The Customer Profitability Conundrum

Profitability is often not part of Marketing and Operations discussions. Financial information is usually too dated and too high-level to connect directly with the detailed decision context of Marketing and Operations. This is a conundrum, because every manager's chief responsibility is to increase shareholder value, which requires that one understand the profit mechanics of each company-customer transaction – whether a sales order, a call center contact, a web site visit, a repair dispatch, a return, or any one of hundreds of other types of interactions with the customer.

Firms revolve around customers buying, using, returning, complaining, inquiring, or needing service on some product through some channel at some location at some point in time. The corporate P&L is simply a highly summarized effect for which these millions and billions of transactions are the causes. Improving the effect (profits) requires managing the operational causes in the proper (profit-attuned) way. A P&L for each customer transaction can expose operationally-actionable profit opportunities.

Eyeris delivers such a solution for large corporations with disparate operations, products, channels, and systems. We call it EyeProfit.

Solution

EyeProfit traces the impact of each customer-company transaction through every department of the business, links the costs in those departments with the revenue derived from the transaction, and classifies that transaction according to the customer, product, channel, and location that generated it.

EyeProfit allows the myriad of transaction to be summarized along any line – customer, product, channel, time, or any combination. By providing drill-down on profitability from the total company summary to the finest transaction detail, EyeProfit addresses the need for detail and flexibility in a wide variety of Marketing and Operations decision-making processes:

- Cradle-to-grave customer lifetime value
- Geographic service benchmarking and reliability analysis
- Employee productivity and quality
- Value-based resource allocation
- Churn modeling and interdiction
- Bundle economics
- And, many others
- Mechanics

Eyeris' solutions integrate event records from all of production systems of the client company into a single analytic repository in a common business language. For a telecommunications company, that includes data from dozens of sources:

- Billing systems, including every line item from every bill
- Field service systems
- Circuit inventory systems
- Credit and collections lists
- Call center platforms, including ACD, IVR, CTI, and KM
- CDR streams, including softswitch
- Wireless antennae and handsets
- Marketing lists, including 3rd party and campaign management
- Accounting ledgers
- Capital project management systems
- Trouble management and provisioning state/sta-

tus systems
» Hosting/ISP management systems, including traffic monitors
» Vendor invoice EDI
» GIS coordinates for inventory, events, customers, etc.
» And, many others

From these sources, EyeProfit creates three types of information for each customer-product-channel-location-time:

1. Operational Metrics: These are data on the events being managed in each department, as well as the revenues associated with each purchased item. Data are imported directly from billing systems and operations support systems.

2. Accounted Costs: These are expenses that are already tracked by customer, product, and location within the existing accounting and control systems. A good example might be commission expense, which is often tracked to the sales order – which includes customer, product, and delivery location information.

3. Measured Costs: These are expenses that the accounting systems do not track by customer, product, and location, but which are directly a function of an operational metric that is observable at that level of precision. A good example is call center costs (discussed below).

Because of the rich detail of operational data gathered, EyeProfit has unique capability to measure costs that traditionally were treated as corporate overhead allocated costs. For example, take the case of call center costs.

Traditionally, the monthly accounted costs of a call center department would have been allocated to customers and products as general corporate overhead, using revenue or a periodic Taylor time-and-motion study. With EyeProfit, however, these costs are traceable to the specific customer, product, and location served. That is because EyeProfit connects directly to the call center systems (IVR, ACD, and CTI) that track agent activity at the call level – who called, what prompt was activated, etc. EyeProfit simply leverages detailed operational information to assign aggregate call center department expenses to each customer/product/location based upon the actual agent talk time incurred in support of that customer/product/location.

Impact

Clearly, it would be challenging to integrate manu- ally such detailed information from so many sources, even for a single customer or product. By automating these data integration and costing procedures, Eyeris insures that clients get timely analytic information on the entire breadth and depth of the company – without sampling or averaging.

Every customer transaction creates or erodes shareholder value. Eyeris gives you visibility into which and when and how and why, so that you can tune your processes to increase profitability.