Increasing Order Intake with Proper Customer Value Model

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Content

Customer value model

A **customer value model** is a framework or methodology used by businesses to analyze and understand the life-time value of their customers. At each point in time, it shows who is the most valuable customer, i.e. the customer with the highest likelihood to buy new machines or services. With this this knowledge, a company can define the most cost-efficient way to generate order intake with that customer.

MVP approach

The **MVP approach** means creating a minimal viable product, i.e. fully functioning product with the bare minimum of functionalities. This allows companies to use, test, and deploy the MVP while participating in the improvement and adaption process as early as possible, allowing to eventually great the best possible product.

Introduction

In today's challenging business landscape, many companies are struggling with a notable downturn in new machine sales.

In these critical times it is crucial to focus sales activities on the "best" customer, i.e. the customer with the highest likelihood to buy new machines or services in order to not lose any money in scattergun approaches.

- Target customers interact with their clients through a long-term period. Multiple business departments are involved. There is no single 360 client view which allows to assess thoroughly the value of every business relationship

- Not all the customers bring the same size of business

- It is not easy to prioritize valuable customers over not so valuable

- Some businesses do not engage with the relevant customers in **Sales and Servicing** activities

With a customer value model and the right criteria and data it is possible to identify exactly these valuable customers and eventually allows to focus all sales and marketing activities on these clients.

The focus of the whitepaper includes

- Customer segmentation and segment-specific definition of sales activities

- Three-stage MVP approach for customer value optimization

- Strategies for customer value optimization across IT ecosystems

- Main benefits for businesses

- Quick check for customer value model creation readiness

Understanding the Most Valuable Customers

Declining new machine sales require action in sales initiatives

The decline in new machine sales is often influenced by factors such as economic downturns or uncertainties, rapid technological advancements, changes in consumer preferences or market trends, and others.

1 SITUATION

Downturn in order intake

In today's challenging business landscape, many companies are struggling with a notable downturn in new machine sales.

2 COMPLICATION

High sales efforts, low closing rates

Companies waste valuable time and resources on scat-tergun sales activities instead of focusing on the "best" cus-tomer, i.e. the customer with the highest likelihood to buy new machines or services.

3 QUESTION

Cost-efficiently addressing most valuable customer

Who is the most valuable customer at any point in time and how can a company generate order intake with that customer in the most cost-efficient way?
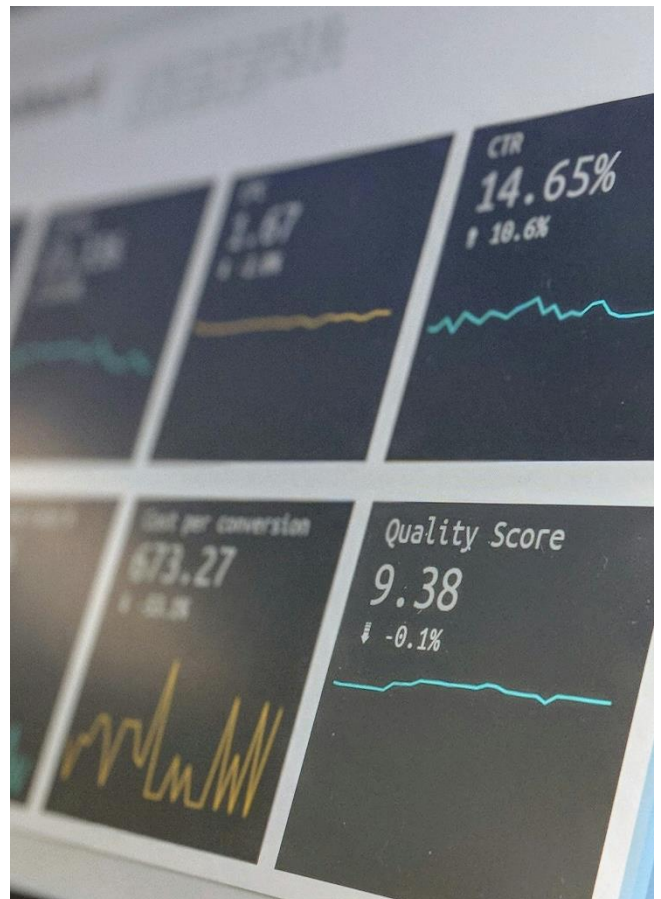
4 ANSWER

Data-driven Customer Value Model

Developing a customer value model allows companies to align sales activities and reduce sales costs by identifying the most valuable customer.

While these factors are beyond the direct control of businesses, most companies can still take action through their sales initiatives to increase new machine sales.
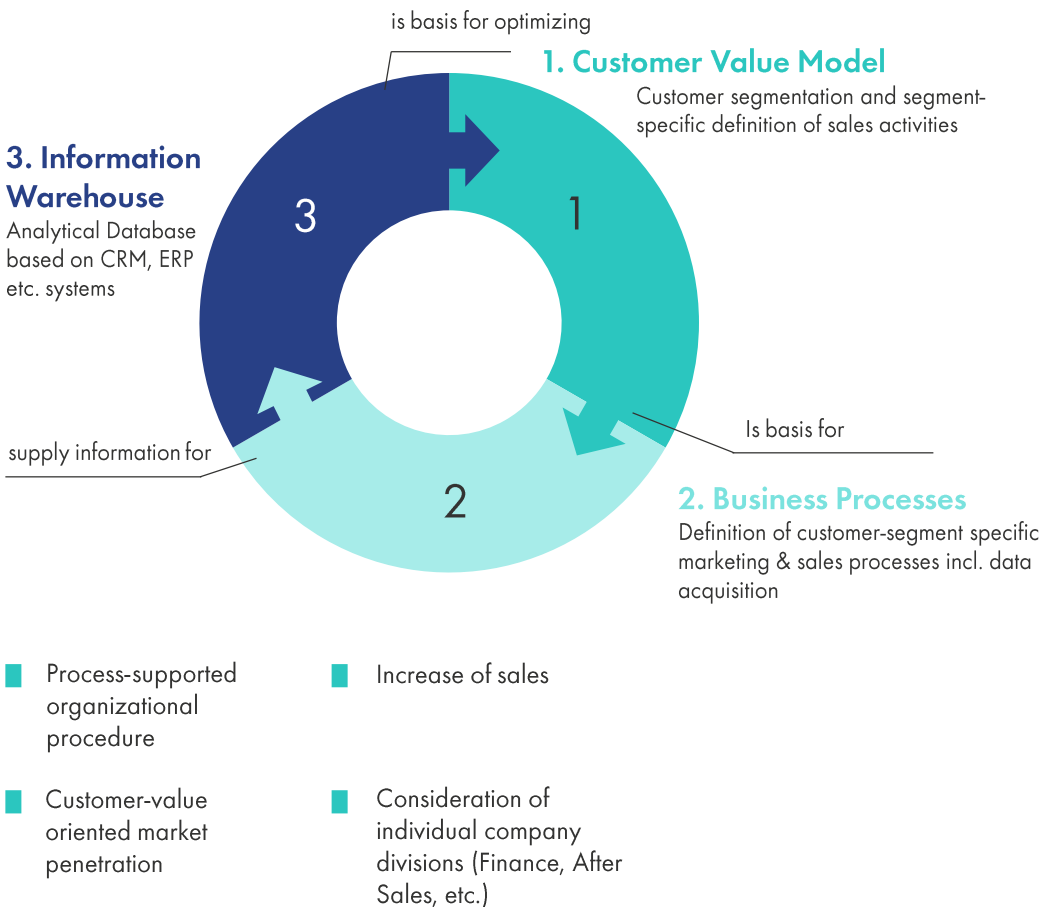
Customer segmentation and segment-specific definition of sales activities

Implementing a customer value model - a tool to streamline sales efforts and cut costs by pinpointing the most valuable customers - means analyzing customer lifetime value, purchase frequency, and profitability. By understanding these metrics, businesses can prioritize sales efforts toward customers with the most long-term value. Not only does the customer value model help tailor marketing strategies and product offerings to meet the needs of valuable customers, but it also boosts satisfaction and encourages repeat purchases and loyalty.

Focusing on the most valuable customers allows companies to optimize resource allocation and sales processes. This might mean reallocating sales personnel, investing in targeted advertising, or offering personalized incentives for repeat business.

In short, developing a customer value model allows companies to make data-driven decisions that boost revenue and profitability while cutting unnecessary expenses. By prioritizing valuable customers, businesses can achieve sustainable growth and a competitive edge in today's fast-paced market.

is basis for optimizing

1. Customer Value Model
Customer segmentation and segment-specific definition of sales activities

3. Information Warehouse
Analytical Database based on CRM, ERP etc. systems

Is basis for

supply information for

2. Business Processes
Definition of customer-segment specific marketing & sales processes incl. data acquisition

- Process-supported organizational procedure
- Increase of sales
- Customer-value oriented market penetration
- Consideration of individual company divisions (Finance, After Sales, etc.)

Three-stage MVP Approach

How can we ensure that our short-term sales prioritize customer value while paving the way for long-term improvement through data-driven strategies? We offer our clients a three-stage MVP approach. This integrated solution combines the customer value model, business processes, and information warehouse to optimize marketing and sales activities continuously. Here are the three phases that comprise the approach:

① 1. Phase: Basic Customer Value Model

- Applicable basic customer value model with defined customer segments
- Elimination of scattergun sales activities in favor of customer segment targeting sales activities
- Utilization of the existing customer data to determine customer value

② 2. Phase: Ideal Customer Value Model

- Establishment of the ideal customer value model
- Marketing and sales processes are consistently aligned with the customer segments
- Functioning data procurement process for continuous improvement of customer segmentation

③ 3. Phase: Best in Class Customer Value Model

- Exploitation of all relevant cus-tomer potential through conti-nuous development of the cus-tomer value model towards best in class
- Expansion of long-term com-petitive advantages by using the continuously acquired data
- Reduction of marketing and sales costs through allocation effects

Three-stage MVP approach for the short-term customer value-oriented alignment of sales activities, while enabling medium and long-term data-based improvement

Our approach empowers organizations to enhance sales activities progressively by prioritizing customer value, aligning processes with customer needs, and maximizing data-driven insights for ongoing improvement and competitiveness.

Strategies for Customer Value Optimization Across IT Ecosystems

Some businesses have almost everything up and running (there Sales, Servicing units put data into CRMs, ERP systems on a daily basis; Data warehouse collects information from some or all sources etc.). But not all business have such a mature IT ecosystem in place.

Whether your business is just starting to build its data infrastructure or has advanced systems, customized approaches are essential to drive compelling customer value optimization efforts.

For Businesses Developing Their Data Foundation

- Data Warehouse Foundation: Construct a robust Data Warehouse built for scale and speed

- Identify and connect data sources to make data flow into the Data Warehouse

- Establish routines that scrub, validate, and standardize data for uniformity

- Build the Customer Value Model (and other analytical tools relevant to the business)

For Organizations with Advanced Infrastructures

- Confirm the Data Warehouse encompasses all essential data points

- Data Alignment: Synchronize new data inputs with existing datasets

- Deploy tools to compute the Customer Value quotient.

> Customer value model needs relevant data accessible to make it work. Therefore, by adopting these tailored strategies and using the full potential of data, businesses can unlock new opportunities for growth and success in today's competitive market landscape.
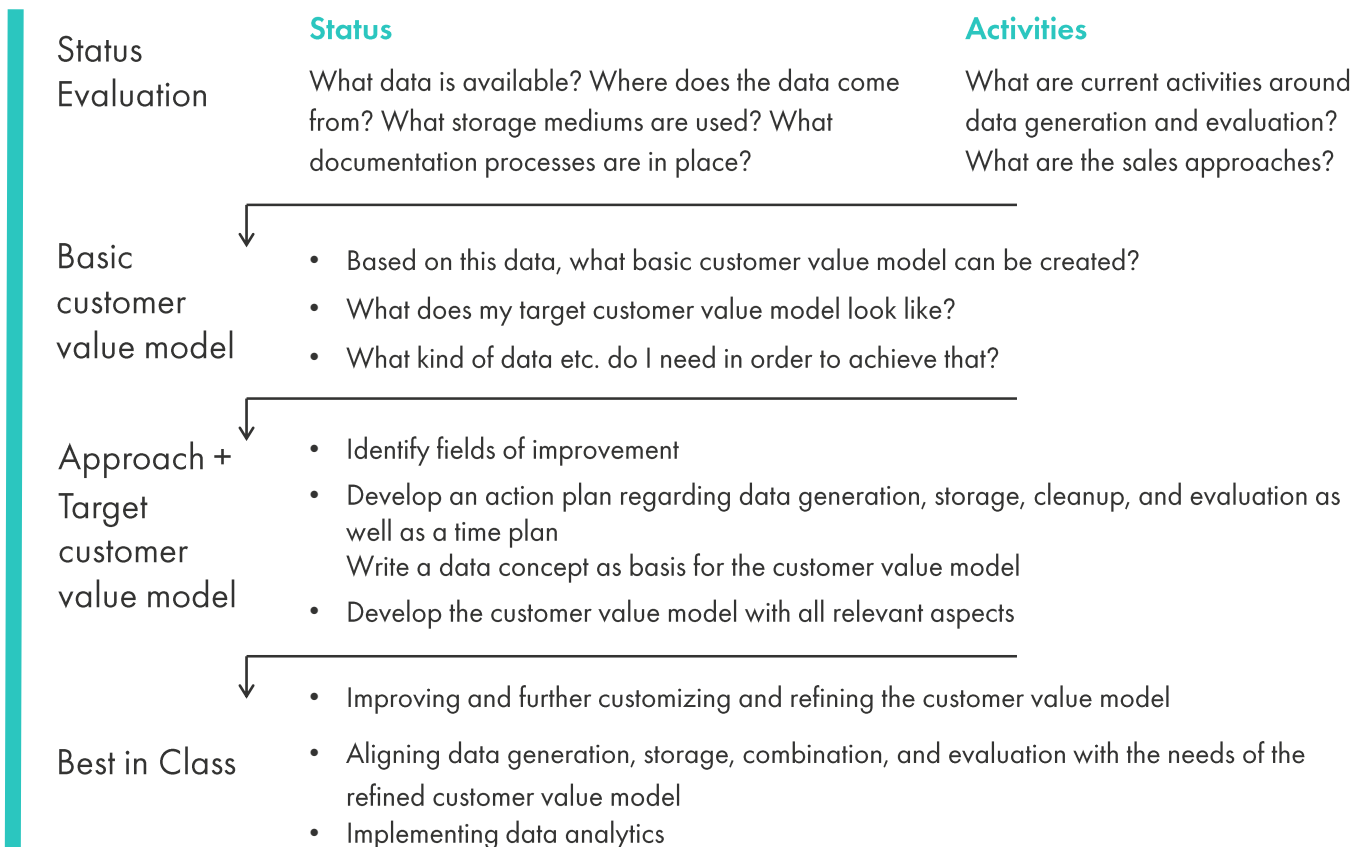
Business Solution

Data acquisition Structured/ Unstructured

- CRM, ERP
- Legacy apps
- Excel and alternatives
- Word docs, PDFs
- Emails
- Socials

Data processing and storage

Data extract

Continuous data extraction mechanism	AI tool to process unstructured data

Data processing

Cleanup data	Reference data to master records
Remove outliers	Match data from different sources

Analytical Data Warehouse

Choose the database according to the business goals	Build the right model (e.g. Clients, Products, Projects, Orders)
Build the Datamarts for Use-cases: Customer LTV, Sales performance, P&L etc.	Consider Security, Scalability, Maintenance

Analytics and Insights

Basic users

Clients value model. Interactive dashboards. Auto-generated reports

Customer segmentation. Sales and service revenue Cost of doing business

Self-service reporting. Customized dashboards

AI/ML based tools. Client retention model Marketing campaigns insights

Main Benefits

Centralized Data Repository
Eliminate data silos by consolidating all information in a single, accessible location.

Foundation for Enhancement
Create a flexible data platform that evolves and improves through each iteration.

Strategic Market Analysis
Discover hidden trends and patterns for competitive advantage.

Immediate Value Realization
Experience the benefits of data warehousing immediately after deployment.

Seamless Operational Integration
Implement data warehousing without disrupting existing data capture and storage processes.

Informed Decision-Making
Utilize customer segmentation to develop customized sales strategies for distinct market segments.

Quick Check of Customer Value Model Creation Readiness

The customer value model reduces the costs for sales generation for new machines and service business. It allows to focus on the most valuable customer at each point in time, reducing the required effort and generating a coordinated approach. The MVP-approach together with low efforts and costs shows fast and convincing results, enabling the company to move forward in their data-driven business generation. Eventually, it might become a door-opener to the comprehensive business analytics to support sales, servicing and other processes.

Status Evaluation

Status

What data is available? Where does the data come from? What storage mediums are used? What documentation processes are in place?

Activities

What are current activities around data generation and evaluation? What are the sales approaches?

Basic customer value model

- Based on this data, what basic customer value model can be created?
- What does my target customer value model look like?
- What kind of data etc. do I need in order to achieve that?

Approach + Target customer value model

- Identify fields of improvement
- Develop an action plan regarding data generation, storage, cleanup, and evaluation as well as a time plan
  Write a data concept as basis for the customer value model
- Develop the customer value model with all relevant aspects

Best in Class

- Improving and further customizing and refining the customer value model
- Aligning data generation, storage, combination, and evaluation with the needs of the refined customer value model
- Implementing data analytics

Summary

As businesses navigate the challenges of declining new machine sales and strive to optimize customer value, it becomes evident that a data-driven approach is essential. By implementing the DataArt three-stage MVP approach for customer value optimization, businesses can streamline their sales activities and achieve sustainable growth. Whether at the early stages of data infrastructure development or with advanced IT ecosystems in place, tailored strategies are crucial to success.

The basis of this data-driven customer value model is customer data. The type of data, the amount, the source, and the like are manifold, depending on the level of digital maturity of the company.

The customer value model reduces the costs for sales generation for new machines and service business. It allows to focus on the most valuable customer at each point in time, reducing the required effort and generating a coordinated approach.

The MVP-approach together with low efforts and costs shows fast and convincing results, enabling the company to move forward in their data-driven business generation.

This whitepaper focused on discovering a proper customer value model for companies in order to increase their order intake. Take the first step towards maximizing customer value and accelerating growth by implementing these proven strategies.

DataArt **ensign**

Contact us today to monetize your customer data and stay one step ahead of the competition.

Book a free initial consultation now

Here we will take a look at your individual situation and give you the opportunity to receive 1:1 expert advice. We will also answer all your questions and give you initial practical tips for implementation.

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