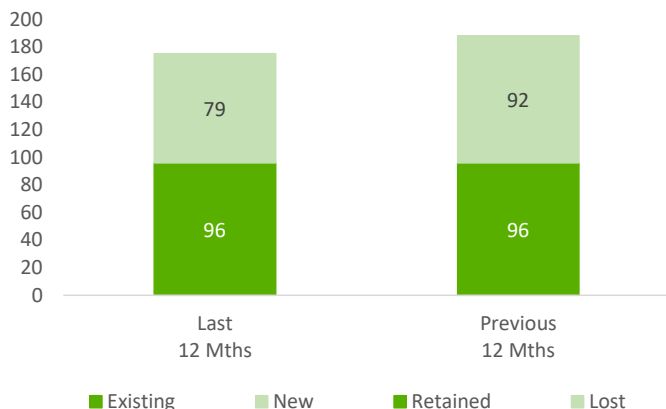


# Customer Exception Report for Demo Company Ltd

This exception report has been produced because we believe the future profitability of Demo Company Ltd is at risk if key customer drivers are not addressed. This report analyses every transaction each of your customers have made over the past 3 years, along with all identifiable advertising and marketing spend. The report is complete to May 2019.

**Recommended Action - Commission an investigation to establish if customer satisfaction adversely impacts your customer loyalty. Improving levels of customer satisfaction and engagement will reduce customer attrition, increase sales per customer and generate more referrals.**

Looking at the rate of new customer acquisition and retention. If your current trends continue, you will experience a decline in your sales, this is likely to impact your profit (EBITDA) and hence the equity value of your business.



### Customer Acquisition

You generated 79 new customers over the last 12 months with revenue of £220.9k. This was -19.4% fewer than the number of new customers generated in the previous 12 months (98, with revenue of £218k).

### Customer Retention

51.1% of your customers over the last 12 months also bought from you in the previous 12 months (96 out of 188). This means that 48.9% of your customers from the previous 12 months did not purchase in the last 12 months. A potential lost revenue value of £224.8k.

### Sales by Customer

Of your top 10 customers (by sales value) this year, 4 are showing a decline year on year with sales reduced by £63.8k (31.8% down). Sales for the rest of your customers decreased by £168.8k, (28.3% down).

To summarise, your total customer base has decreased by (6.9%) (from 188 to 175). Driven by a decrease in new customers acquired (-19.4%) and an increase in the number of customers retained from the previous 12 months (+6.7%). However, the proportion of customers retained has decreased (55.2% to 51.1%).

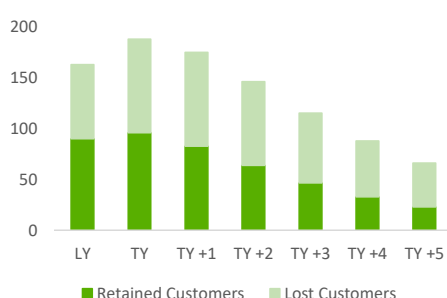
If you had acquired the same number of new customers and retained the same proportion of customers from the previous 12 months as in the prior 12 months, this would have contributed an additional £116.6k to sales and £40.8 in profit.

We have reviewed the current rate at which you are retaining and acquiring customers and have prepared 3 scenarios below:

### Scenario 1 - Do nothing - Your current trend for new customer acquisition and customer retention continue

If your current negative trend of (19.4%) for new customer acquisition continues over the next 5 years, your total new customers acquired will move from 79 this year to 27 in 5 years time. If your existing customer retention trend of (7.5%) continues over the same time period, your anticipated net profit will reduce by £250.8k from £79.9k to (£170.9k).

	LY	TY	TY+1	TY+2	TY+3	TY+4	TY+5
New Customers	98	79	64	51	41	33	27
Existing Customers	90	96	83	64	47	33	23
<b>Total Customers</b>	<b>188</b>	<b>175</b>	<b>146</b>	<b>115</b>	<b>88</b>	<b>66</b>	<b>50</b>
Retained Customers (from LY)	90	96	83	64	47	33	23
Lost Customers (from LY)	73	92	92	82	69	55	43
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k
<b>Total Sales</b>	<b>1,003k</b>	<b>1,001k</b>	<b>837k</b>	<b>659k</b>	<b>503k</b>	<b>379k</b>	<b>285k</b>
Gross Margin £	341k	350k	293k	231k	176k	133k	100k
Gross Margin %	34%	35%	35%	35%	35%	35%	35%
Overheads	(281k)	(271k)	(271k)	(271k)	(271k)	(271k)	(271k)
Profit	60k	80k	22k	(40k)	(94k)	(138k)	(171k)
Profit %	6%	8%	3%	(6%)	(19%)	(36%)	(60%)



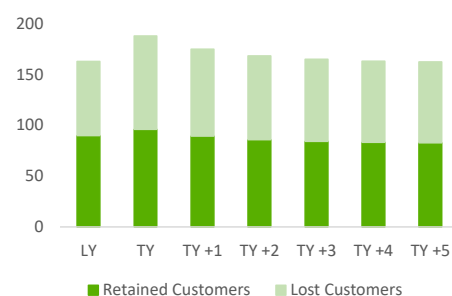
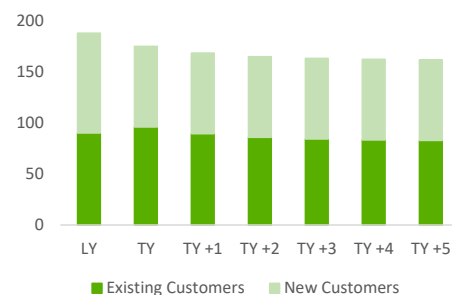
New Customer Growth		(19.4%)	(19.4%)	(19.4%)	(19.4%)	(19.4%)	(19.4%)
Customer Retention	55.2%	51.1%	47.2%	43.7%	40.4%	37.4%	34.5%
Retained Customer Movement		(4.2%)	(3.8%)	(3.6%)	(3.3%)	(3.0%)	(2.8%)

# Customer Exception Report for Demo Company Ltd

## Scenario 2 - Maintain this year's performance - If the new customers and retained customers remain the same in absolute terms

If you continue to acquire the same number of new customers (79) over the next 5 years and your existing customer retention rate of 51.1% continues. Your anticipated net profit will reduce by £26.2k from £79.9k to £53.7k.

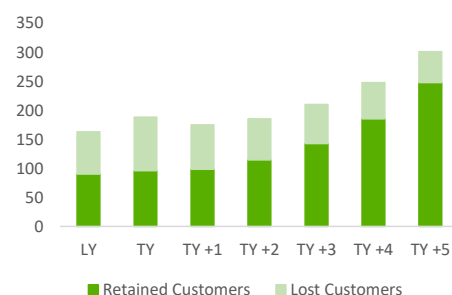
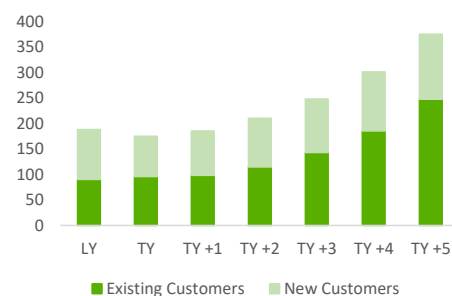
	LY	TY	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	79	79	79	79	79
Existing Customers	90	96	89	86	84	83	83
<b>Total Customers</b>	<b>188</b>	<b>175</b>	<b>168</b>	<b>165</b>	<b>163</b>	<b>162</b>	<b>162</b>
Retained Customers (from LY)	90	96	89	86	84	83	83
Lost Customers (from LY)	73	92	86	82	81	80	79
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k
<b>Total Sales</b>	<b>1,003k</b>	<b>1,001k</b>	<b>963k</b>	<b>944k</b>	<b>934k</b>	<b>929k</b>	<b>926k</b>
Gross Margin £	341k	350k	337k	330k	327k	325k	324k
Gross Margin %	34%	35%	35%	35%	35%	35%	35%
Overheads	(281k)	(271k)	(271k)	(271k)	(271k)	(271k)	(271k)
Profit	60k	80k	67k	60k	56k	55k	54k
Profit %	6%	8%	7%	6%	6%	6%	6%
New Customer Growth		(19.4%)	0.0%	0.0%	0.0%	0.0%	0.0%
Customer Retention	55.2%	51.1%	51.1%	51.1%	51.1%	51.1%	51.1%
Retained Customer Movement		(4.2%)	0.0%	0.0%	0.0%	0.0%	0.0%



## Scenario 3 - Take steps to improve performance - New customer acquisition and customer retention ratio increase by 10% per annum

If we were to assume an increase in new customer acquisition over the next 5 years of +10% per annum, your total new customers acquired will move from 79 this year to 127 in 5 years time. If we assume an increase in your customer retention rate of +10% over the same time period, your anticipated net profit will increase by £400.1k from £79.9k to £480k.

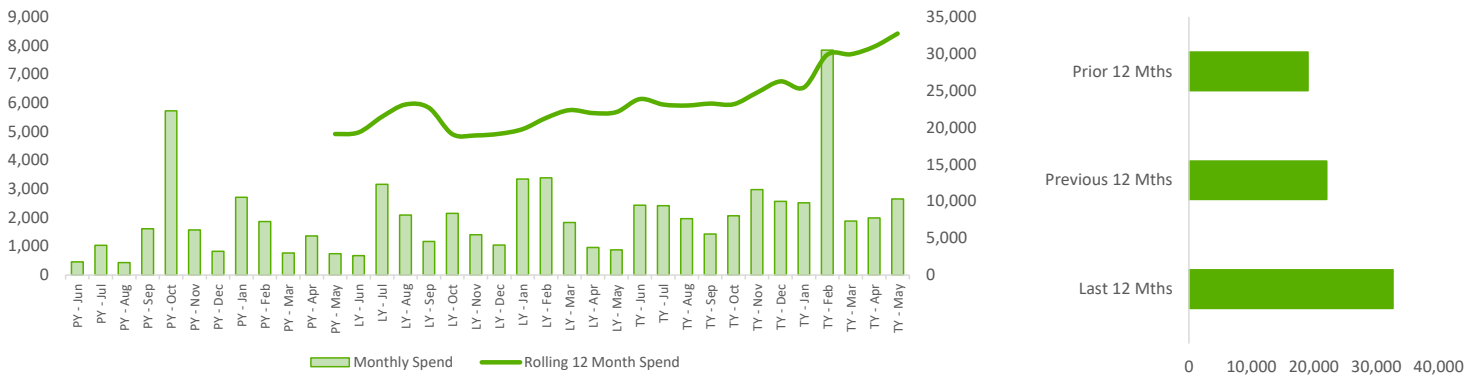
	LY	TY	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	87	96	105	116	127
Existing Customers	90	96	98	114	143	185	248
<b>Total Customers</b>	<b>188</b>	<b>175</b>	<b>185</b>	<b>210</b>	<b>248</b>	<b>301</b>	<b>375</b>
Retained Customers (from LY)	90	96	98	114	143	185	248
Lost Customers (from LY)	73	92	77	71	67	63	53
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k	£0.2k
<b>Total Sales</b>	<b>1,003k</b>	<b>1,001k</b>	<b>1,060k</b>	<b>1,202k</b>	<b>1,418k</b>	<b>1,722k</b>	<b>2,144k</b>
Gross Margin £	341k	350k	371k	421k	496k	603k	751k
Gross Margin %	34%	35%	35%	35%	35%	35%	35%
Overheads	(281k)	(271k)	(271k)	(271k)	(271k)	(271k)	(271k)
Profit	60k	80k	100k	150k	226k	332k	480k
Profit %	6%	8%	9%	12%	16%	19%	22%
New Customer Growth		(19.4%)	10.0%	10.0%	10.0%	10.0%	10.0%
Customer Retention	55.2%	51.1%	56.2%	61.8%	68.0%	74.8%	82.2%
Retained Customer Movement		51.1%	5.1%	5.6%	6.2%	6.8%	7.5%



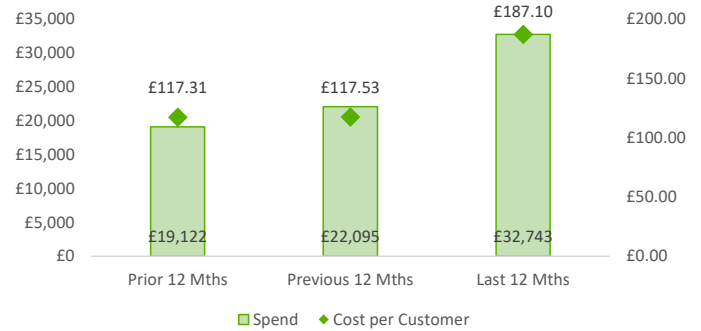
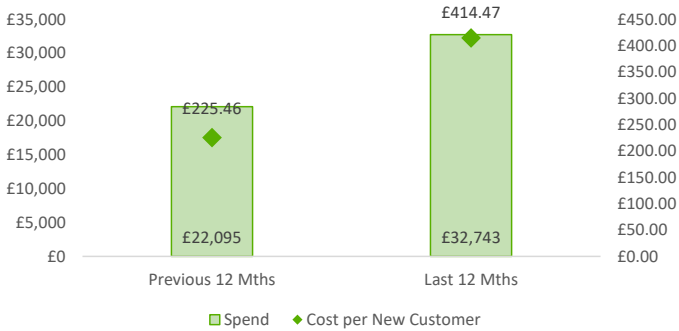
# Customer Exception Report for Demo Company Ltd

## New Customer Acquisition - Marketing Effectiveness

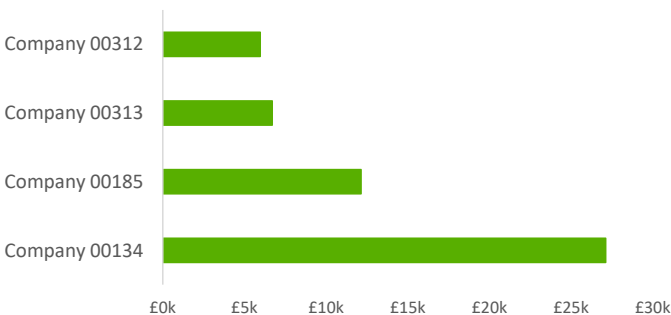
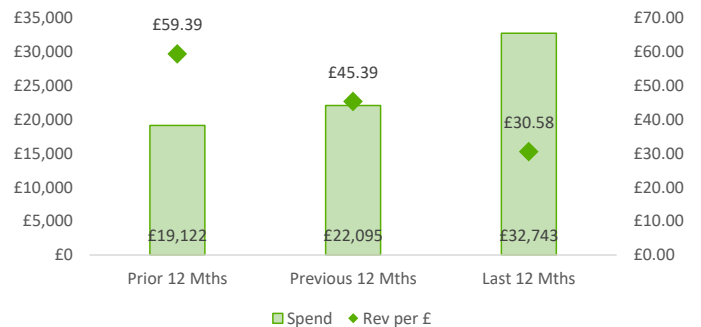
Spend on marketing related activity in the last 12 months totalled £32.7k, which was an increase of +48.2% or +£10.6k on the previous 12 months total of £22.1k. This in turn was an increase of +15.5% or +£3k on the total of the prior 12 months.



When comparing the total amount spent on marketing related activity over the last 12 months to the total number of new customers acquired, there is a cost per new customer of £414.47. This represents an increase of +£189.01 on the previous year. When comparing this spend to the total number of customers serviced, there is a cost per customer of £187.1. This represents an increase of +£69.58 on the previous 12 months, which in turn was an increase of +£0.21 on the prior 12 months.



When comparing the total spend on marketing related activity to the sales generated, the business generates £30.6 of revenue for every £1 spent. This represents a decrease from £45.4 in the previous 12 months, which in turn was a decrease from £59.4 in the prior 12 months. Return on investment (new customers only) is £6.7 of revenue for every £1 spent. This is a decrease when compared to the previous 12 months return of £9.9.

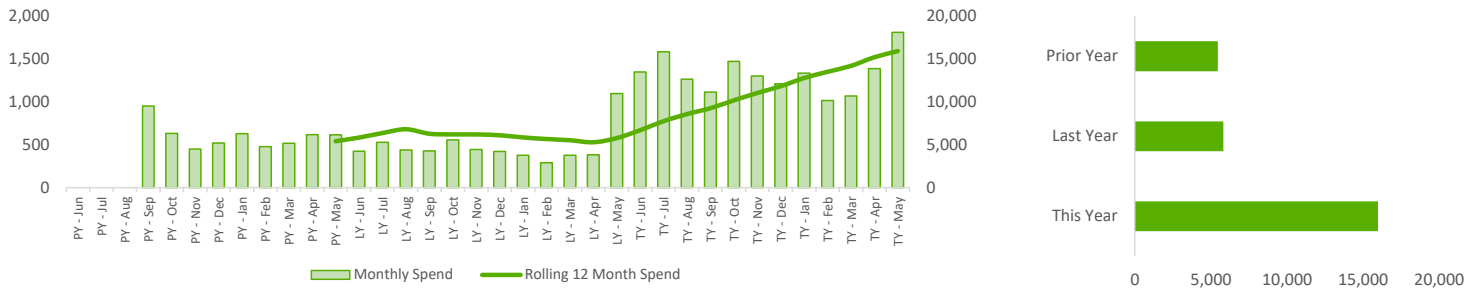


A total of £74k has been spent on marketing related activity over the past 3 years. The supplier that the business has spent the most with (£27.1k) was Company 00134, accounting for 36.7% of overall spend over the past 3 years.

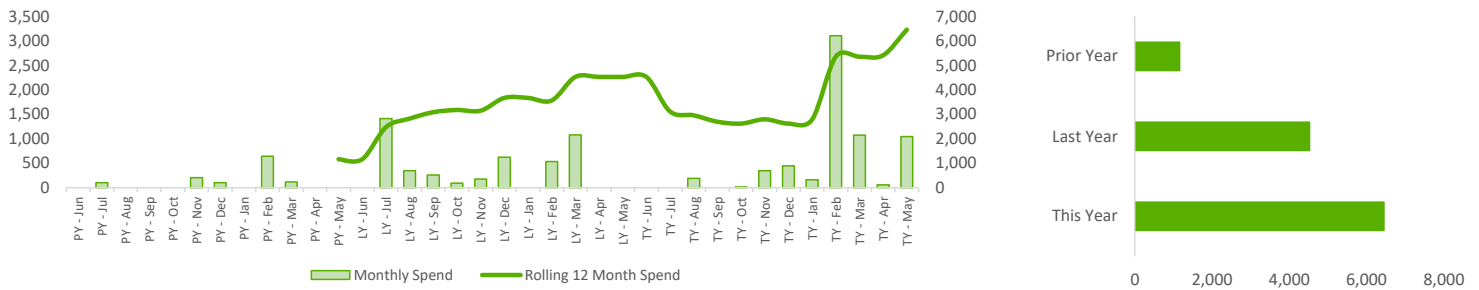
# Customer Exception Report for Demo Company Ltd

## New Customer Acquisition - Marketing Effectiveness

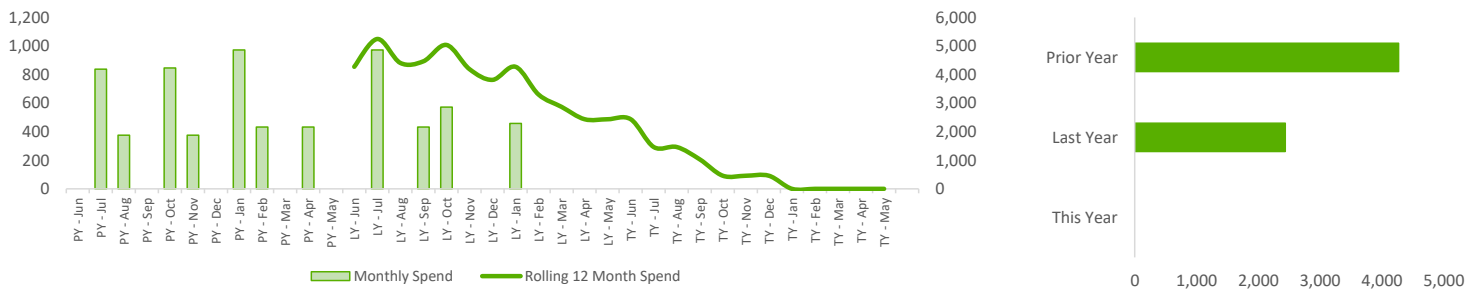
Spend on marketing related activity with Company 00134 over the past 12 months totalled £15.9k, which was an increase of +175.8% or +£10.2k on the previous 12 months of £5.8k. Which in turn was an increase of +6.6% or +£0.4k on the prior 12 months total of £5.4k.



Spend on marketing related activity with Company 00185 over the past 12 months totalled £6.5k, which was an increase of +42.7% or +£1.9k on the previous 12 months of £4.5k. Which in turn was an increase of +288.2% or +£3.4k on the prior 12 months total of £1.2k.



Spend on marketing related activity with Company 00313 over the past 12 months totalled £0k, which was a decrease of (100%) or (£2.4k) on the previous 12 months of £2.4k. Which in turn was a decrease of (43%) or (£1.8k) on the prior 12 months total of £4.3k.



Spend on marketing related activity with Company 00312 over the past 12 months totalled £1.3k, which was a decrease of (36.3%) or (£0.7k) on the previous 12 months of £2k. Which in turn was a decrease of (27.7%) or (£0.8k) on the prior 12 months total of £2.7k.

