

## How well do you know your customers?

*Annata's Customer Analytics gives a 360° view on customer relationships*

Good and sound customer relationships are important for each and every company. Customers are an important drive force of innovation, growth and profitability for a company's operations. Therefore it is important to apply clear yardsticks to customer relations and activities. There is a tendency, though, to overlook the fact that margins gained from product sales tell only part of the story. More is needed to gain insight into the behaviour of customers and their needs. A clear view on aspects such as payments, purchasing orientation and customers' impact on the growth of operations are also very important.

### Analyse multiple margin levels on your customer base

Annata's Customer Analytics enables you to go deeper in analysing true profits generated from customers. Should a customer default on receivables then the company incurs an opportunity cost since it cannot use the cash it otherwise would have received for investment or repayment of loans. And should the customer not pay the resulting penalty costs he is effectively decreasing the company's margin on the customer. Therefore it can be argued that the second level of margin takes into account whether the customer is a prudent payer (or not) of the goods and services rendered. It should also be taken into account if the customer is receiving sales and marketing support. The same would apply for distribution costs. When costs associated with all customer relationship processes have been identified and accounted for, it becomes possible to calculate the true margin of conducting business with customers.

Körfustærð (Tekjur) Column Labels											
Row Labels	Almennar verslanir										Almennar verslanir Total
	10: Verslun A	11: Verslun B	12: Verslun C	13: Verslun D	14: Verslun E	20: Internet	30: Markaður A	31: Markaður B	32: Markaður C		
Janúar	4.264	4.753	5.219	6.416	4.528	4.981	4.322				4.912
Febrúar	5.791	7.002	4.858	7.171	6.628	5.744	5.135				6.108
Mars	5.929	6.078	4.527	7.751	6.108	5.681	5.465				5.852
Apríl	5.830	6.325	4.191	9.011	6.650	6.187	4.803				6.000
Maí	6.045	7.280	4.538	10.232	7.389	6.249	5.221				6.709
Júní	7.840	8.832	5.872	12.231	8.419	7.794	5.006	8.478			8.380
Júlí	9.481	10.057	6.231	12.868	8.302	7.479	8.366	8.093	5.153		8.649
Ágúst	8.728	9.458	5.866	12.538	8.454	8.576	7.664	8.765	3.619		9.084
Septembar	8.085	8.610	5.770	11.841	7.648	5.741	7.378	7.004	3.774		6.767
Október	9.259	10.378	6.409	13.152	9.199	5.295	8.031	6.665			8.987
Nóvember	10.223	12.052	6.951	13.425	9.806	5.388	10.431	8.271			10.135
Desember	9.857	9.977	6.532	11.770	7.293	4.937	6.795	6.805	4.555		8.099
<b>Grand Total</b>	<b>7.864</b>	<b>8.596</b>	<b>5.691</b>	<b>11.552</b>	<b>7.556</b>	<b>6.367</b>	<b>6.597</b>	<b>7.533</b>	<b>4.259</b>		<b>7.667</b>

### Profitability, honouring payment obligations, buying patterns and growth

The key measures to be found in Customer Analytics can be divided into four categories:

#### Profitability

- Net Sales and Cost of Goods Sold
- **Product and Service Margin, Product and Service Margin (%)**
- Net Cost of Capital due to Defaults
- Marketing and Sales Support (from the General Ledger if postings support it)
- Distribution Costs (from the General Ledger if postings support it)
- Other Costs (e.g. costs of invoice processing)
- **Customer Margin, Customer Margin (%)**

#### Purchasing

- Number of products purchased and Sales Value
- Average number of products purchased and number of purchases
- Average invoice amount and number of invoiced issued
- Number of c- invoices issued and cost of processing

#### Payment

- Receivable Balance and Unsettled payments
- Days Sales Outstanding and Receivable Turnover
- Cost of Capital and Capital Revenue due to defaulted receivables
- Net Cost due to defaulted receivables

#### Progress

- New Customers and % New Customers of Total Sales
- Sales due to new customers
- Growth in sales due to existing customers and growth in sales due to new customers
- Average Sales by New Customer & Average Sales by Customer

While measuring profitability and the honouring of payment obligations focuses on the financial gains of the company in the past and present, the analysis of purchasing patterns and growth are more focused on spotting sales opportunities within the existing customer base and laying the foundations for future growth. Analysing the purchasing orientation of customers enables comparison between customers, such as number of products purchased between periods and their sales value. That way the product mix of customers can be easily compared with other customers and also historically to analyse trends.

## **Annata's Customer Analytics – identifying tomorrow's opportunities**

By approaching a customer's activities by comparison with other identical customers it is possible to carve out opportunities for increased sales within the existing customer base. Opportunities are identified by analysing a customer's product mix and compare it to the mix of identical customers. Where there is a deviation in the product mix, a sales opportunity might be identified. By looking at measures such as the number of issued invoices and average sales amount per invoice it becomes possible to gauge whether the customer relationship is saddled with overhead in the form of frequent invoicing for low amounts. It could possibly be more feasible to convince the customer to conduct fewer purchases for higher amounts each time.

It can be intuitive to analyse sales growth between periods and the source of sales growth. Does it come from new customers or existing customers? It's a common belief that it's easier increase sales through the existing customer base than to attract new customers. Should it be the case that new customers are driving sales growth then that would indicate that sales opportunities within the existing customer base are not being exploited.

## **Other analytical applications**

Annata has a comprehensive offering of analytical applications that focus on the important aspects that determine the success of companies. These applications provide powerful tools for performance management appraisal. Along with Customer Analytics the following analytical applications are available:

- Inventory Age Analytics
- Finance Analytics
- Sales Analytics
- Retail Analytics
- Inventory Analytics
- Projects Analytics

Factsheets are available at our website: [www.annata.is](http://www.annata.is)

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## **Contact us for further information:**

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