



Lean Focus

Growth | Lean | Leadership

CASE STUDY

Applied Problem-Solving for Customer Churn

CASE STUDY BACKGROUND



Client: An enterprise technology company specializing in analytics for performance and security threat detection

Challenge: Customer renewal rates have been declining over a 5 year period to an average of 80%, moving away from a peer benchmark of 90%, causing a Revenue Gap in the Existing Customer category

The Approach:

- ▶ Applied Problem-Solving System Training for the Executive Leadership, Sales, and Marketing functions
- ▶ Trained the team on Problem-Solving methodology, applying to the real problem
- ▶ Deep dive into data on-site with the LF consultant to identify root cause(s)

PROBLEM SOLVING – SIMPLIFIED!

**WHERE DO YOU
NEED OR WANT
TO GO?**



1

**WHAT'S
HAPPENING?**



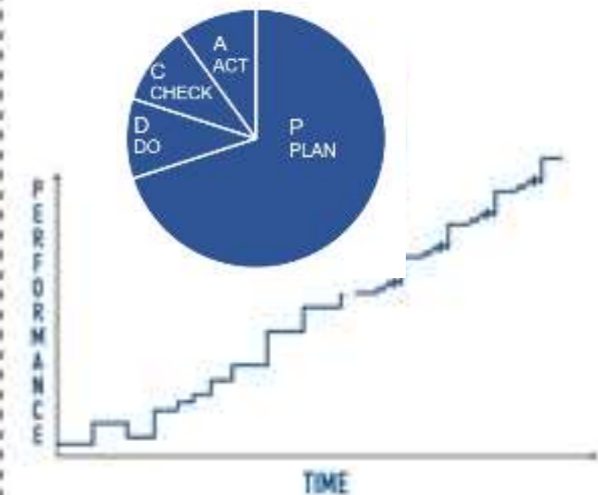
2

**SET A
STANDARD**



3

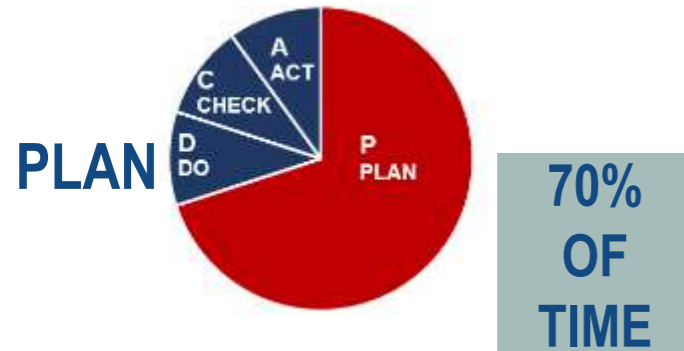
**PDCA TOWARDS
THE STANDARD**



4

PROBLEM-SOLVING METHODOLOGY

PLAN - DO - CHECK - ACT (PDCA)



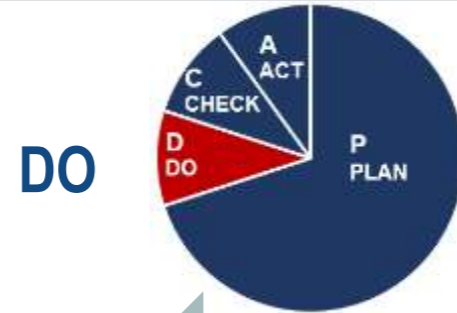
PROBLEM DEFINITION & ROOT CAUSE(S)



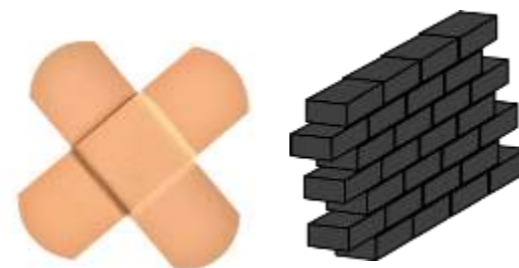
SYMPTOMS
PROBLEM (G.A.P.S.)
CAUSES
BURNING PLATFORM



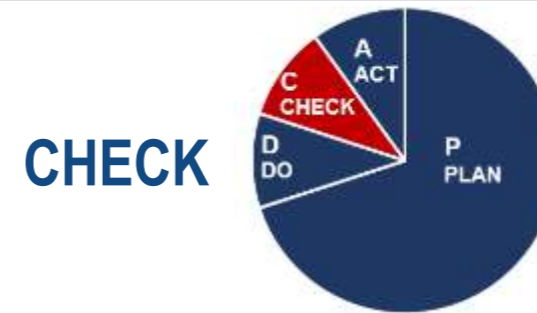
ROOT CAUSE(S)



TRY-STORM COUNTERMEASURES



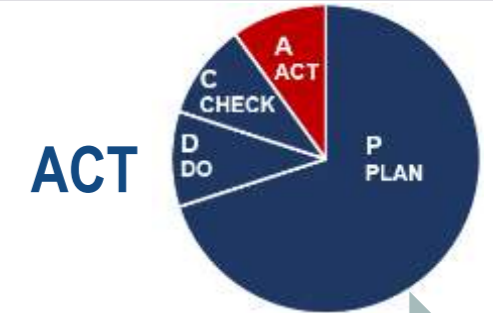
TEMPORARY & PERMANENT COUNTERMEASURES



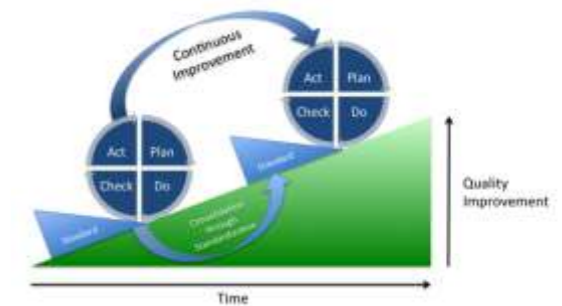
5 CRITICAL ELEMENTS



S	Q	D	I	P



CHECK FOR SUSTAINMENT



FIX IT NOW CULTURE



CONTINUOUS IMPROVEMENT MINDSET



CASE STUDY: KEY ROOT CAUSES TO PROBLEM



On-Boarding Process & Champion

There was not a documented process in place to on-board customers to drive early adoption & ensure a champion was in place to drive sustainment over time



Account Management Post-Sale

Following the Sales team closure of a Customer Sale, the hand-off was not clear on how the account would continue to be nurtured throughout its lifetime/contract to prepare for renewal



Nurturing throughout the Life Cycle

The Company-Customer touchpoints were not monitored to identify at what point in the multi-year contract the Customer would disengage, contributing to renewal losses. Further data was needed to assess and improve the process



**Applied Problem-Solving helped the team identify
“Where” to go look for clues to identify Countermeasures**

CASE STUDY RESULTS



Results: The Client set a target for 90% Customer Renewal with a clear action plan in place to close the gap from a jump off point of 80%

Key Findings: Additional studies of the internal data identified gaps in how Customer's were being tracked throughout the Contract life cycle and a clear gap between the Sales Team and Marketing team communication in nurturing activities to drive renewals

Next Steps:

- ▶ Further training on Problem-Solving System throughout the Organization
- ▶ Value Stream Mapping event to build a Future State Customer On-Boarding & Nurturing Process
- ▶ Talent Search for a Continuous Improvement Leader to drive performance results over the long-term



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CASE STUDY

Identifying Gaps and Countermeasuring for
Customer Churn

CASE STUDY BACKGROUND



Client: A \$120M Service Business Unit within a global Retail Fueling & Payment System Company. SAAS offerings built upon hardware products which collect data & allow remote monitoring, diagnostic, and management.

Challenge: Only 70% of customers renewed Software Service contracts after the warranty period.

The Approach:

- ▶ Applied Problem-Solving techniques to identify gaps in the renewals
- ▶ Developed customer segmentation analysis to identify opportunities
- ▶ Reviewed product portfolio to address gaps in offerings relative to competition

ASSESSING CURRENT COMMERCIAL PROCESSES



New Products

- VOC – how are new products driven?
- Portfolio management – how are new products planned and old products discontinued?
- New product launch -How are new products launched?
- Strategic positioning and pricing



Building Demand and Brand

- Segmentation – what are unique pain points and attributes for customer segments?
- Brand positioning and value propositions – How does client create sustainable competitive advantage in each segment to win share?
- Demand and lead generation – How does client effectively use campaigns to reach and close more customers?



Delivering Sales

- Value selling
- Territory planning and management
- Sales funnel – core vs. new
- Channel structure and management

Focus on what's working; what's not. Build on what's working; prioritize what's not for process improvement.

CASE STUDY: COUNTERMEASURES APPLIED



Pricing Structure Incentives

Applied a countermeasure of pricing incentive structure for multi-year agreements to drive longer term retention with corresponding discount levels



Bringing on Nurturers

Employed a third party Inside Sales company to drive additional touchpoint support and nurturing activities to improve the renewal rate



Product Portfolio Improvements

Using feedback and V.O.C. (voice of customer) addressed gaps in the software offering and improvements were made towards upgrades, new features, and tiered options (self-service vs. full-service) to improve retention



Applied Problem-Solving drives meaningful Countermeasures

CASE STUDY RESULTS



Results: The Client improved post-warranty conversion from 70% to 90% and reduced churn rate to about 7% for routine customers

Key Findings:

Management oversight and engagement on a daily and weekly basis are very important, especially to address customer feedback

Next Steps:

- ▶ Build Engagement and Adoption into Daily Management for such a critical factor of the business
- ▶ Manage the entire life cycle of the customer engagement, not just the initial sale through a strong Inside Sales program
- ▶ Apply Value Selling and associated tools to drive top line sales growth



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CASE STUDY

Transactional Process Improvement to drive a
Go-to-Market Approach and
Reduce Cost to Serve

CASE STUDY BACKGROUND



Client: An education-based supplier of products, software, and interior designs.

Challenge: Client wishes to drive Top Line Revenue results by identifying critical across specific customer segments, identifying current resources to reallocate to drive growth and performance (reducing cost to serve)

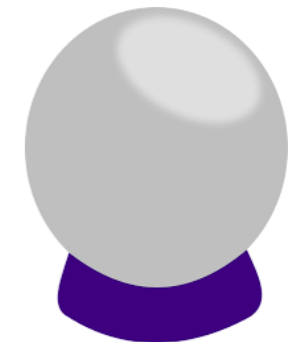
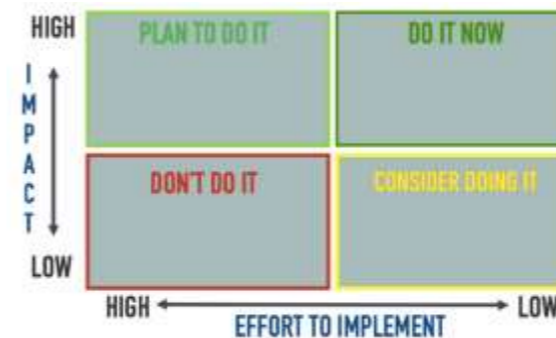
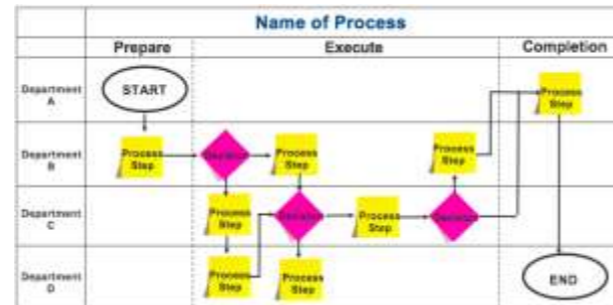
The Approach:

- ▶ Applied Transactional Process Improvement to align the Customer Buying Process to the Key Customer Segments
- ▶ Create Segment-appropriate messaging across all channels

TRANSACTIONAL PROCESS IMPROVEMENT



Once improvement priorities are identified, TPI is one tool Lean Focus uses to help clients build stronger processes and tools



Current State Process Map

Identify Process Breakdowns

Prioritize Improvement Opportunities

Develop Future State Process

- Identify steps and handoffs in today's process

- What's not working in the current process?
- What's working?

- Impact vs. Implementation ease
- Organizational capacity

- Standard work and process tools
- Metrics for process change
- Implementation action plan and review cadence

Lean Focus systematically facilitates client teams in developing processes custom fit to their businesses through TPI. Establishes process ownership and improves "stickiness" and impact. Build the process, implement the process and measure the process – data and metric driven focus

WHAT ARE TRANSACTIONAL AREAS?



REVENUE GENERATION

- Marketing Lead Generation
- Sales Lead Generation
- Inside Sales Lead Generation
- Funnel Management
- Sales Quote Generation
- Order Entry
- Product Development
- Product Launch



SERVICE ORIENTED

- Order Fulfillment
- Invoicing
- Returns/Exchanges
- Warranty & Repair
- Credits
- Accounts Receivable
- Accounts Payable
- Contract Management
- Product Engineering



PEOPLE MANAGEMENT

- Employee Recruitment
- New Hire On-boarding
- Employee Training
- Terminations
- Compliance

EXAMPLES OF HOW TPI CAN APPLY TO DIFFERENT FUNCTIONS



Customer Support	Marketing	Sales
<ul style="list-style-type: none"> • Call abandonment • Call handling time • Returns processing • Complaint handling 	<ul style="list-style-type: none"> • Lead qualification conversion • Marketing campaign ROI • Marketing channel effectiveness • Online Store order processing 	<ul style="list-style-type: none"> • Territory Revenue • Sales Campaign ROI • Sales Funnel Management • Customer retention
Finance	Accounts Receivable	Accounts Payable
<ul style="list-style-type: none"> • Budget Expenditure Variance • Compensation overage • Margin improvement 	<ul style="list-style-type: none"> • DSO • Collection call processing • A/R cycle time 	<ul style="list-style-type: none"> • DPO • 3-way matching process • A/P cycle time
I.T.	R&D	Purchasing
<ul style="list-style-type: none"> • System performance • System capacity • Project performance to plan • Case handling 	<ul style="list-style-type: none"> • Project performance to plan • New product revenue contribution • Project lead/cycle time 	<ul style="list-style-type: none"> • Inventory Turns • Supplier lead time • PO processing • Returns/Exchange process
Human Resources	Training	Distribution
<ul style="list-style-type: none"> • Time to Fill process • On-boarding/Termination processes • Employee Retention • Employee Engagement 	<ul style="list-style-type: none"> • Training attendee capacity • Training effectiveness • New Hire training process • New Leader training process • Continuing education process 	<ul style="list-style-type: none"> • On-Time-Delivery • Backorder process • Receiving process • Picking process time • Product Returns process

CASE STUDY: KEY ROOT CAUSES TO PROBLEM



Assessment of Current State

Using a clear approach to the transactional process with distinct start and end points for each critical customer segment, the Client assessed key touch points to drive the attract to purchase process

Problem recognition

- What are issues Segment 1 is facing?
- Can we communicate competitive advantage and create customer need?



Information search

- What information is customer seeking?
- Which channels are used to acquire information?



Evaluation of alternatives

- Demonstrate how we outperform the competition
- What are key customer decision factors – beyond price?



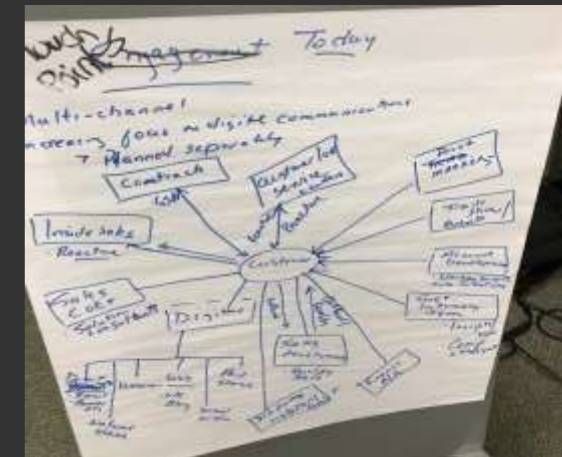
Purchase decision

- What is the decision process – who is involved and timing to decide?



Post-purchase engagement

- What content would increase “stickiness” in customer relationship?
- How to engage with customer?



Client had a multi-channel strategy with disconnected touch points that lack consistent messaging and tactics

**Applied Problem-Solving helped the team identify
“Where” to go look for clues to identify Countermeasures**

CASE STUDY RESULTS



Results: The Client established a future state framework from multi-channel to omni-channel approach

Key Findings:

- A need to drive consistency in messaging of competitive advantage (internal & external)
- Marketing Channels are complementary and action plan should leverage this relationship (print facilitates digital, digital facilitates sales & call centers)
- Sales and Marketing calendars/activities must be aligned to drive increased impact
- Lead generation & qualification are key growth opportunities

Next Steps:

- Build according to the Customer Process mapping to drive interest to purchase across critical customer segments
- Prioritize marketing activities based on impact and ease to execute
- Improve cost to acquire customers through strategic digital touch points as mapped out from alignment pathway