

# Benefits Modelling

## Putting robust calculation behind your Customer Management business case

Predicting financial returns and estimating the costs of a major Customer Management Programme are renowned for being challenging, but that is no reason to just put them into the 'too difficult' file.

The Customer Framework Benefits Modelling Module uses a well-trying approach that has won the support of many finance teams. It doesn't provide any magic algorithms or 'stock' answers but does force a

structured and realistic approach that clearly 'shows the working' for complete transparency. The approach enables factors such as benefit trajectory and decay to be considered, making calculations even more realistic.

The output is provided in a Spreadsheet tool to enable the client to continue to re-model various cost and benefit scenarios and even the effect of a wider ranging change programme that one being planned.

Full year benefit calculation											
Acquisition			Retention		Penetration		Efficiency				
Net Additions			Churn		Stimulation ARPU		Cross-sell Add-ons		Cost to Serve		
START POINT	Current performance	12.00%	Current performance	23.00%	Current performance	98.00	Current performance	37.00	Current performance	24	
	Current capability index	19	Current capability index	35	Current capability index	31	Current capability index	26	Current capability index	69	
	Desired capability index	78	Desired capability index	69	Desired capability index	57	Desired capability index	69	Desired capability index	18	
	Best achievable performance	21.00%	Best achievable performance	17.00%	Best achievable performance	135.00	Best achievable performance	55.00	Best achievable performance	18	
IMPROVEMENT	System proposal	17.31%	System proposal	19.76%	System value	108	System value	41.68	System value	21.47	
	Manual value	17.31%	Manual value	19.76%	Manual value	108	Manual value	41.68	Manual value	21.47	
	Improvement	5.31%	Improvement	3.24%	Improvement	9.62	Improvement	4.68	Improvement	2.62	
INCREMENTAL MARGIN	NEW customer margin	22	EXISTING customer margin	27	Margin %	78%	Average margin per product	1	Customer base affected	1,920,000	
	Customer base affected	2,400,000	Customer base affected	2,400,000	Customer base affected	1,200,000	Customer base affected	1,200,000	Customer base affected	1,920,000	
	All customers		All customers		Top 50%		Top 50%		Bottom 80%		
	Extra customers acquired	127,440	Extra customers retained	77,760	Extra margin	9,004,320	Extra margin	3,032,640	Cost savings	5,027,904	
ADJUSTMENT	Extra margin	2,803,680	Extra margin	2,060,640	Extra margin	9,004,320	Extra margin	3,032,640	Cost savings	5,027,904	
	Current differentiation capability index		25		Desired differentiation capability index		77				
	Adjustment	13.00%	Adjustment	52.00%	Adjustment	39.00%	Adjustment	26.00%	Adjustment	26.00%	
Adjusted margin		3,168,158		Adjusted margin		3,132,173		Adjusted margin		4,215,370	
Total full year incremental margin					29,366,865						

ROI Modelling											
		2008	2009	2010	Total	Certainty	Weighted				
<b>Costs</b>											
External manpower costs		1,251,984	1,087,577	546,188	2,885,748	75%	3,607,185				
Non-manpower costs		3,435,555	3,048,535	1,916,466	8,400,556	75%	10,500,695				
<b>Total costs</b>		<b>4,687,539</b>	<b>4,136,112</b>	<b>2,462,654</b>	<b>11,286,304</b>		<b>14,107,880</b>				
<b>Benefits</b>											
	Full year value	Ramp up 2008	2009	2010	Annual decay						
Acquisition	3,168,158	75%	100%	100%	20%	2,376,119	5,069,053	7,223,401	14,668,573	75%	11,001,430
Retention	3,132,173	60%	90%	100%	20%	1,879,304	4,322,398	6,590,092	12,791,794	50%	6,395,897
Stimulation	12,516,005	60%	80%	100%	15%	7,509,603	16,395,966	26,452,576	50,358,145	50%	25,179,073
Cross-sell	4,215,370	75%	100%	100%	15%	3,161,527	6,902,668	10,082,637	20,146,832	75%	15,110,124
Efficiency	6,335,159	75%	90%	100%	0%	4,751,369	10,453,012	16,788,171	31,992,553	75%	23,994,415
<b>Total benefits</b>		<b>29,366,865</b>	<b>19,677,922</b>	<b>43,143,098</b>	<b>67,136,877</b>	<b>129,957,898</b>	<b>118,671,594</b>			<b>81,680,938</b>	
<b>Net Benefit</b>		<b>14,990,383</b>	<b>39,006,987</b>	<b>64,674,224</b>	<b>118,671,594</b>				<b>67,573,059</b>		
<b>3 year return ratio (NOT at NPV)</b>			<b>5.79 to 1</b>								

The Customer Framework™ is a portfolio of Tools, Replicable Methodologies and Unique Intellectual Property deployed by a network of Expert Practitioners who support large organisations in delivering their Customer Management activity effectively and efficiently.

It is based on an ethos of robust but lean solutions to client challenges backed up by thought leadership, constant innovation and validated best practice from across the globe. Every tool and methodology has been used multiple times in blue-chip clients. They integrate around a widely accepted model of customer management and a flexible deployment process.

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