Powering Dynamic Business Processes with ILOG BRMS
Proactively align stakeholders to business process goals, objectives, and performance

- **Business Leader**
  - Manage and Monitor in multiple environments
- **Business Analyst**
  - Modify rules, policies and processes
- **Business User**
  - Review KPIs, manage task lists and staff productivity
- **Process Owner**
  - Analyze metrics, optimize process models and dashboards
Business Intelligence + Decision Intelligence

Visualization
- Business Rules
  - Business Intelligence
  - Decision Intelligence
  - Source: SAS/Accenture

Is the best happening?
How to ensure the best happens?
What’s the best that can happen?
What will happen next?
What if these trends continue?
Why is this happening?
What actions are needed?
Where exactly is the problem?
How many, how often, where?
What happened?

Competitive Advantage

Sophistication of Intelligence

Decision Intelligence

Business Intelligence

Source: SAS/Accenture
ILOG Lines of Business
Expanded Value for IBM Customers

Powerful Business Rule Management System
Adapt and respond dynamically, automating process-based decisions with business rule management

Supply Chain Management
Optimize supply chains, design & planning tools for improved efficiency and productivity

Innovative Suite of Optimization Tools
Produce the best possible action plans & schedules, enhancing abilities to explore alternatives, understand trade-offs, and respond to changes in business operations

Visualization Tools
Transform insight into action, enhancing collaboration for smarter role-based business decisions
What is Optimization?

### Categories of Economic Analysis

<table>
<thead>
<tr>
<th>TYPICAL FREQUENCY</th>
<th>EXAMPLES</th>
</tr>
</thead>
</table>
| **LONG-TERM PLANNING** |  - Annual  
  - Quarterly  
  - Occasional  | - Whether to expand a plant or open a new one  
  - How many distribution centers to have  
  - What's the value of additional equipment over time |
| **SHORT-TERM PLANNING** |  - Monthly  
  - Weekly  | - How much should we produce this week  
  - How many shifts should we have  
  - How many resources will we need  
  - Which marketing campaigns will provide the most impact for a set budget |
| **DETAILED SCHEDULING** |  - Weekly  
  - Daily  
  - Hourly  | - Which activity should be done when  
  - Which resource should be assigned when  
  - When can maintenance or any special task be most efficiently scheduled |
Transportation Planning at Michelin

Situation
World’s second largest tire manufacturer
$150+M/year transportation budget
Needed to manage hubs, driver assignments, & for-hire vs. private fleet decisions
300 dealers, 15000 orders/month, 1000 trucks
Results analyzed by 100 planners every morning, feeding 1500 users

Benefits
Saved several % off transportation budget
Improved supply/demand match while increasing service levels
Better planning granularity - ¼ hour
Better able to foresee bottlenecks and transports
Staff able to manage more orders
Production Scheduling at Nissan

Situation
- Sunderland, UK was already Europe’s most efficient car production facility at the time
- Asked to support a 3rd car model
  - Wanted to accomplish this without building 3rd production line

Benefits
- Able to produce the 3rd model on the existing two lines with improved Detailed Scheduling system built by ILOG PS
- Increased capacity (potential production) by 30%
- Schedule adherence increased to 90%
## Industry Applications

### Retail and Healthcare
- Product configuration
- Space management
- Pricing & promotions optimization
- Workforce scheduling
- Marketing campaign optimization

### Financial Services
- Portfolio optimization and rebalancing
- Portfolio in-kinding
- Trade crossing
- Loan pooling
- Product/price recommendations

### Transportation & Logistics
- Depot/warehouse location
- Fleet assignment
- Network design
- Vehicle routing & scheduling
- Vehicle & container loading
- Crew & driver scheduling
- Maintenance scheduling

### Manufacturing
- Plant location
- Plant layout
- Supply chain management
- Production planning
- Detailed scheduling
- Combinatorial auctions for procurement

### Utilities, Energy & Natural Resources
- Supply portfolio planning
- Power generator scheduling
- Distribution planning
- Water reservoir management
- Mine operations
- Timber harvesting

### Telecom
- Network capacity planning
- Routing
- Adaptive network configuration
- Antenna and concentrator location
- Equipment and service configuration
- Field technician dispatching
ILOG Lines of Business
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Supply Chain Management
Optimize supply chains, design & planning tools for improved efficiency and productivity
Implementing change in a way that is easy, safe and predictable

Reducing the time and cost required to develop and maintain operational systems that are affected by change

Providing a way for IT and Business functions to work collaboratively on defining and updating the decision logic that drives operational systems

Increasing the visibility of how systems use and are affected by decision logic
Business Decisions are Everywhere…

We need to add a validation step to meet the requirements of the new regulation.

Let’s create a special promotion for our best customers.

Can we automate approvals for this type of order?

And Changing Frequently

Commissions / Royalties
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Fraud assessment
Configuration
Pricing
Benefit calculation

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And Changing Frequently
Traditional Approach for Managing Change

Decisions used in operations = “business rules”

Derived from organizational policies, procedures and internal/external regulations

For operational systems, business rules are usually contained within application code, although they can also be in documentation or the knowledge of employees

Where Business Rules Typically Exist

- Applications
- Processes
- Documents
- People

Issues

- Rules are hidden in code or isolated within the organization
- Changes are hard to track and maintain over time
- Rules used by systems have to be programmed and require IT resources
- Duplication and multiple versions of the same rules
- Lack of auditability, traceability
- Decision changes cannot be easily tested or simulated
**Easy, Fast, Reliable Change with BRMS**

If all of the following conditions are true:
- the age of **the driver** is between 18 and 21
- the number of accidents **the driver** has been involved is at least 1
- the number of traffic tickets **the driver** has received is at least 1

then add a $8 surcharge to 'Auto Quote Response', reason: "Young driver surcharge";

**Where Business Rules Typically Exist**

- Applications
- Processes
- People
- Documents

**Business Rule Management System**

- User Tools
- Rules are Defined, Analyzed and Maintained
- Rules are Stored and Shared
- Rules are Deployed, Executed and Monitored

- Rule Server
- Rule Repository
- Rules + Metadata
Traditional Software Lifecycle

- **Inception**
  - Business
  - Analyst

- **Elaboration**
  - IT Dev / QA

- **Construction**
  - Support

- **Transition**
  - Application Maintenance

- **Build-Time**
  - I1, E1, E2, C1, C2, C3, T1

- **Run-Time**
BRMS Software Lifecycle

Inception | Elaboration | Construction | Transition | Production

Policy Change Management

Change-Time

Build-Time
Business Rule Maintenance Lifecycle
• Existing rules harnessed from current application + SMEs.
• New rules derived from new contracts.
• IT-Business collaboration for new rule types.
• Rules organized by provider with appropriate access control.
• Templates (Limited / Unlimited / PPV…), copy-paste existing contracts
• Rule effective/expiration date.
• Rules deployed by IT on a daily basis.
• Daily batch.
• Low volumes (less than 100k items per day).
• RSM + Excel for Unit and Regression testing.
• RSM + Historical / Projection database for Simulation
• Custom KPI: monthly amortizations
ILOG BRMS & WebSphere Business Services Fabric within SOA
Quick Facts

20+ years of technology & market leadership

ILOG JRules to Automate Underwriting Process for Aviva Canada

JRules Delivers Ease-of-Use and Speed-to-Market Gains

SUNNYVALE, Calif. – Dec. 10, 2008 – ILOG (NASDQ: ILOG; Euronext: ILO, ISIN: FR0004042304) today announced that Aviva Canada Inc., a leading property and casualty insurance group, selected ILOG JRules®, a key offering in ILOG’s business rule management system (BRMS) product line, to automate its underwriting process for personal lines. With the new BRMS-based platform, which will support Aviva’s partners and customers, the carrier expects to achieve significant speed-to-market gains by being able to implement rule changes that govern certain underwriting processes in days or real-time and with rule execution occurring in milliseconds.

ILOG JRules is a key component of Aviva Canada’s common service delivery platform, an e-commerce foundation that will enhance the company’s ability to conduct business using web-based technologies. Based on a service-oriented architecture (SOA) that also includes IBM WebSphere, the platform delivers the agility needed to create shared services that can be leveraged across applications and lines of business. Aviva Canada has also invested in IBM’s Insurance Application Architecture (IAA) and is currently looking at evolving their platform to take advantage of this framework. Since ILOG JRules allows business rules to be exposed as decision services in a SOA, the carrier plans to use the BRMS to automate other processes in the future such as claims and underwriting commercial lines.

Aviva Canada Inc. provides home, automobile and business insurance and premier

“We selected ILOG JRules because of its ease-of-use, advanced rule management capabilities for business and IT users, and tight integration in a service-oriented architecture,” said Michael Lin, vice president e-Commerce, Aviva Canada. “Business rules are a fundamental part of insurance processes. ILOG’s track record as a BRMS provider and the support we received from ILOG were also deciding factors for us choosing JRules.”
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Aviva Canada Inc. provides home, automobile and business insurance and premier claims service to millions of Canadians. The carrier is a wholly-owned subsidiary of Aviva plc, the world’s fifth largest insurance group. In choosing ILOG JRules, Aviva Canada:

“Santander considers IT a key component of its business strategy,” said Maite Aguijetas, Chief Technology Officer at Santander. “We are confident that the implementation of ILOG JRules in BANKSPHERE will help us enhance our competitiveness by making a significant contribution towards harmonizing our IT infrastructure and ensuring we can react quickly to changing business conditions.”

Santander Chooses ILOG JRules for Services-Orientated Architecture Initiative

Europe’s Leading Bank To Use BRMS to Enhance Business Agility and Shorten Business Response Times

MADRID – June 28, 2006 – ILOG® (NASDAQ: ILOG; Euromoney: ILO, ISIN: FR0004042304) today announced that Santander, the largest bank in the euro zone and the fourth largest in Europe by market capitalization, has chosen ILOG JRules™, a key offering in ILOG’s Business Rule Management System (BRMS) product line, as an essential element of its new services-oriented architecture (SOA) strategy. As part of BANKSPHERE, Santander’s multi-channel banking middleware platform, ILOG JRules will be used to automate decision-making and policy management across the entire organization, while enhancing business agility and shortening business response times.

Santander decided to adopt an SOA strategy to streamline its IT infrastructure from front to back-office, with the goals of continuously improving customer service and reducing costs. The objective was to have a single platform across all banks in the Group to standardize processes and create product factories (back-office systems able to process the products for various distribution channels – under different brands – or for different packages). By integrating ILOG JRules in their SOA infrastructure, Santander will maximize the re-usability and adaptability of its platform across all banks. Moreover, the use of rules will guarantee that the banks will be able to respond quickly to changes in regulations and market conditions.

In addition to the SOA initiative, Santander is already evaluating JRules for additional projects, including risk qualification, buying propensity and debt qualification, subscriptions, as well as the listing and selection of documents for a banking association.
eBay - Enterprise Rules Platform

**Goals**
- Enhance user experience & Improve response time across all web site
  - Reduce amount of time to change features/services on retailer's site (38 markets)
  - Improve manageability of transaction related rules (102M posting any day, 6M new posting / day)
  - Ensure rule consistency – critical for the consumer confidence & company public image

**Solution**
- An enterprise rules platform based on ILOG JRules to
  - Support decisioning – marketing promotions, eligibility… – across multiple applications & channels
  - Ensure predictable, scalable & collaborative change management
  - Enable high performance & reliable processing – 2000+ rules in 100ms, 24X7 with no downtime

**Situation**
- Web site = product => need for incremental, predictable & scalable change management
  - Issue to cope with high pace of change requests
  - Fragmented & rudimentary rules engines would not enable managed & scalable deployment
  - Lack of centralized management & oversight – difficulty to maintain & test rules

**Benefits**
- Streamlined change management at the enterprise level...
  - 100 users across geos/departments publishing rules on a daily basis – 10s of new rules / week
  - Quick time to market for new product & services – business rules updated in minutes
  - More predictability to support site enhancement – 300+ new features / quarter
  - ... driving enhanced user experience & lower cost of operation
## ING Belgium - Pricing

### Situation
- Fragmentation - **10s of legacy applications with pricing logic** hard-coded in COBOL used to calculate customer fees on account & account-related operations
- Cost inefficiencies - high IT maintenance costs, **calculation of customer-specific pricing is 80% manual**
- **Errors** - charging customers correctly is key to customer satisfaction, but there is lack of transparency
- **Compliance** - Ensuring compliance with **European directive on VAT and invoicing** (directive 2001/115/EC)

### Goals
- Reduce time-to-market required to introduce a new offer, a new product or a new pricing policy
- Improve transparency of the pricing policies and enable what-if simulation to evaluate the impact of changing pricing rules.
- Reduce maintenance costs
- Eliminate manual processing which is time-consuming and error-prone.
- Performance & scalability: support volumes of batch processing and to enable online processing

### Solution
- Re-engineered pricing platform with a high performance rules-based pricing engine integrated through ING ESB
  - ILOG BRMS to centralize & automate key decisions **product-level pricing, agreement-level pricing, customer segmentation and VAT billing.**
- **Improve business & IT alignment** – Business Analysts are responsible of discussing business policies with the marketing product managers and translating them into business rules

### Benefits
- New system fully supports **ING retail and wholesale banking** strategy in terms of cost competitiveness & customer satisfaction
  - Reduced maintenance costs thanks to a **centralized pricing engine reused as a service** by multiple applications
  - **Transparency of pricing rules** that can be **validated by business users**, empowerment of business users
- Shortened time-to-market to implement changes of pricing policies from months to days.
  - Swift & cost effective updates – e.g. **4 weeks to implement pricing policies for new SEPA products**
- High performance & scalable pricing engine enabling online processing: **2M operations processed in 15 minutes**
Visa International - Billing

**Situation**
- **Billing & pre-processing** is a major source of *Member dissatisfaction*
  - Billing questions cannot be quickly or effectively answered
  - Member *invoices are confusing* and could be improved
- Production support groups cannot effectively support regions & members
  - Inability to make rules & pricing *changes* on a timely basis
- Member invoices are confusing and could be improved
- Limited ability to audit transactions through the system

**Goals**
- Create a high performance & flexible billing system
- Reduce billing errors resulting in lost revenue
- Improve transparency & audit ability of billing system
- Deliver better support for rapid policy update & custom requests

**Solution**
- Implement ILOG BRMS as a core technology for validating routing data in billing system
  - **Validate conditions** on fields of the Visa transaction record
  - Assign a billing number to generate an invoice for banks & Visa partners
- Process **150M transactions per day running some 7,000 rules** in a batch environment
  - Integrated with Ab Initio runtime execution environment
- Easy access to business rules through web based interface & Microstrategy reports

**Benefits**
- Reduced costs, revenue leakage & risk associated with aging, proprietary legacy system
- Effectively managed rules & policies across the billing system
- Improved business efficiency through
  - reducing manual workload & eliminating redundant work
  - exercising greater control & discipline over business processes & rules
  - removing “one size fits all” approach
<table>
<thead>
<tr>
<th>Customer</th>
<th>Application</th>
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<td>TRAVELERS</td>
<td>BRMS based Underwriting &amp; pricing system to support personal lines</td>
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<tr>
<td>Hotwire</td>
<td>BRMS based pricing &amp; promotions management system</td>
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| TRAVELERS     | BRMS based Underwriting & pricing system to support personal lines            | • Improved pass through rate from 17% to 76%  
• Increased new business volume by 50% |
| Hotwire.com   | BRMS based pricing & promotions management system                             | • Improved Time to Market for new pricing from 3 months to 2 days  
• 25% over achievement on Revenue Business Target |
| DVA            | BRMS based system for eligibility and benefits calculation                   | • 7 minutes turn around time vs. 6 weeks, no backlog  
• New Regulation implemented in days vs. months |
| BANK OF THE WEST | BPM / ECM / BRMS based commercial loan origination system                   | • 93% improvement for application approval (15 days to 1)  
• 1,000+ days annual savings in compliance audit |
# BRMS Usage Across Industries

<table>
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<tr>
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| Banking           | - Loan Origination  
                  | - Credit Decisioning  
                  | - Sales Advisory  
                  | - Payments  
                  | - Accounting  |
| Insurance         | - Claims Processing  
                  | - Underwriting  
                  | - Quoting  
                  | - Rating  
                  | - Commissioning |
| Capital Markets   | - Automated Trading  
                  | - Trade Order Management  
                  | - Accounting  
                  | - Compliance KYC / AML  
                  | - On Boarding |
| Public Sector     | - Claims Processing  
                  | - Entitlement and Benefit calculation  
                  | - Fraud Detection and Management  
                  | - Screening and Targeting |
| Telecom           | - Offer Configuration  
                  | - Order Management  
                  | - Fraud Detection and Management  
                  | - Loyalty Programs  
                  | - Network Monitoring |
| Transportation & Travel | - Promotions Management  
                           | - Loyalty Programs  
                           | - Customer Service  
                           | - Billing  
                           | - Contract Management |
| Retail            | - Online recommendation  
                  | - Campaign Management  
                  | - Order Management  
                  | - Pricing |
| Manufacturing     | - Production quality control  
                  | - Order Management  
                  | - Billing  
                  | - Contract Management |
Understanding the Opportunity

Process Mgmt

Describes the “how” of the core activities of the enterprise
Combines automatable and human elements
Is fundamentally concerned with operational efficiency of the organization

Rules Mgmt

Determines the “what” of enterprise activity
Is focused on automating decisions
Is fundamentally concerned with the operational intelligence of the organization
ILOG BRMS Benefits

Implementing change in a way that is easy, safe and predictable

Reducing the time and cost required to develop and maintain operational systems that are affected by change

Providing a way for IT and Business functions to work collaboratively on defining and updating the decision logic that drives operational systems

Increasing the visibility of how systems use and are affected by decision logic
Thank you !