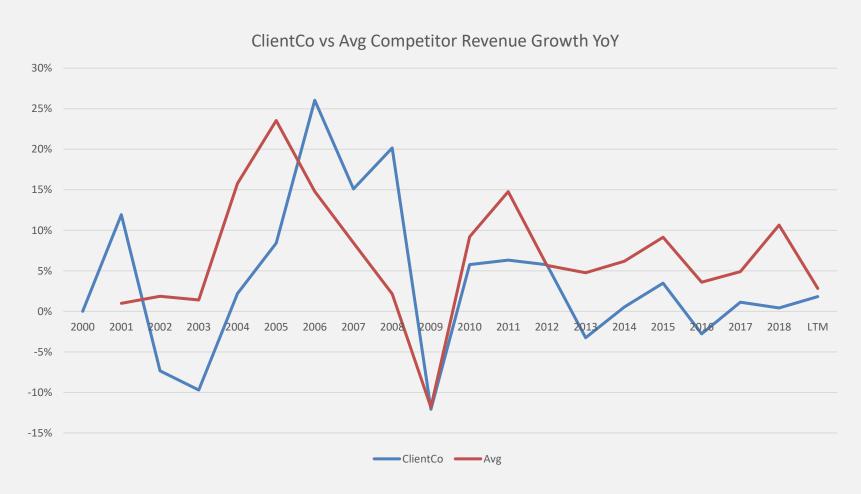
**Precision:** When the model predicts a customer will churn, it is correct **96**% of the time.

**Recall:** The model correctly identifies **77**% of actual churners.



Note: Class 0 represents active clients, while Class 1 represents churned clients.

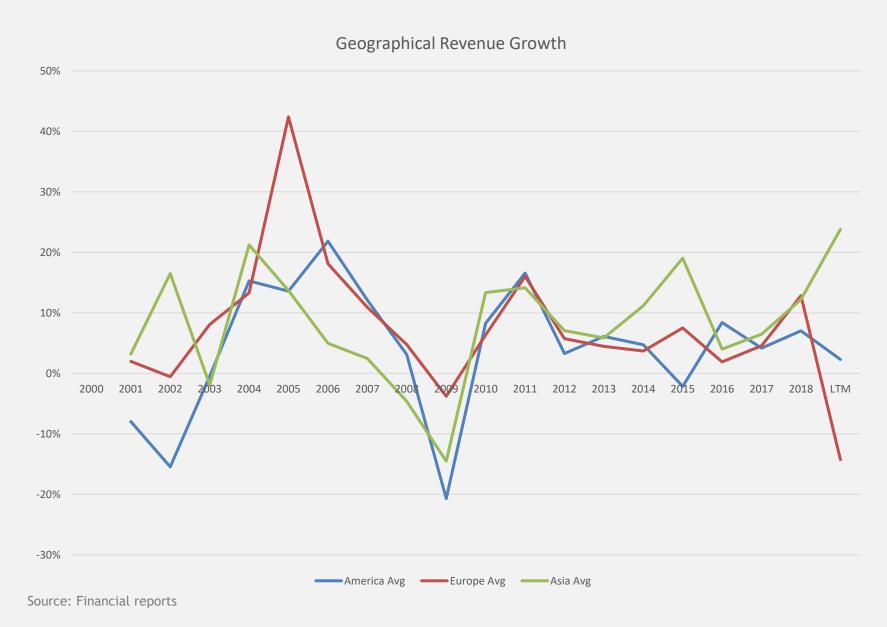
## Appendix 6: ClientCo vs Avg Competitors Revenue Growth



Since 2012 ClientCo has had approx. 5% below market revenue growth.

This is mainly due to their declining performance in Western Europe and Southeast Asia.

## Appendix 7: Geographical Revenue Growth

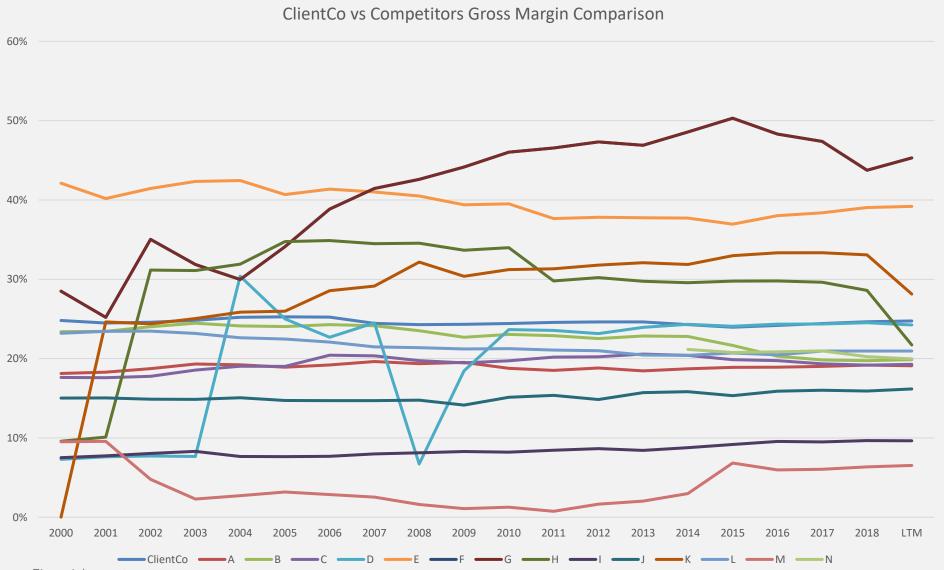


Companies are assigned to a geographical region based on where they are headquartered and not on where Sales were made.

Assuming companies make the majority of their sales where they are headquartered, this still gives us a good idea on how different Geographical markets are performing.

We see a huge increase in Asia's Revenue Growth with a decline in America's RG from 2018. This is likely due to the trade war between the US and China which started in January of 2018 when US started setting tariffs on Chinese goods.

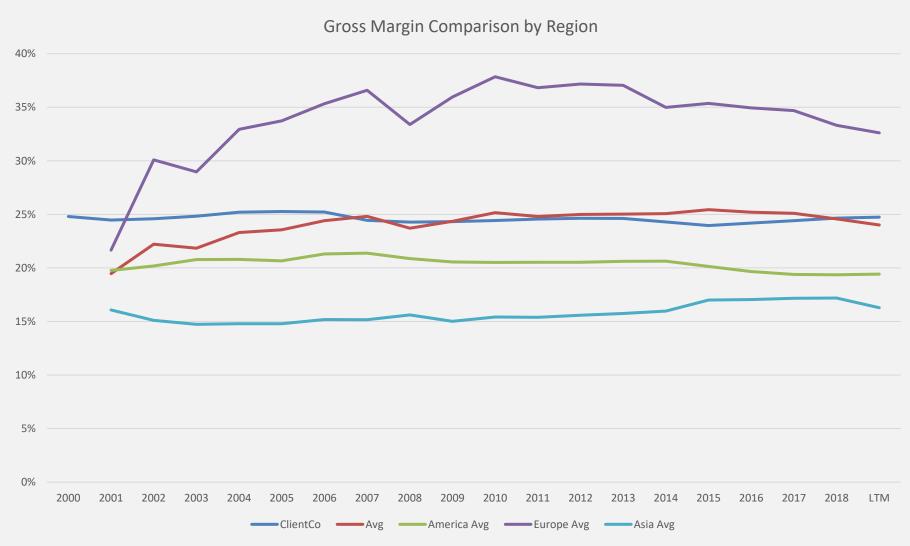
## Appendix 8: ClientCo vs Competitors Gross Margin Comp



ClientCo is around middle of the pack for Gross Margin.

Very stable margins +-2% across 20 years.

## Appendix 9: Gross Margin Comparison by Region



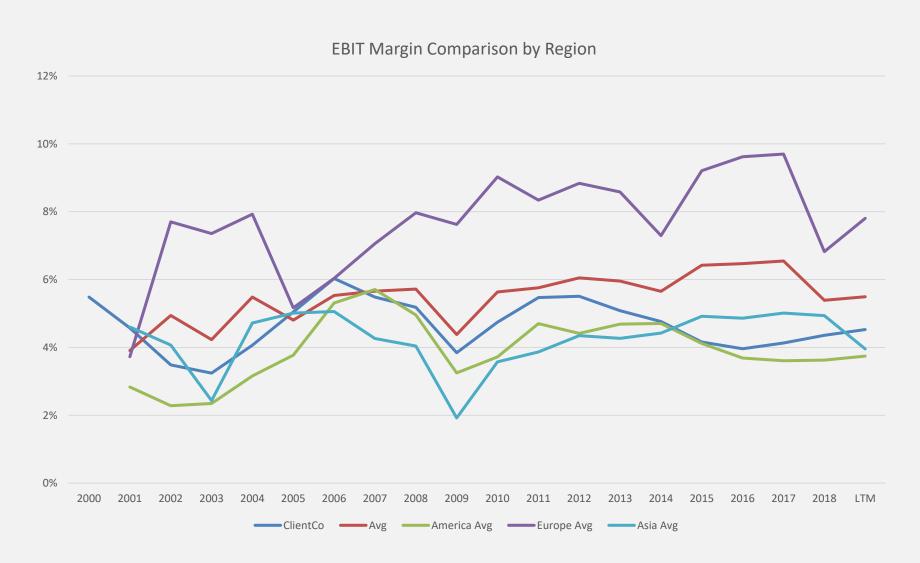
Europe has a large Cost Advantage over America and Asia.

ClientCo's Gross Margin is around the market average however, it is quite low compared to the European Average.

They may not have the best relationship with suppliers.

However, it could also be that competitors produce the products themselves whereas ClientCo resells them.

## Appendix 10: EBIT Margin Comparison by Region



EBIT Margin paints a similar picture to Gross Margin.

However, ClientCo's EBIT Margin is around 1-2% below average.