Making Markets: Smarter Planet

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Smarter Planet is a collection of markets we're making

Driving higher value areas of the portfolio

Serving new kinds of buyers

Contributing $7B in revenue growth by 2015

Smarter Planet describes the emerging era of computing

Instrumented

Interconnected

Intelligent

By 2015,
1 Trillion
connected devices

In 5 years,
5.6 Billion
personal
devices sold

Unstructured
data growing
800%
in the next
5 years

90%
of the world's data
was created in the
past 2 years

By 2020,
business
transactions
over the internet =
**450 Billion
per day**

10,000
messages/second
from 100 million
active users
per source

2011 Smarter Planet Progress

~50% revenue growth

Nearly 8,000 engagements

~90% growth in software content

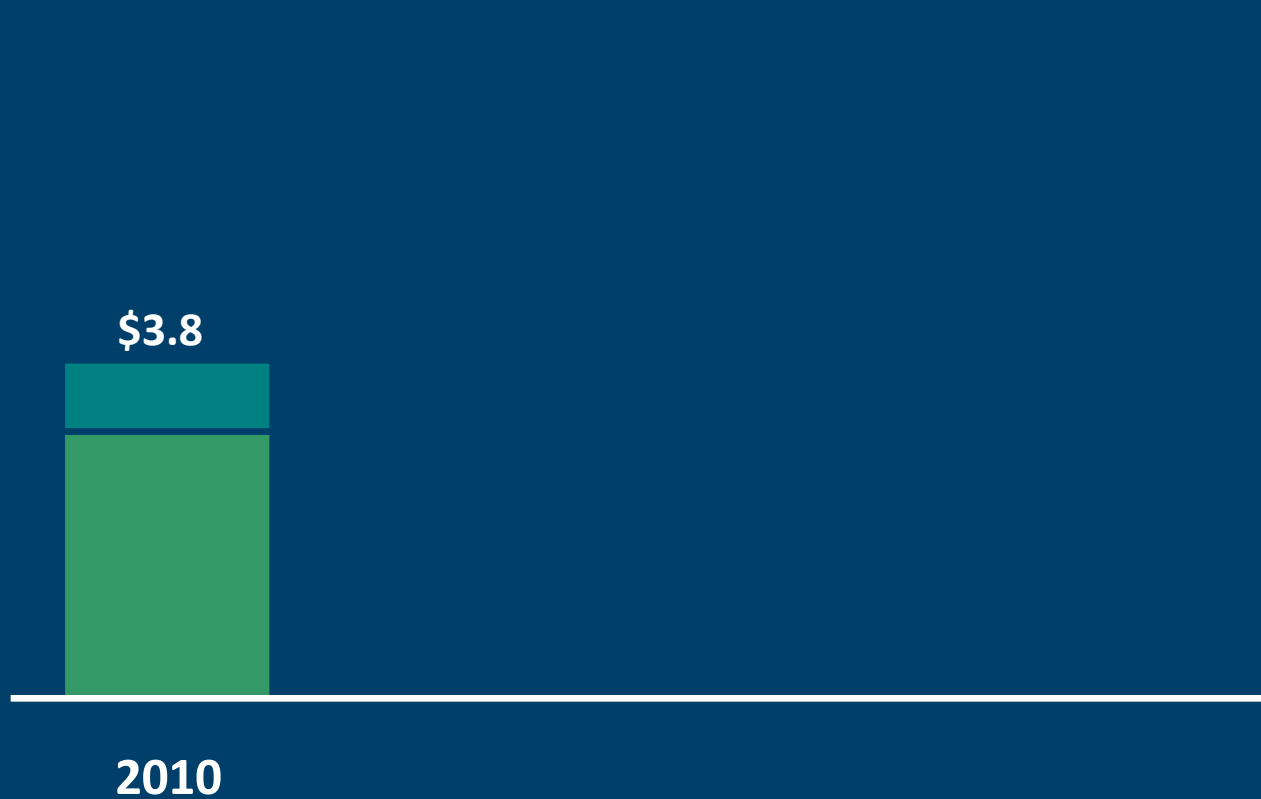# Market incubation through focus on select industries

Revenue
$B

$3

2010

Industries

- Original 9 focus industries
- Fastest growth in telecom, retail, banking
- 52 solution areas

Market incubation through focus on select industries and Smarter Commerce

Revenue
$B

Business Function
- Smarter Commerce portfolio
- 5 software acquisitions
- 17 solution areas

Industries
- Original 9 focus industries
- Fastest growth in telecom, retail, banking
- 52 solution areas

$3.8

2010

Scaling the market

Revenue
$B

+ $1.8B
~50% Y/Y

$3.8

$5.6
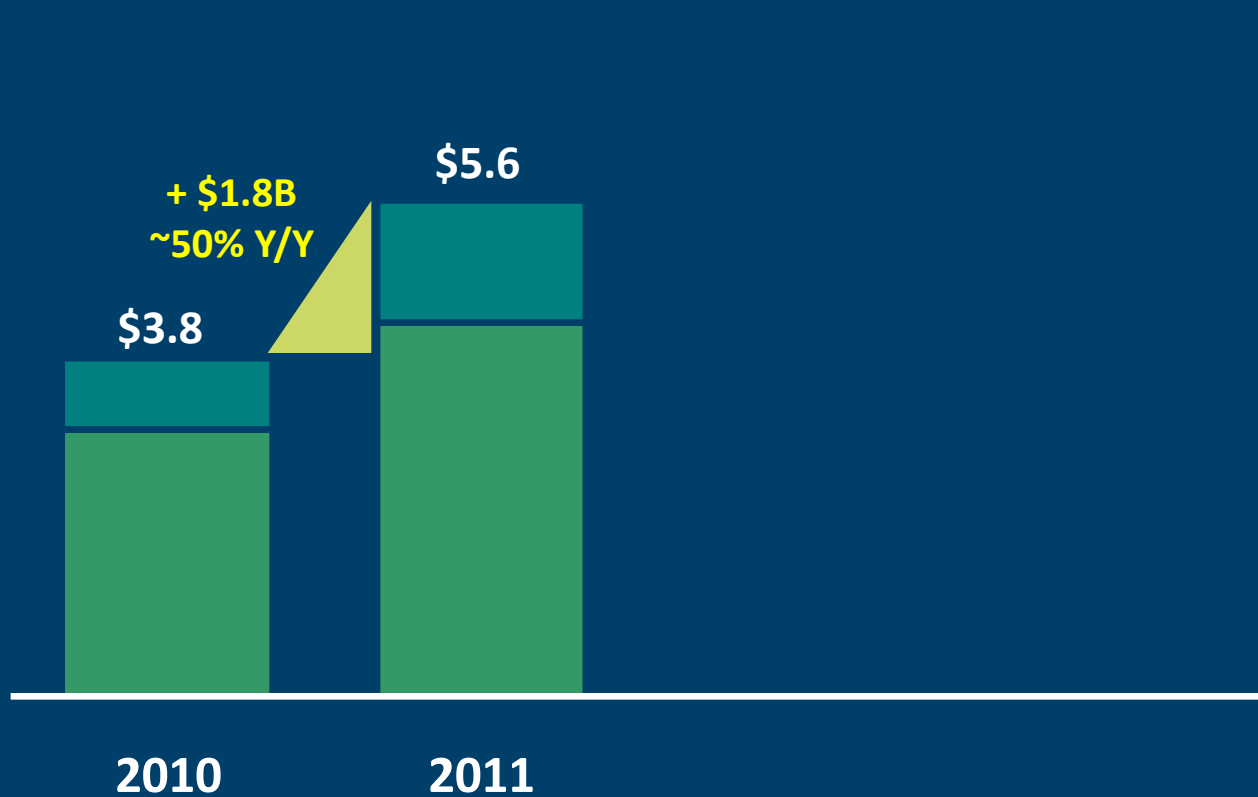
2010

2011

Business Function

- Smarter Commerce portfolio
- 5 software acquisitions
- 17 solution areas

Industries

- Original 9 focus industries
- Fastest growth in telecom, retail, banking
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Expanding the market by adding industries and Smarter Cities

Revenue $B

9 New Industries + Smarter Cities

$3.8

2010   **2011**   **2015**

Smarter Cities
- 2,400 Smarter Cities engagements
- 21% from emerging markets
- 8 key portfolio areas

Business Function
- Smarter Commerce portfolio
- 5 software acquisitions
- 17 solution areas

Industries
- From 9 to 18 focus industries
- Fastest growth in telecom, retail, banking
- 52 solution areas
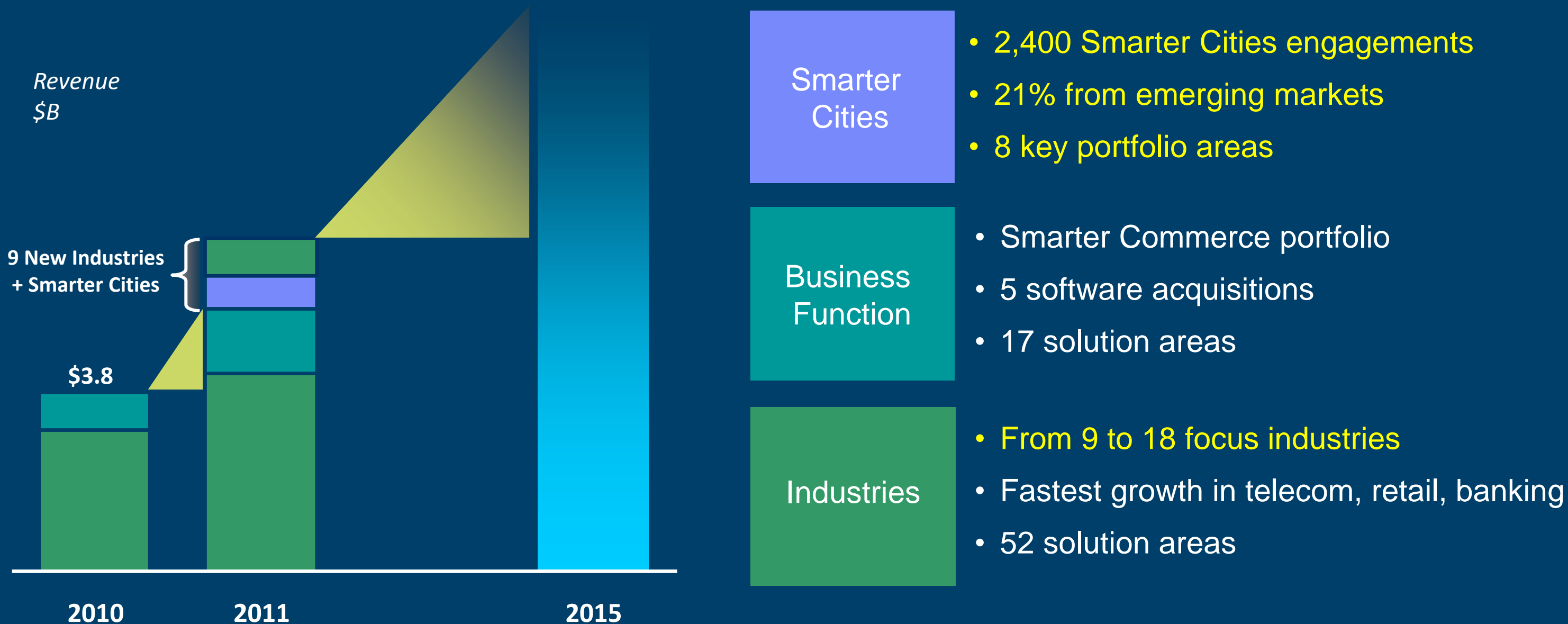
Contributing $7B in revenue growth by 2015

IBM differentiation: Predictive analytics

Pioneer West Virginia Federal Credit Union uses business intelligence to proactively identify loans at risk for delinquency.

X0's analytics solution evaluates more than 500 variables for predicting customer defections within 90 days, and proactively prioritizes outbound calls to at-risk accounts.

South Africa's largest short-term insurance company used predictive analytics to foil a major insurance fraud syndicate, save millions on fraudulent claims and resolve legitimate claims 70x faster than before.

- 95% reduction in loan delinquency ratio
- 21% point increase in loan-to-share ratio
- 50% reduction in time and costs associated with filing quarterly reports

- 60% improvement in revenue retention
- 50% approx reduction in customer churn
- 376% ROI in five months

- Identified major fraud ring less than 30 days after implementation
- Saved more than USD2.5 million in payouts to fraudulent customers, and nearly USD5 million in repudiations
- Reduced claims processing time on low-risk claims by nearly 90%

IBM differentiation: Industry expertise

ConAgra Mills looked to the airline industry for inspiration in maximizing capacity utilization, taking lessons from how airlines use analytics to offer incentives to fill empty seats.

CRI gleaned learnings from retail analytics to deploy a data mining solution that analyzes vast amounts of patient data to improve predictions of patient outcomes and help clinicians optimize treatments.

Start Today Co. applied lessons from the entertainment industry to create a new model of engagement for retail customers. Start is using data insights to develop targeted marketing campaigns that deliver richer, more personalized experiences.

- Increased capacity utilization by 5%
- More responsive to market changes up to 18 months in advance
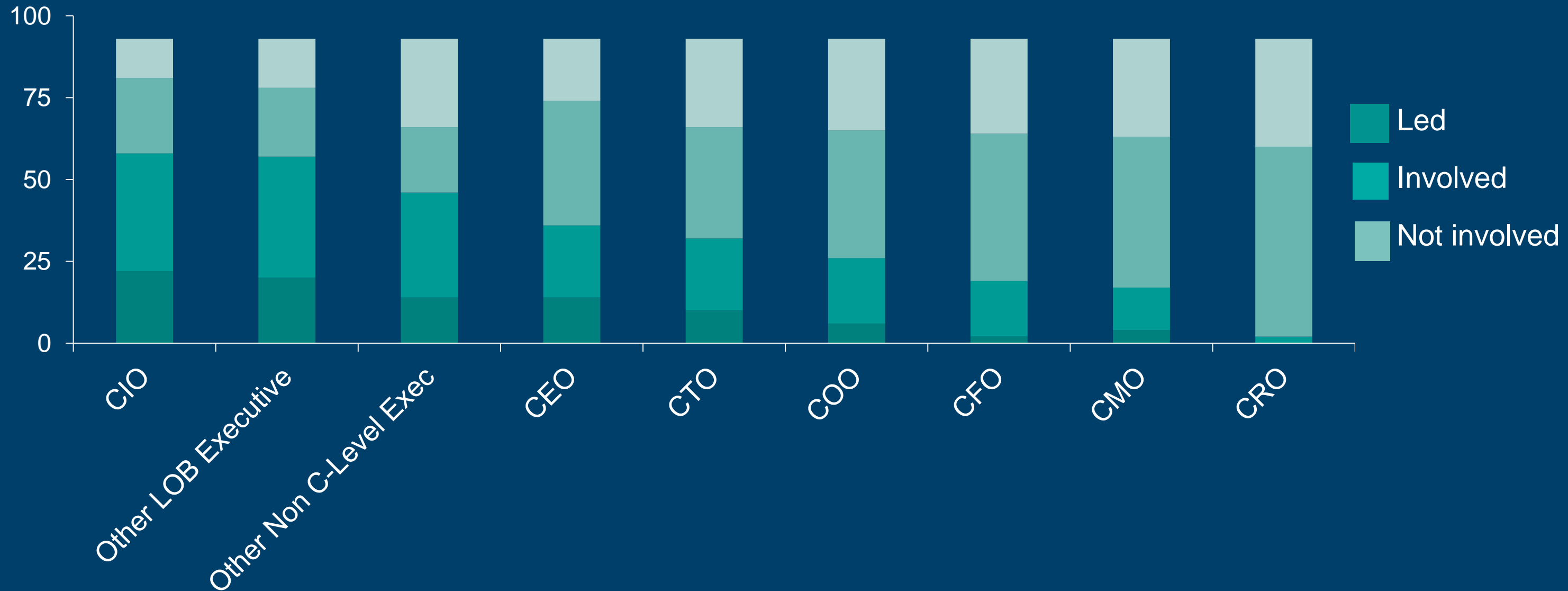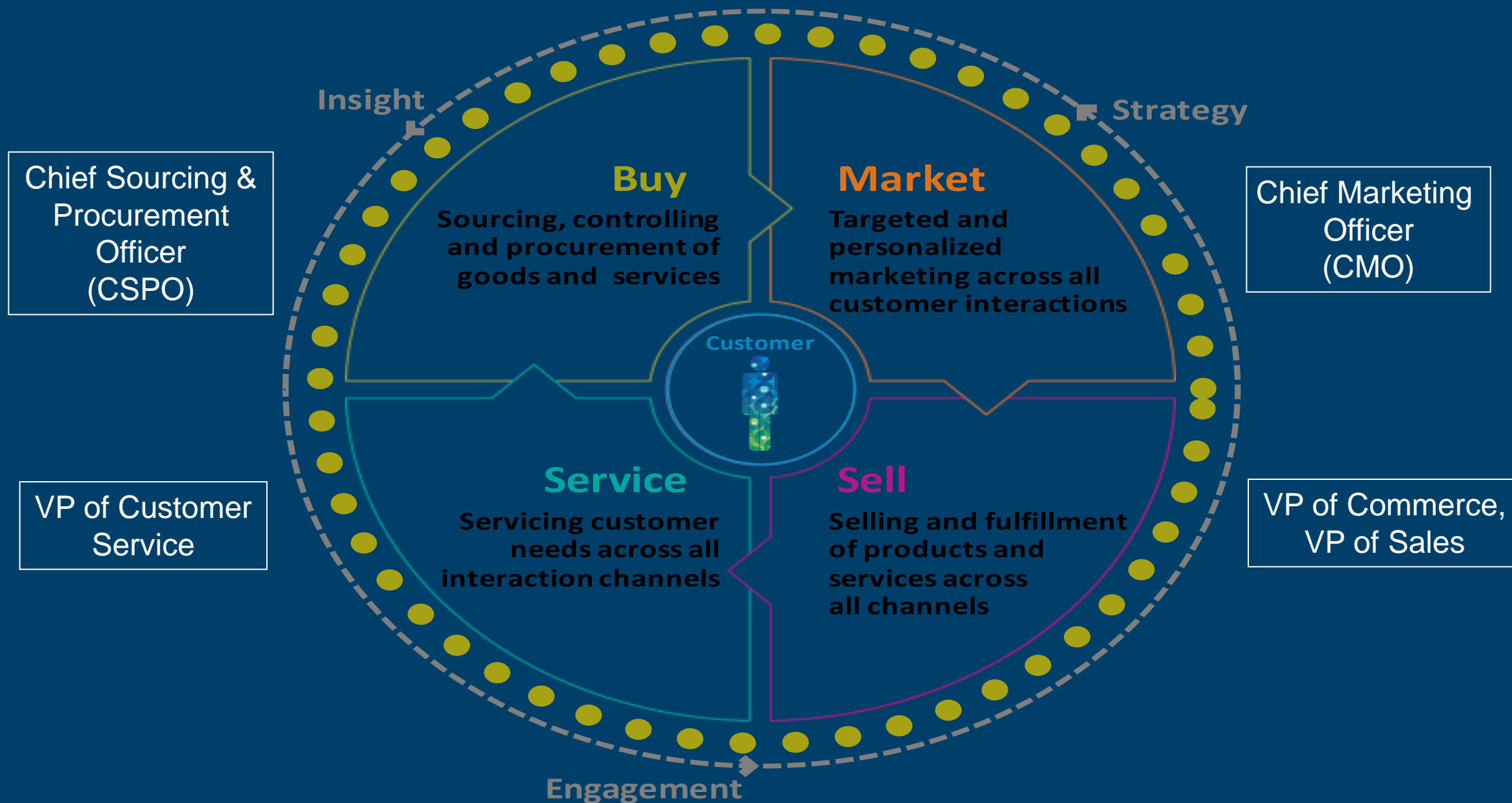- 100% payback in less than 3 months

- 30% increase in revenue
- 25% increase in treatment plan compliance, signifying improved quality
- 25% increase in the amount of time clinicians spend with patients

- 10x increase in conversion rates
- Contribution to 150% revenue growth
- ~90% reduction in time required to plan and implement new promotional campaigns

Smarter Planet creates relationships with new CXO and LOB

Smarter Commerce: key decision-makers

Chief Sourcing & Procurement Officer (CSPO)

Chief Marketing Officer (CMO)

VP of Customer Service

VP of Commerce, VP of Sales

Insight

Strategy

Engagement

Buy
Sourcing, controlling and procurement of goods and services

Market
Targeted and personalized marketing across all customer interactions

Customer

Service
Servicing customer needs across all interaction channels

Sell
Selling and fulfillment of products and services across all channels

# Smarter Planet era increasing CMO's relevance, responsibilities and influence

$1.5 trillion   Amount spent on marketing and communications in 2011

7-8%   Growth of marketing budgets in next 12 months, 2-3X that of IT budgets

$148 billion   IT-related spend owned / influenced by CMOs in 2012

60%   Growth of spend on marketing analytics in next three years

Technology reshaping CMO agenda

CMOs believe marketing will be most impacted by:

- Data Explosion

- Social Media

- Growth of Channel and Device Choices

- Shifting Consumer Demographics

Yet, they are least prepared for these same factors.
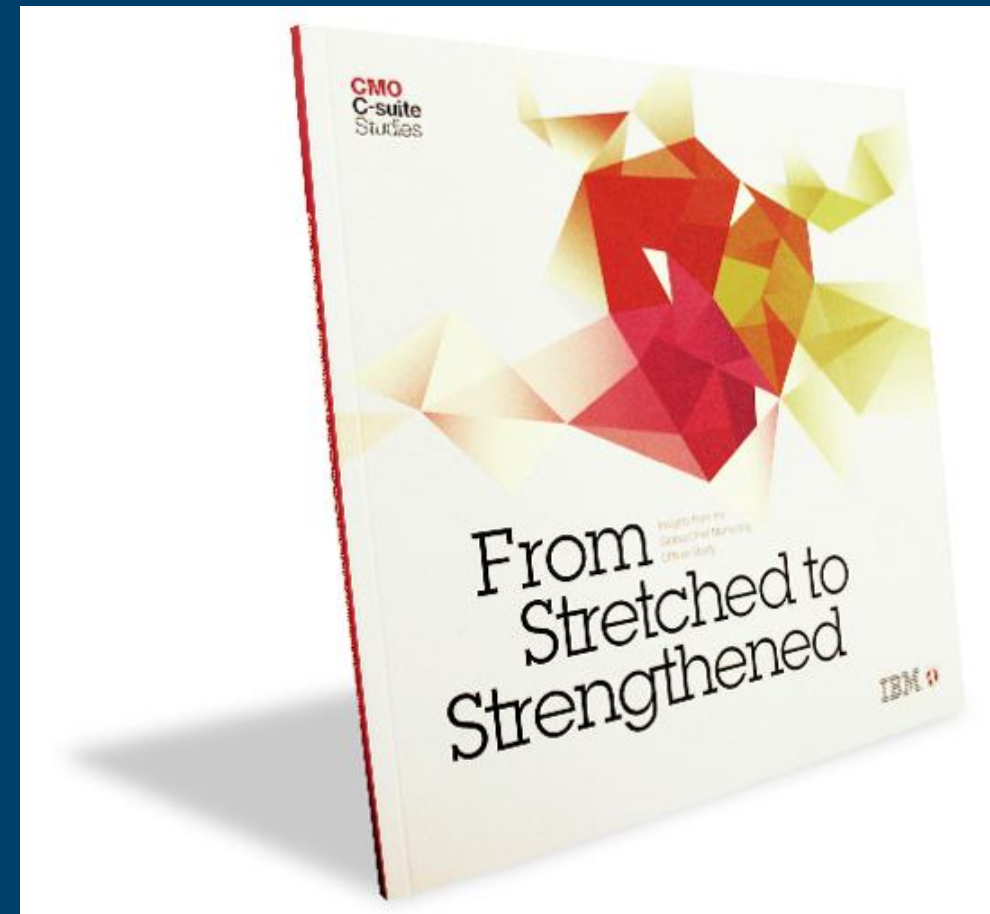
IBM's portfolio addresses emerging CMO needs

TYPICAL CHALLENGE	IBM CAPABILITY	PRIMARY IBM SOLUTIONS
• Large amount of real time, disparate, unstructured data to collect, analyze and manage • Make informed decisions, identify potential trends and opportunities to improve	**Marketing and Customer Analytics & Data Management**	COGNOS AN IBM COMPANY · SPSS AN IBM COMPANY · IBM GBS · IBM InfoSphere · N NETEZZA an IBM Company
• Integrate offline and online customer data • Relevant experience across all channels • Maximize response rates • Define next best / most relevant action	**Cross-Channel Customer Experience**	Coremetrics An IBM Company · IBM GBS · WebSphere.
• Maximize website conversions • Improve ad and paid search ROI • Improve search results/rankings	**Digital Marketing Optimization**	WebSphere. · IBM GBS · Coremetrics An IBM Company · U unica An IBM Company
• Impact of collaboration and influence through social networking on organizations • Social as effective channel	**Social Marketing**	Lotus software · IBM GBS
• Demonstrate marketing performance and returns • Optimize budget allocation • Manage audience fragmentation	**Marketing Performance Optimization**	U unica An IBM Company · COGNOS AN IBM COMPANY · IBM GBS · SPSS AN IBM COMPANY

Smarter Marketing: examples

First Tennessee is using predictive analytics to look across 30-40 points of client data, and delivering the right service to the right customer at the right time.

L'Occitane's Web analytics tool provides online marketing and business optimization, allowing the retailer to drive incremental sales by better matching offers to customer segments.

United MileagePlus is able to deliver automated personalized messages and offers to its frequent flyer members based on their flying preferences, types and personas.

- 600% increase in cross-sell campaigns
- 20% reduction in mailing costs and 17% reduction in printing costs
- Increased response rates by 3.1%

- Online revenue is up 2,500%
- Conversion to sale by ~1,700%
- 65% higher email open and unique click rates

- 30% drop in customer unsubscribing rates
- Automated personalized campaign creation decreased from weeks to hours
- Optimized loyalty and profitability through increased customer satisfaction

Targeting new buyers: Smarter Cities
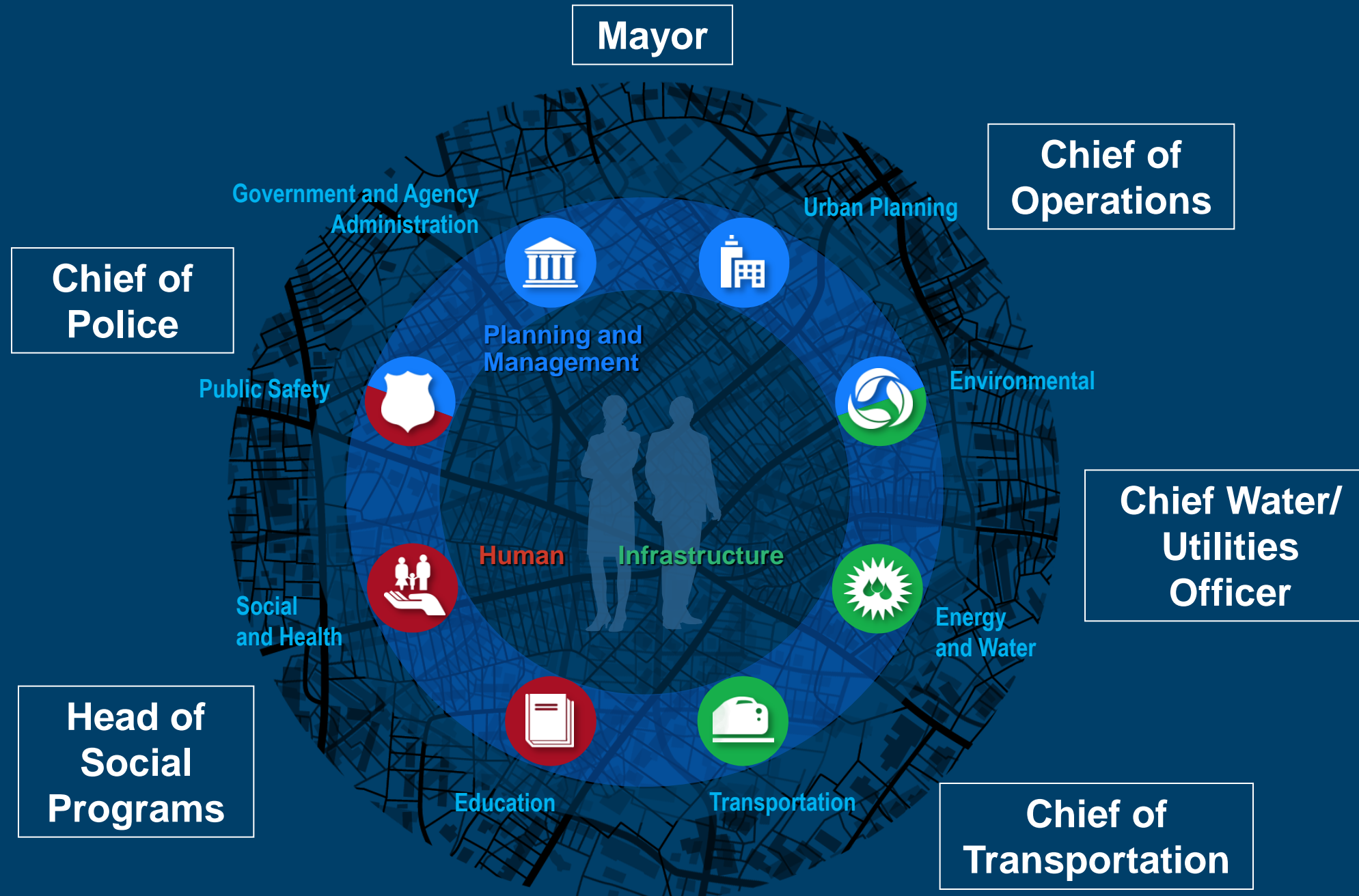
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