

Introducing MyBase

Maximize the value of
your customer base



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KUCHER
Unlocking better growth

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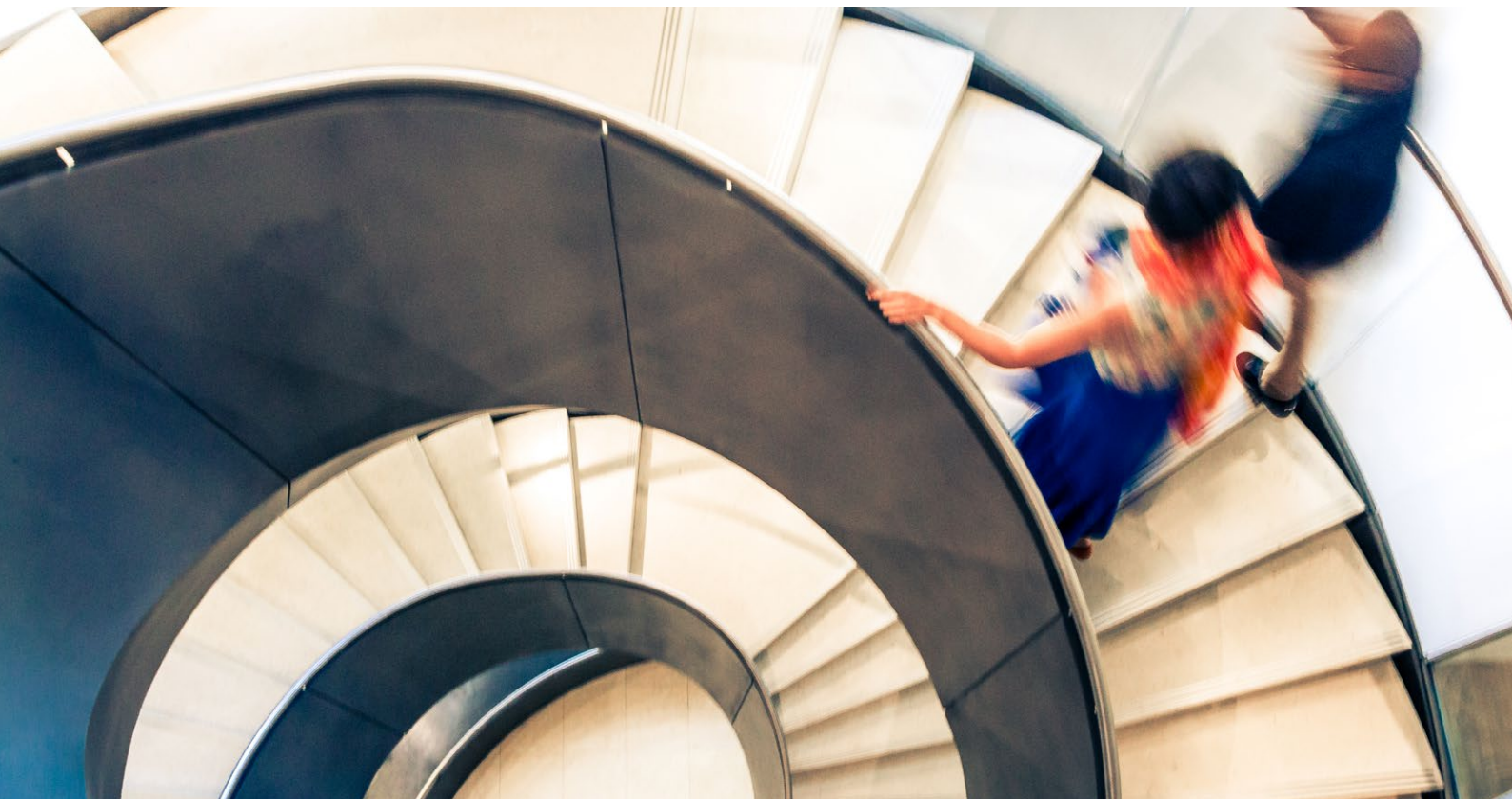
The increasing importance of customer base management

Many business leaders intuitively understand that their customers are among their company's biggest assets. Yet most lack a well informed answer to the question: Am I realizing the best possible value from my customer base? In an environment of fast changing customer needs and new digital threats, the value of your existing customers is more important than ever.

As we have witnessed during the ongoing COVID-19 global pandemic, companies have to manage radical shifts in demand, buying patterns, cost to serve, and perceived value across sectors and value chains, which in turn lead to spikes in prices for almost all commodities, products, and services.

Challenge

It has never been harder for companies to acquire and retain customers. Emerging competition and accelerating technology have dramatically lowered switching costs. Especially companies within the TMT sector, relying on new technologies or subscription based products, face specific challenges in this regard. With an overall decrease in product differentiation and weaker barriers for newcomers to enter the market, incumbents find themselves with



demanding customers who want personalized approaches better suited to their needs. Many top-tier companies have already responded by shifting away from a transaction-based strategy toward one based on relationship building and loyalty.

What happens to companies who fail to address this trend? They will inevitably face increasing acquisition costs, decreasing customer lifetime value, and thinner margins.

Opportunity

Growth through acquisition is costly. Companies that focus on adding new customers, while neglecting development of their existing customers base, fail to take advantage of the new market reality.

Based on our extensive project experience:

- On average, retaining customers is **five times cheaper** than winning new customers
- Compared to new customers, existing customers are **50 percent more likely to try new offers**
- Across the board, existing customers are generally responsible for **90 percent or more of companies' profits**

As these figures demonstrate, harnessing the power of an existing customer base is a huge opportunity for most businesses. A systematic approach, built on a foundation of flexible and differentiated pricing, has been shown to radically improve a company's ability to outperform in the long run. It can be further accelerated by digitalization initiatives that drive demand for one-stop shopping solutions and enable personalized customer offerings scalably. In addition to digitalization, another growth lever is price increases, which create a window of opportunity for companies to offer flexible and differentiated price points to potential customers.

With a market shift increasingly evident, businesses have a unique opportunity to strike quickly and capture the value through effective customer base management.

Simon-Kucher conducted a comprehensive churn profiling project and reduced our churn by more than 80% in our B2C business

CMO of a telecommunication company

How effective is your current customer base management?

To find out if there is potential to optimize your company's customer base management, let's answer the following questions:

	Yes	No
Data infrastructure		
1. Do you systematically collect demographical (e.g., age, location, acquisition channel, etc.) and historical behavioral data (e.g., usage patterns, product changes, customer interaction data, etc.) on customer level?	<input type="checkbox"/>	<input type="checkbox"/>
2. Do you predict the value of your customers during acquisition including a retention forecast?	<input type="checkbox"/>	<input type="checkbox"/>
Customer segmentation		
3. Are you segmenting your customers based on behavioral profiles including churn risk?	<input type="checkbox"/>	<input type="checkbox"/>
4. Do you calculate the individual customer value and segment the customers accordingly?	<input type="checkbox"/>	<input type="checkbox"/>
Churn prevention		
5. Has your company identified customer churn triggers and applied effective prevention measures?	<input type="checkbox"/>	<input type="checkbox"/>
6. Does your organization actively apply measures and strategies to lower the risk of customer churn, and thus increasing net retention?	<input type="checkbox"/>	<input type="checkbox"/>
Sales booster		
7. Have you identified the next best offers for your existent customer base?	<input type="checkbox"/>	<input type="checkbox"/>
8. Are you using your up-/cross-sell opportunities systematically?	<input type="checkbox"/>	<input type="checkbox"/>
Organizational adaption		
9. Does your organization ensure a company-wide involvement and alignment to steer the customer journey for increasing loyalty?	<input type="checkbox"/>	<input type="checkbox"/>
10. Is your organization set up to harvest the full customer life-time value?	<input type="checkbox"/>	<input type="checkbox"/>

If the answer to one or more of these questions is No, your organization has great potential to increase the overall retention of your customers and harvest the full extent of a customer's life time value.

MyBase: A platform for optimal customer base management

Simon-Kucher's philosophy of customer base management excellence consists of three pillars:



Rich Data Approach – Targeted Use of Big Data and ML/AI Tools



Context-Based Customer Engagement



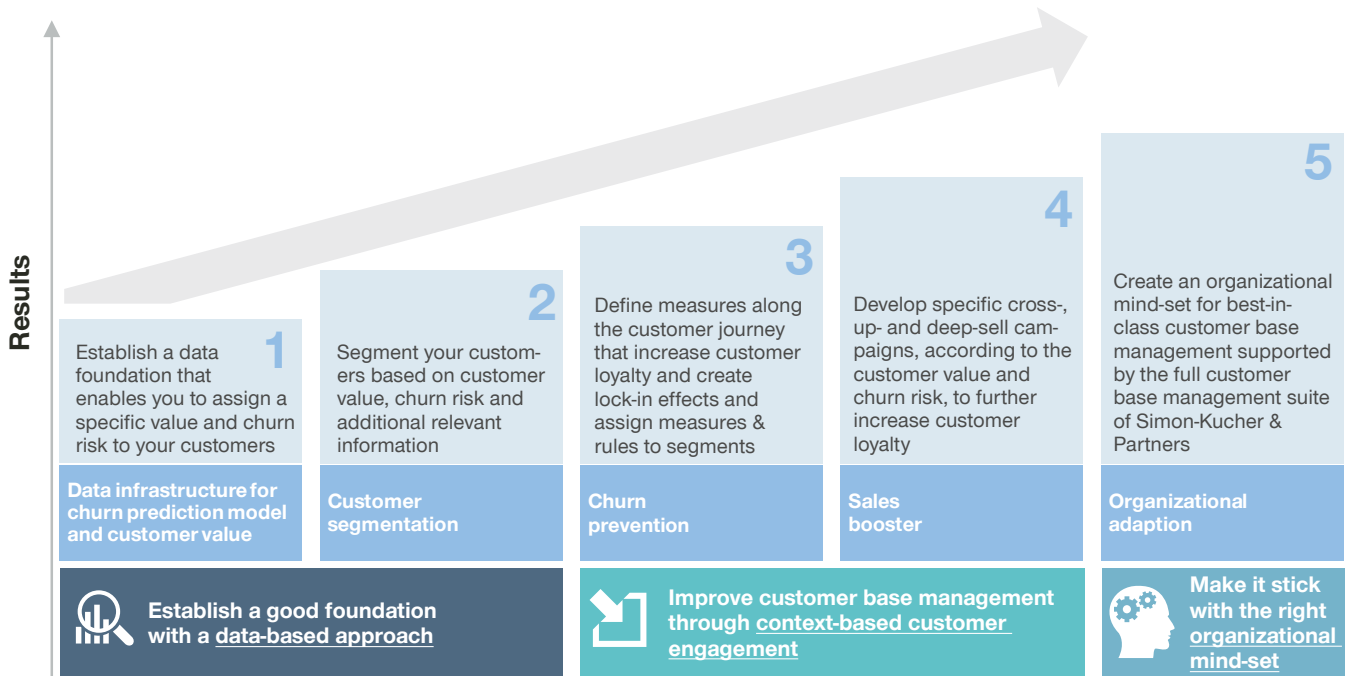
Organizational Mind-Set

Our highly effective modular solution, MyBase, offers companies an end-to-end solution for improving customer base management to significantly increase their net retention and customer loyalty. Net retention measures how successful companies grow with their existing customer base. Companies with positive net retention can compensate lost revenue from churned customers with more revenue from remaining customers through price increase, up-, deep or cross-sell. Companies with negative net retention lose more revenue from churned customers than can be compensated through revenue growth with remaining customers. Many companies struggle with negative net retention. These companies are forced to “bail water” through constant acquisition limiting growth.

Our “MyBase” solution, starting with creating a data foundation to implementing measures across the whole organization, elevates companies' customer base management to a new level, significantly improving their level of net retention and enabling them to stand out from competition.



MyBase consists of five key elements:



1. Data infrastructure:

Identify the triggers for churn and quantify the risk probability

Which customers am I about to lose? How can I identify these? And, most important of all, how can I steer them away from leaving? The answers to those questions are the core element of effective customer base management. Information is key here – that's why you need structured and relevant information about your customers as a foundation. But how can you develop a data resource such as this? MyBase connects and synchronizes existing data sources, validates the contained information, and uses data analytics and machine learning algorithms to generate effective insights.



2. Customer segmentation:

Find out the exact value of your customers – new and old

Every customer is valuable – this, of course, still holds true to some degree. But let's be honest: If one of your most profitable customers moves on to a competitor, it hurts much more than when a smaller customer with less frequent and profitable business does. Therefore, for effective customer base management, you need to find out your customers' lifetime value (CLV) and focus your measures accordingly. CLV then works as a differentiating factor – in combination with other KPIs like churn risk – for your customer segmentation, which must be unique for each client. Each customer is assigned a churn risk, a value, and gets categorized into a specific segment – this can also be in combination with existing segmentation, e.g., high risk young professionals vs. high-risk families. The resulting customer segment then becomes the defining factor for the churn prevention measures we describe in the next step.



3. Churn prevention:

Use measures to reduce churn

How should I approach my recently acquired customers in order to retain them? If you know the answer to this question, you solved one of the main challenges in customer base management. Retaining customers is much cheaper than acquiring new ones – it's therefore vital to design a powerful customer retention strategy. By knowing customers' lifetime value and their churn probability, as well as churn triggers along the customer journey (why am I losing customers at different stages of customer lifetime cycle), you can develop active retention measures that create lock-in effects for each of your most valuable customers. Churn triggers will show you which measures to implement, while the segmentation based on customers' lifetime value and churn probability will show you which customers to target with these measures.



4. Sales booster:

Reveal new opportunities to cross-, up- and deep-sell

Decreasing churn and increasing customer retention are, however, not the only important elements of effective customer base management. Low customer turnover is also strongly influenced by customer loyalty and future up-, cross-, and deep-sell opportunities. Every additional product or service a customer uses decreases the likelihood of churn. Therefore, cross-/up-/deep-selling needs a structured approach. Moreover, identifying the most attractive customers helps companies to steer their sales team and marketing efforts most effectively. This way, the goal of winning users with high CLV and loyalty can be achieved more easily. In other words, a proper customer base management is directly linked to automated performance marketing, as it enables the marketing teams to efficiently target the right customers based on quantifiable customer segmentation.



5. Organizational adoption:

Align organization and processes to fully unlock your customers' lifetime value

Customer retention, churn, cross-, up-, and deep-selling: Effective customer base management rests on many pillars. At the same time, even the best strategies and solutions in the areas mentioned above will not reap their full potential if your company's internal definitions, processes, and systems are not aligned. Firstly, buy-in of the key stakeholders is paramount to ensure success. This guarantees that they are willing to participate in the journey towards customer base management excellence. In addition, it is essential to create a company-wide mind-set change regarding sales orientation. Only with that as a given, can sharing of, and collaboration on customer data across departments be realized in order to improve service quality to customers. And while the buy-in of the most important stakeholders (management, board, team-leads) is important, it is the involvement of the employees responsible for the operations in the journey that this stage is highly dependent on. By ensuring a company-wide alignment with the new customer base management strategy, we help our clients to develop an improved marketing approach: relationship marketing.



Success cases

What do these strategic approaches look like in practice?
We have implemented MyBase in several industries and
want to share what works best:

Success case from the internet sector:



Challenge:

A leading digital B2B media platform in Western Europe was struggling with customer base management. Our client lost over one-third of its customer base, which could not be compensated by newly acquired customers. Many customers left during the onboarding phase and within the first year of the customer relationship – but a lot of “older” clients also churned. As a result, a churn reduction program on the basis of a predictive churn model was needed.



Approach:

So, initially we developed a three step approach to design and implement an effective predictive churn model:

- **Step 1:** Development of a database with optimal variables for churn modelling based on in depth analysis of churn drivers for onboarding, first year churners and elder churners.
- **Step 2:** Variables with high churn prediction accuracy were selected and the statistical model that best predicts churn with the help of machine learning was identified.
- **Step 3:** A risk score (0-1) from the model was assigned to each client ID and a warning system combined with appropriate churn reduction measures to reduce churn was created.



Result:

The positive outcomes were noticeable in a variety of areas:

- As main churn drivers were identified, a database with optimal variables for modeling was developed
- A highly accurate churn prediction model was developed with a model accuracy of over 90 percent
- A risk score was assigned for each client's ID
- A customer segmentation based on churn risk and value was developed to prioritize customers
- A warning system was developed
- A toolbox with rapid response measures to engage high risk customers was designed



Impact

The implemented churn prediction model combined with appropriate churn reduction measures significantly reduced overall churn. For instance, in the segment of first year customers the churn rate decreased by over 4 ppt.

Success case from the media sector:



Challenge:

A regional German newspaper faced high churn rates for their digital subscriptions. A new department for retention management was created to increase the loyalty of their digital subscription base. A holistic approach for retention management ranging from setting up the right data base to defining the right organizational set-up was needed which should be developed pragmatically.



Approach:

The retention management approach for this new department was developed in a set of workshops that were prepared, moderated and summarized by our MyBase experts:

- **Workshop 1 “Setting the scene”:** Assessment of current retention management approach incl. identification of strengths, weaknesses and improvement potentials
- **Workshop 2 “Creating the future”:** Definition of future retention management approach incl. retention targets, strategy, data infrastructure, customer segmentation, retention measures and organizational set-up
- **Workshop 3 “Preparing the future”:** Development of implementation plan incl. tasks, milestones, deadlines and responsibilities



Result:

The workshop sessions were highly effective and generated the following solutions:

- Future retention targets and high-level retention strategy defined
- Data basis for churn prediction model described
- Potential churn drivers identified, assessed and selected
- Pragmatic churn prediction model approach set-up
- Customer segmentation approach for retention management developed based on duration of customer relation, product type and churn risk
- Retention management measures along the customer life-cycle (I join, I use, I pay, I leave) defined
- Retention management process incl. future KPIs and meeting schedule defined
- Implementation plan developed



Impact

The implemented solutions are expected to reduce the overall churn rate for digital subscription by 1-2 ppt. until more advanced analytics are available

Success case from the telco sector:



Challenge:

One of our clients from the telecommunication industry had difficulties to reduce their customer turnover. This is usually heavily influenced by customer loyalty and future up-, cross-, and deep-sell opportunities. However, their sales operations didn't succeed in creating many up- or cross-selling opportunities, since customer needs weren't visible to them at a glance and offers often took too long to stay attractive. An improved process was therefore highly needed that combined all key features to improve sales efficiency.



Approach:

Initially, we derived stereotype customer journeys and internally aligned suitable sales stories to support the sales team in facilitating more up-/cross-selling. Together with our client, we established a clear customer engagement strategy and action plan based on transparent contact rules for each customer segment. We also used them as guiding principles for customer engagement, which can be translated into specific proactive and reactive activities for each customer.

With the help of a tailor-made solution that improves cross-/up-/deep-selling capabilities, we enabled more efficiency in targeting relevant customer segments. Our approach provided our client with a sales opportunity score that identified low risk customers with a high chance to farm and up-sell. All these insights were displayed in an organized dashboard. In addition, we provided the sales team with a digital sales support solution that intuitively led our client's sales managers through the process and helped to increase conversion, up-/cross-sell of services. All this is based on real-time data science!



Result:

With these measures, we were able to identify high velocity accounts with a high potential for cross-/up-selling. Our client received clearly defined digital selling and up-selling paths, considering principles from behavioral economics.



Impact:

Using these measures, the company increased their customer conversion rate and doubled the number of services ordered. Offer time and escalation processes were reduced by more than 60 percent. Our client's win rate grew by more than 15 percent and it achieved a double-digit revenue improvement.

Success case from the energy sector:



Challenge:

An energy client in Europe sought to stop its increasing churn rates, driven by an undifferentiated sales and retention approach. To improve the situation, we implemented a holistic customer base management system including GDPR compliant data storage and usage. Moreover, we have taken the very basic customer segmentation and pricing approach to a new level.



Approach:

To overcome this challenge, we implemented an extensive ETL (extract, transform, load) process, several predictive churn models, and an interactive dashboard. We used a three step approach to develop a CLV (customer lifetime value), a predictive churn, and a customer segmentation model:

- **Step 1:** Creation of a database of variables with relatively high explanatory power for churn modeling and price acceptance. This was then used to analyze where in the pricing timeline the customers were most likely to churn (around ten weeks after renewal).
- **Step 2:** Application of machine learning models to understand the customers price elasticity curves, which was then used to build price acceptance models.
- **Step 3:** Incorporation of all the components in an interactive dashboard, which enabled the pricing manager to adjust models and product prices while at the same being able to see the effects of pricing decisions on a portfolio level.



Result:

The results were visible in several aspects of the business. Firstly, the pricing manager was now given much stronger tools to control the pricing process; by enabling a more granular product pricing, by speeding up the process of setting prices, and by gaining a deeper understanding of customer price elasticity. Most importantly perhaps – by using the dashboard in steering committees – the management could see and understand how pricing decisions would impact portfolio margin over the next years.

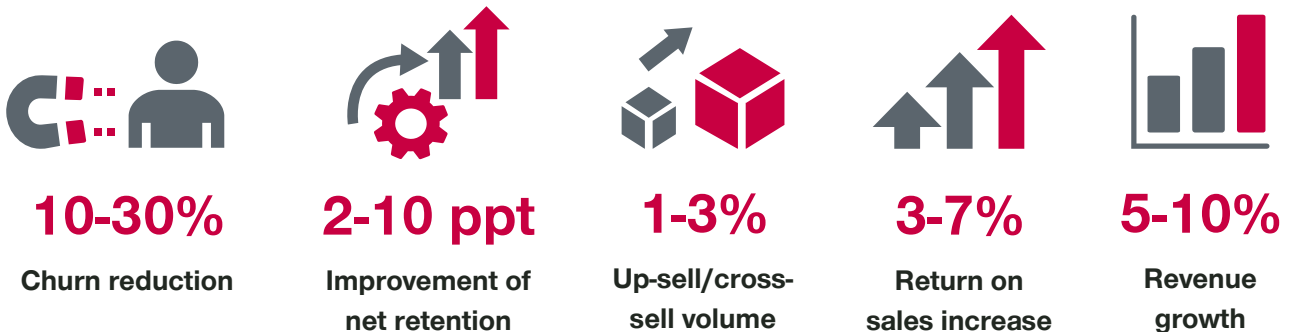


Impact:

The implemented solutions were highly effective: The churn rate decreased by more than 10 percent and the client reported a margin increase in excess of 10 million Euros within the first year of implementation.

How you can benefit from effective customer base management

Developing an effective customer base management strategy will significantly benefit your organization. Due to its direct effect on customers, you can expect direct impact and tangible results such as reduction of customer churn, increase net retention improvement in up- and cross-sell volumes as well as increase in return on sales. We have already achieved impressive results for our clients across various industries:



Improvements are evident across all measures. On average, we have managed to decrease customer churn rate by 10 to 30 percent. Similarly, the net retention rate could be improved by 2-10 ppt. Up-sell and cross-sell volume have improved significantly, in many cases by 3 percent. Overall, the MyBase measures led to an increase of return on sales of three to seven percent and a revenue growth between five and 10 percent.

MyBase – our unique formula

Each of our client's situation is unique and so is our approach. We do not have a one-size fits all solution, instead we apply our state-of-the art customer base management toolset MyBase to each situation. Our approach can range from pragmatic to highly sophisticated based on the maturity of our client.

But what unifies all our projects is our combination of end-customer, market, and client perspective. First and foremost, your customer's voice is our priority. We combine our understanding of your customer needs and expectations with our deep market knowledge and your individual situation. In other words, we always keep our clients' best interests in mind. This allows us to develop tailored customer base management solutions that you and your customers will love and which will ensure your success in your market.



Testimonials

The effectiveness of MyBase is evident first-hand from our clients who have achieved breakthrough results and currently set the yardstick in their industries:

“ The Simon-Kucher project was fantastic because we were able to bring in thought partners to look at consumer value, helping us identify more unmet needs, as well as how the market’s changing, how we view ourselves, and what our current customers want more from us. It was a great project to be able to identify pockets of opportunity, and how to shape brand role in culture and in the industry.

VP, Consumer Marketing and Brand of a biotech company

“ Simon-Kucher helped us to increase our revenue by 45 million Euros the first year and decrease the time to market by 45 percent. What’s more, with their support, the company was able to double the conversion rate.

CEO of a telecommunication company

“ Simon-Kucher implemented new customer base management solution that was highly effective as our churn rate improved by more than 10%, cross-sell volume increased by more £700k and quick-win impact surpassed £500k.

CEO of an energy company

Trusted advisor across all industries



Telco:

- Astro
- Beeline
- British Telecom
- Deutsche Telekom
- Kyivstar
- SES
- Singtel
- Telenor
- Telia
- UPC
- Vodafone
- ...



Media:

- Axel Springer
- Bauer Media Group
- Bonnier
- DAZN
- Dow Jones
- Roblox
- Sky
- Supercell
- The Economist
- Wiley
- ...



Internet:

- AutoScout24
- bol.com
- cars.com
- Etsy
- Jobcloud
- PayPal
- Scout24
- Swiggy
- Uber
- Xing
- ...



Software:

- Dropbox
- Evernote
- Sage
- SAP
- Shopify
- Stripe
- Teamviewer
- VMware
- Workday
- Zendesk
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Energy:

- AGL Energy
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About Simon-Kucher

Simon-Kucher is a global consultancy with more than 2,000 employees in 30 countries.

Our sole focus is on unlocking better growth that drives measurable revenue and profit for our clients. We achieve this by optimizing every lever of their commercial strategy – product, price, innovation, marketing, and sales – based on deep insights into what customers want and value. With 37 years of experience in monetization topics of all kinds, we are regarded as the world's leading pricing and growth specialist.

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