



## Profitability Focus Checklist

*Which customers should you cultivate and grow? Leading companies pay attention to this and don't sacrifice profit for growth. They can have both.*

1. **Acquisition:** How difficult or easy was it to get them as a customer? What did it cost you? How long did it take? What did you have to do to get them in terms of pricing, product/service configuration? What hoops did you have to go through?
2. **CLV (Customer Lifetime Value):** Are they a long-term customer or part of the churn? What do you expect from them over their lifetime? Can you up sell or cross sell them? How easy will that be?
3. **RFM (Recency, Frequency, Monetary):** When did they buy last? How often do they buy? How large a customer are they?
4. **Strategic:** How open are they to new products? Are they likely to be interested in maintenance contracts? Do they fit with your strategy in terms of your product/service roadmap?
5. **Criticality:** How critical are you to their business? How critical are they to you? Are they a good fit for your brand, reputation? Will having them as a customer lead to more customers? Are they an anchor customer in a new segment or geography?
6. **Satisfaction:** Do they refer you? Do they advocate for your business? Or are they a hassle to deal with? Is it easy to please them? Do they stretch your resources to serve them? Any special administrative support? How appropriate is their use of customer service and technical support?
7. **Purchase Mix:** What mix of SKUs does the customer buy? Are they buying the most profitable products or services? How many high, medium or low profit SKUs do they buy? Do they require you to hold inventory?
8. **Consistency:** Do they purchase every week, every day or once in awhile? Are their order patterns consistent and/or predictable? How much call center time is required? What's the lead time: "I need it today" versus "the regular schedule?" Do they require special packing and handling? Do they buy using acceptable levels of automation? How reasonable are their quality testing processes? If returns apply, what are they—1%, 20% or just what?
9. **Payment History:** When do they pay—today, this month, 120 days, or what?

10. **Delivery:** How hard is it to deliver to them? Are their locations easily served or not? Are they clustered with other customers or off the beaten track? Are their receiving hours reasonable? When your delivery people get there, what degree of special handling is required?

### ***Many ways to align for profit.***

Just using these tools to align your teams will improve your profit picture.

**Profit Matrix:** Correlate the most profitable customers with the most profitable products in terms of contribution to profit to identify segments with high potential for high-profit growth. All customers are not created equal. Generally, 20% of customers account for 80% of revenue and often more than 100% of profit.

**Value Creation Mapping (VCM)** methodology: Capture the interweaving of customer and company processes to map what the customer experiences in Critical Interaction Processes. The map shows how you can cut costs without negatively impacting what customers value and identifies where you can improve profit while at the same time improving the customer experience.

**Social Tactics Model:** Quantify social media for value in building communities.

**Strategy Decision Model:** Determine the customer relationship strategy most likely to make money to steer your investments in the right direction.

**Productivity Model:** Quantify critical customer and staff activities to tie to profit.

### ***What's next is real-time profit.***

**Operational CRI Tracking System:** Capture and measure the interactions that develop the customer relationship and tie them to profit in two ways. First, the structured data stream provides a leading indicator for profit and satisfaction. Second, actual operational variable cost data that update the Profit Matrix, the Strategy Decision Model, the Social Tactics Model, and the Productivity Model for continued iteration and improvement.

Building intelligence into the process and measuring interactions in real time measures how strategy is working in real time and gives you a frame of reference with operational data to show *how* they became profitable. It lets you see what works with different types of customers, and what the relationship development patterns need to be for success. Frontline staff knows where it is with individual customers day-to-day and is guided to make better and more profitable decisions in the moment. Managers know how well their strategy is working in real time and can make interim adjustments.

This relevant intelligence about customer relationships helps you optimize customer outcomes to realize high-profit growth and anticipate future success.

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Value customer relationships. Drive profit.

