

Challenge

- Antiquated systems and long-cycle sales prevented the business from leveraging customer profitability strategies resulting in over \$17 million of profit that was given back to unprofitable customers.

Solution

- We helped build a model that enables the business to improve margins, value propositions, customer lifetime value (CLV), prioritize customers, and link customer segments to profits.

Results

- Helped the business implement a best-practice marketing tool of customer profitability to achieve an additional \$30 million to the bottom line.

Profit opportunity identified:

\$30 million

Customer Profitability Project

Background

- The business was struggling with driving revenues and expanding margin. There was no clear understanding of what customers were truly impacting profit and to what extent. Decisions were being made at a very high level which prevented the business from maximizing profit. Additionally, the business was looking maximize the product mix and tweak their business model leveraging more power by the hour services model.

Challenge

- ERP systems were antiquated and many offline databases were used to support both the Finance, Operations, and Marketing functions. We had to consolidate the data at invoice level and as well as understand Balance Sheet implications due to excessive initial provisioning accruals that also impacted net profit.

Solution

- We partnered with impacted functions to gather all the relevant data and used advanced analytics to get a clear understanding of Marketing effectiveness and Operational execution impact at a customer level.

Results

- Identified nearly \$30 million incremental profit opportunity
- Top 16% (75 customers) represented 62% of revenues and 91% of profits & the bottom 84% of customers represented only 38% of revenues and only 9 % of profits – enabling more accurate marketing strategies
- 1% of discount improvement = 3% improvement in customer pocket margin (which factors in cost-to-serve).
- 8% of customers were unprofitable – allowing tactical pricing actions to avoid future losses.

About OUTPERFORMA Consulting Group:

- We help senior leaders in the airline and aerospace industry to achieve transformational growth and productivity.
- We leverage our deep industry experience using proven best practices, extensive business analytics, and collaboration to drive transformative results.

