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2024 TSIA STAR Awards
Featured Application

DELLTechnologies

TSIA Award Category: Leveraging AI in Revenue Generation Workflows
Solution Name: APOS Intelligent Discount Optimizer (AIDO)

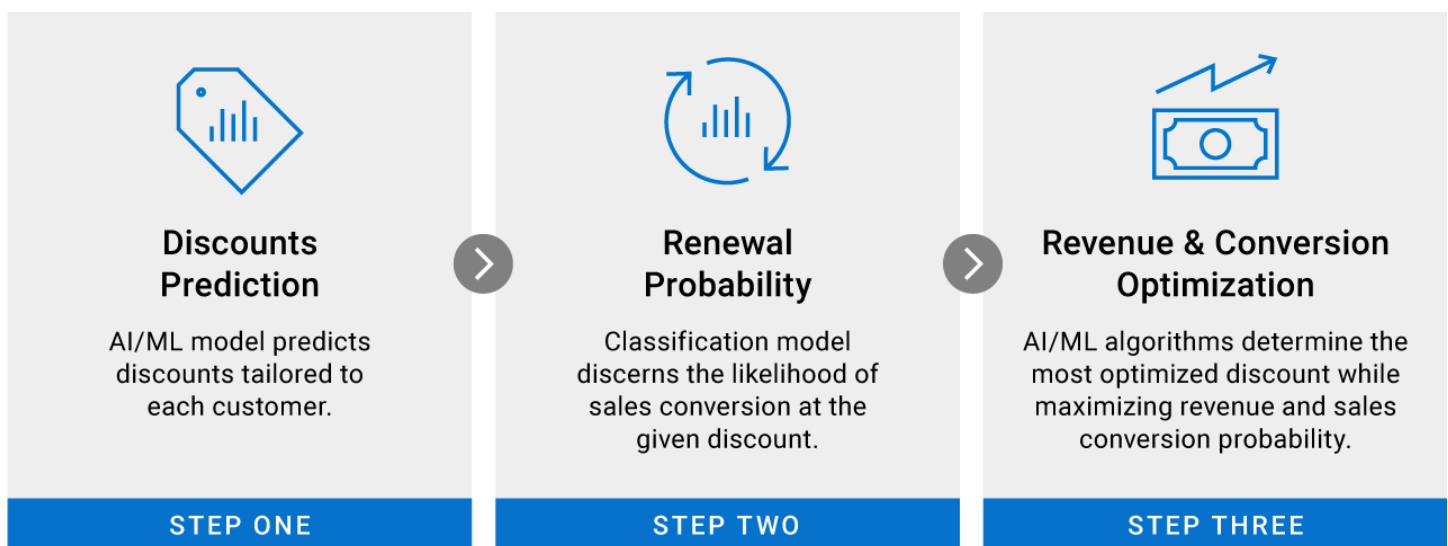# APOS Intelligent Discount Optimizer (AIDO)

Solution Overview

After-Point-of-Sale (APOS) transactions occur post initial purchase when customers require additional system protection and buy warranty extensions. APOS sales are significantly more difficult than upselling during initial sales but offer more revenue upside and improved profit margins. Given the challenge with sales conversion, appropriate pricing of APOS Services is critical.

Traditionally, sales representatives offered all customers the same, uniform discount for offline sales, leading to lengthy negotiations and a potentially poor customer experience. This approach was a missed opportunity for a more personalized experience by considering a customer's history with Dell.

To address this, we developed the **APOS Intelligent Discount Optimizer (AIDO),** an AI/ML solution that recommends personalized discounts for each customer. AIDO is integrated with the Dell Sales Application (DSA) to provide real-time recommendations for both online and offline sales.

Demystifying AIDO: The Brains Behind Personalized APOS Discounts

To optimize APOS warranty sales, the AIDO machine learning solution is comprised of three steps:

Discounts Prediction

AI/ML model predicts discounts tailored to each customer.

STEP ONE

Renewal Probability

Classification model discerns the likelihood of sales conversion at the given discount.

STEP TWO

Revenue & Conversion Optimization

AI/ML algorithms determine the most optimized discount while maximizing revenue and sales conversion probability.

STEP THREE

Step 1: Predicting the Perfect Discounts

AIDO employs sophisticated AI/ML modeling techniques to predict the ideal discount for each customer. By going beyond basic demographics, AIDO creates a comprehensive customer profile to deliver highly personalized discount recommendations. It factors in various aspects that influence buying decisions, such as:

- **Product Category:** The type of product (laptop, server, etc.) can influence a customer's perceived value of a warranty extension.

- **Location:** The model uses a customer's location to account for variations in regional pricing strategies.

- **Contract Duration:** Longer contracts may warrant different discounts compared to shorter contracts.

- **Customer History:** AIDO analyzes each customer's past purchases, discounts received and support interactions to predict their preferences and assess buying potential.

Step 2: Assessing Renewal Probability

For each customer interested in an extended warranty, AIDO generates a range of possible discounts along with the corresponding likelihood of purchase. Classification algorithms, trained on that customer's historical sales data, assess the conversion probability for each discount point within the range.

Step 3: Optimizing Revenue and Sales Conversion

Finally, AIDO optimizes the discount presented to sales representatives by analyzing the predicted discount range and its associated conversion probabilities. It identifies and presents the discount that maximizes revenue and margin while maintaining a healthy sales conversion rate (percentage of quotes converted to sales). This ensures sustainable growth by striking a balance between achieving sales targets and maximizing profit.

In essence, AIDO takes the guesswork out of APOS warranty pricing. By using historical customer sales data, it recommends personalized discounts that increase the likelihood of conversion, leading to increased revenue and margin, a more efficient sales process and a better customer experience.

Business Impact

Increased Sales and Customer Retention

AIDO identifies the optimal discount that motivates customers to purchase warranty extensions, thereby increasing sales conversion or productivity and customer retention.

- **10.5%** increase in Revenue productivity[1]
- **9.9%** increase in Margin productivity

Improved Profitability

The increase in sales conversion drives incremental revenue and margin. AIDO's optimization mechanism serves to maximize profit margins on APOS transactions.

Streamlined Sales Process and Better Sales Productivity

AIDO's discount recommendations reduce sales representatives' time to quote, which improves sales productivity.

Rapid Global Expansion

Achieved worldwide reach from initial Pilot to Global Operations in under a year.

> "This is great… Solid Margin and Revenue improvement."
> **– VP, Services Pricing, Dell Technologies**
>
> "Great results… Congrats team!!!! Love seeing this and the great partnership."
> **– SVP, Inside Sales, Dell Technologies**
>
> "This work is a showcase for what we want to achieve. Great project with clearly defined outcomes and business benefits. Already embedded in the business process with seamless adoption."
> **– President, Services, Dell Technologies**

Customer Impact

AIDO improves customers' renewals experience by:

- **Reducing Negotiation Time:** AIDO's customization strategy streamlines the sales process by reducing protracted negotiations. This has resulted in approximately a **50%** decrease in cases where the quoted revenue was below the recommended pricing, effectively lowering instances of Pricing Friction[2].

- **Personalizing Discounts:** Instead of the same general discount offered to all customers, AIDO recommends a personalized discount that considers each customer's history with Dell.

- **Self-Serve Online:** The AIDO solution is now available online, providing customers with a smooth and effortless self-service option to acquire services.

Next Steps

Enhance the AIDO system to encompass APOS transactions for every product, market segment, and channel worldwide, thereby establishing it as the unified platform for APOS pricing throughout Service Sales.

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1 Productivity = booked revenue or margin/ quotes
2 Pricing Friction = % of quoted revenue below pricing guidance

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