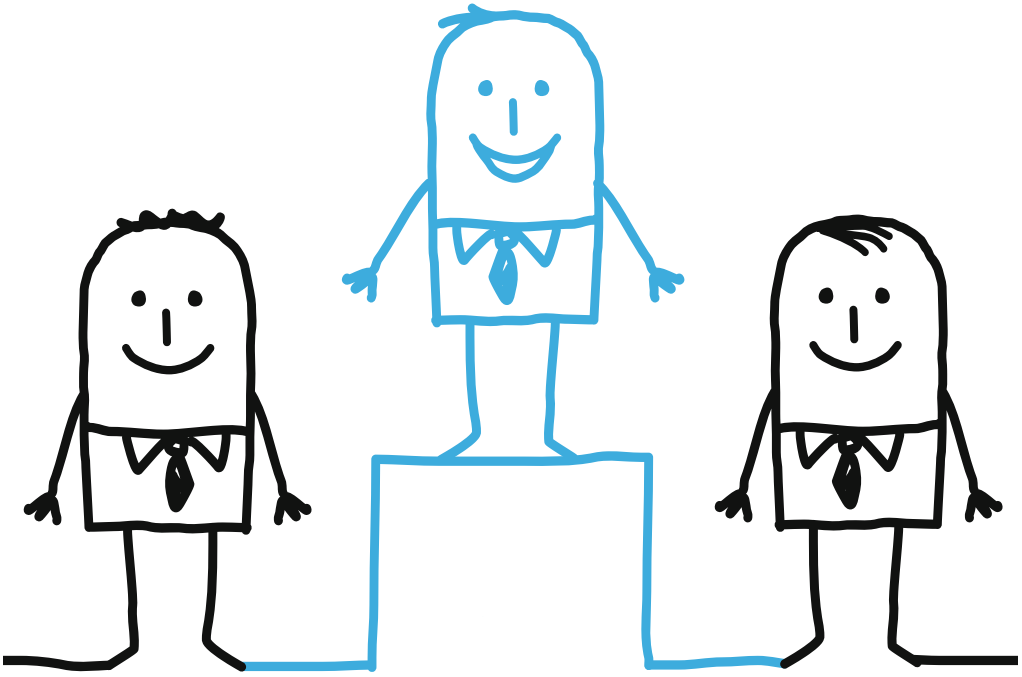
Blue Sheep®
more from less

ARE ALL CUSTOMERS EQUAL?



Money Mapping shows you how to use customer inequality to generate more response, more sales and more profits from fewer customers. **Money Mapping** is the new revolutionary modelling tool from **Blue Sheep®** that gives you the highest sales and marketing ROI.

Money Mapping delivers amazingly powerful insight that is proven to shape customer engagement strategy, improve profitability and transform customer service.

After using **Money Mapping** a major client in the catalogue sector benefitted from 11% increase in sales and a 30% growth in profitability by extending its reach and brand to a much broader targeted audience that spent more on more profitable products.
It's a fact - the impact of **Blue Sheep®**'s **Money Mapping** can be immense – strategy changing.

Studies have demonstrated that re-evaluating customer relationships based on customer worth has resulted in dramatically improved profits from fewer customers. **Money Mapping** pinpoints exactly where your revenue comes from, what proportion of market is represented and your customers' real growth potential.

For established businesses looking to deliver proportionate service for maximum return, there's no better intelligence available. By analysing customers, and their purchasing behaviour, compared to the average, models are developed which can tell us which companies are likely to need which products, and how much their likely spend is.

By creating a Money Map you bring together customer data and marketing insight to allow business actions to be taken that are based on fact.

It allows differentiation of service to maximise the profit of the business relationships you have and safeguards against wasteful and non-profitable undertakings.

Money Mapping uncovers critical information based derived from multi-dimensional analysis to allow categorisation, profiling and segmentation to be achieved. With this at your disposal, growth forecasting can be built on sound principles.

Above all, **Money Mapping** will help you to achieve a more profitability business from fewer customers.

Can you have too many customers?

Business acquisition has been the byword for success, yet in the midst of clambering for new business - often at any cost - many organisations are slow to see the true picture of their existing relationships and how these are often the key to profitable growth.

More importantly, having too many customers can sap the life-blood out of your business if you are not managing the relationship between servicing and profitability and this balance often requires difficult decisions to be made.

Having too many customers can cause more problems than having too few and although this may be a strange concept for some business leaders to accept, there is plenty of evidence to substantiate this claim.

Growing businesses would not typically consider reducing the number of existing customers or discourage new customers, but by the same token, they may not evaluate the real worth of each customer. Failing to address this balance can result in hindering growth and paralysing profitability. So, where does our business come from?

If the principles of Vilfredo Pareto are to be embraced then, as a rule of thumb, 80% of business will typically come from 20% of your customers. This of course is a generalisation but the point is, for many companies, a large percentage of customers are not generating much profit. Worse still, a proportion will in fact be losing the business money as their cost to service is higher than the revenue they generate.

This fact may easily become lost in the day to day hustle and bustle of everyday business life but the effect on the bottom line can be stark. Reversing the Pareto principle metrics is possible but you should understand your customers and your market intimately and to do this you need to evaluate each customer's worth to establish who your 'best' customers are and why. Only then can decisions around marketing investment be made with any real analytical basis.

This is what we at **Blue Sheep®** call **Money Mapping** – a logical, analytical way of achieving 'more from less'. How do we know it works? That's simple – we used the analysis on our own business and the results were staggering.

Let's take a look at how we changed **Blue Sheep®**'s business strategy.

{ CASE STUDY 1 } :

Blue Sheep

There's no better endorsement of a service or product than to use it in your own business and that's precisely what happened at **Blue Sheep®**.

In 2004, prior to carving a niche in the business intelligence sector, **Blue Sheep®** serviced around 1,000 customers of varying classification. At that time, average customer worth was around £2,000. It was recognised that the business, which was predominantly based on data sales, was spending a disproportionate amount of time servicing each customer.

We decided to undertake a full 'money-mapping' exercise using principal business variables taken from our 'best customers' including SIC codes, postcodes, employee numbers, economic growth score, etc., ('n' variables may be chosen where 'n' can be any number provided they are descriptive variables) to segment the customer base.

We applied our own software to analyse the data based on client sales history for each of 117 classes of businesses. In addition, we blended historical data with other descriptors and future indicators such as size as well as economic growth and decline forecasts in order to provide a complete and accurate picture.

The results of the analysis were astonishing and changed the business overnight, prompting a conscious decision to re-evaluate the customer base and business focus.

We had identified **Blue Sheep®**'s best customers and opportunities,resulting in fewer but pre dominantly bigger and higher value clients with more complex requirements that needed specific account management.

As a result, 600 customers were taken over by a business partner that was better positioned to service these clients' business requirements.

In 2004, this led to **Blue Sheep®** retaining only a tenth of its original customer base, re-assessing its sales structure, implementing a retraining programme to develop account management skills and expanding the sales force.

Financially, the change of strategy was a great success. Sales were increased by 30% on the previous year with the average order value increased to approximately £30,000.

Blue Sheep®
more from less

Money Mapping – An Introduction

Money Mapping is a revolutionary customer modelling tool that has at its heart the real value for each and every customer to your business. Having this information at your disposal forms the basis of all marketing spend and customer service levels.

Blue Sheep® has developed **Money Mapping** to take account, not just of traditional segmentation by industry, size, location, ownership and other public domain factors, but the highly individual behavioural features that can now be gathered via the Web and associated digital media.

four classifications of customers in descending order of value to you:

- Those that you should treasure – **Treasure**
- Those that yield less but are consistently productive – **Sales Promotion**
- Those smaller organisations with high growth potential – **Market Development**
- Those that should be avoided - **Avoid**

Each of these four classifications is further broken down into addressable sub-segments as suits the specific business situation to be analysed.

1	Customers	% Cust	Universe	% Uni	MPF	Prospects	Revenue	% Rev	RFA
2	**20,833**	**39.72%**	**437,468**	**8.39%**	**919.72**	**255,998**	**£ 19,086,851**	**70.77%**	**178.17**
3	17,427	33.23%	360,412	6.92%	480.48	210,678	£ 16,350,997	60.63%	182.46
4	3,406	6.49%	77,056	1.48%	439.23	45,320	£ 2,735,854	10.14%	156.21
5	**10,309**	**19.66%**	**378,249**	**7.26%**	**533.26**	**248,422**	**£ 2,205,767**	**8.18%**	**41.61**
6	6,436	12.27%	215,604	4.14%	296.63	139,668	£ 1,312,303	4.87%	39.65
7	3,873	7.38%	162,645	3.12%	236.63	108,754	£ 893,465	3.31%	44.86
8	**1,499**	**2.86%**	**393,266**	**7.55%**	**73.12**	**190,703**	**£ 968,760**	**3.59%**	**125.68**
9	1,051	2.00%	220,721	4.23%	47.32	106,509	£ 654,064	2.43%	121.02
10	448	0.85%	172,545	3.31%	25.80	84,194	£ 314,696	1.17%	136.61
11	**10,860**	**20.71%**	**3,028,420**	**58.11%**	**71.73**	**1,631,366**	**£ 2,107,963**	**7.82%**	**37.75**
12	6,014	11.47%	1,741,000	33.40%	34.33	929,498	£ 1,239,242	4.59%	40.07
13	4,846	9.24%	1,287,420	24.70%	37.40	701,868	£ 868,721	3.22%	34.86
14	**8,948**	**17.06%**	**974,463**	**18.70%**	**91.25**	**306,029**	**£ 2,600,805**	**9.64%**	**56.52**
15	52,449	100.00%	5,211,866	100.00%		2,632,518	£ 26,970,146	100.00%	

This is further complemented by supplementary data gathered from on and offline customer touch points and combined to create a holistic view of each customer.

Money Mapping significantly changes how businesses manage customers and enters into more detail than any other customer profiling exercise that can be undertaken.

Money Mapping does not rely on single univariate analysis i.e., SIC code or employee size; it offers multivariate analysis based on SIC code, employee size, geographical location and Oxford Economic Forecasting (OEF) growth potential.

This enables robust marketing segments to be built allowing marketers to refocus and prioritise marketing effort and spend to customers with a higher return on investment, not only for today's customers but also for tomorrow's prospects.

Blue Sheep®'s approach lets you know precisely what's in your customer marketing database, exactly where the revenue comes from, what proportion of the market is represented, how customers monetarily segment themselves and whether your marketing spend is aligned to these segments. At its simplest level, **Money Mapping** addresses

How Money Mapping works

Blue Sheep®'s **Money Mapping** segments customer data into SIC band, employee band and Oxford Economic Forecasting (OEF) band, scoring each segment with:

- Market Penetration (MPF) % of customers v's % of UK businesses
- Revenue Factor Analysis (RFA) % of your revenue v's total revenue
- Future potential growth (OEF) growth predicted by Oxford Economic Forecasting.

Segments are grouped by their MPF, RFA and OEF high/low relationships into 1 of 8 segments that ultimately define

- Ease of acquisition
- Generated revenue/margin
- Growing sectors

Money Mapping unveils the inequalities in customer worth. These differences can be leveraged by a business to develop a multi-layered approach to customer engagement that is both cost-effective and customer centric.

Customer inequality is not a negative concept – it is quite the reverse – as it recognises and addresses true customer expectations.



Taking customer inequality seriously

Inequality is a highly charged word. It suggests unfair treatment, disproportionate care, favouritism and much more. In business, inequality should not be translated as poor service or bad experience but a proportionate response to the commercial value represented. This is particularly pertinent to the B2B sector where time and resource reflects costs.

A challenge faced by many businesses is accommodating the 'one size fits all' concept. In other words, all customers expect and get exactly the same level of service.

This ideological goal, which few companies actually achieve, is to be applauded but in reality the cost of servicing each customer is not equal so why isn't this reflected proportionately in the service delivered? Business engagement, resource allocation and marketing spend are not proportionate to every customer because every customer has an intrinsic value to your business.

It makes sense that a customer spending a million pounds with you and a customer spending £100 have different positions of importance, however, the dilemma is that they may both expect – and often demand – the same level of support.

The danger of a 'one size fits all' customer engagement approach is when the high standards to which you aspire are not reached. By treating all customers as equal you run the risk of diluting your entire customer service to the detriment of everyone.

Therefore, rather than throwing money at all customers and prospects it makes sense to take a step back to understand the basis of what makes your business tick and who you really need as your customers.

This journey can start by looking at your current customers and evaluating the information you have in order to assign a monetary value to each business. Customer value is central to the process of customer analysis. This information may not easily be determined, particularly if it is based on one-dimensional metrics such as sales figures.

Other factors such as share of wallet and 'group' relationships may be being ignored. It is therefore a logical step to develop mechanisms that allow a monetary value (and other criteria) to be placed against each customer and marry this with the engagement points with the business.

To do this, you are reliant on your customer intelligence – in other words all the metrics and facts you can amass from your customer interactions including on and offline data and transactional information.

Of course, these aren't the only source of customer information. External aggregated databases allow data cleansing and appending functions to be undertaken, among other services, to enrich the data further and this, together with an appropriate marketing engine, can amalgamate the data to create detailed customer profiles and values.

Money Mapping takes this exercise to its extreme by classifying customers across a broad, defined spectrum of values, from Treasure Accounts at one extreme, representing your most valuable customers - to those Avoid relationships you should consider ditching because they lose you cash - at the other.

At the heart of any model for service level differentiation is data strategy. Due to the dynamic nature of customers, this process is a moving feast that requires focus.

{ CASE STUDY 2 } :

Hotel Chocolat

Hotel Chocolat is a British-owned authentic chocolate business phenomenon. The company began as a catalogue-based operation, providing exclusive chocolates to UK consumers and has grown to become a successful online and high street retail business.

To promote growth, Hotel Chocolat needed to gain a greater understanding of its business customers, in order to ensure marketing resource was being effectively targeted at its most profitable customers and optimising its online and traditional customer acquisition budget to deliver the highest return on investment.

In addition, market segmentation and market penetration activities were required to identify customer trends, activity and purchasing behaviour so that the company could utilise new media to deliver an integrated campaign to grow its corporate market quickly.

The key period for the promotion of corporate gifts is the run up to Christmas. **Blue Sheep®** had been working with Hotel Chocolat for several years in order to determine the data and contact strategy over this critical period. Hotel Chocolat subsequently set challenging acquisition and ROI targets for the all-important Christmas period.

The results of the market penetration analysis and customer value segmentation provided Hotel Chocolat with a greater insight into its customers' buying behaviour, allowing the company to shape its marketing strategy to address key business segments that are more profitable and demonstrate a greater return on investment.

By identifying those prospects that will generate greater profitability and concentrating resource towards them, Hotel Chocolat was been able to reject new prospects where business potential and profitability were below the threshold set for this campaign.



Blue Sheep successfully enabled Hotel Chocolat to identify its market penetration and the potential business opportunity across all UK workplaces. The findings were used to drive traditional catalogue marketing activities and showed excellent results on a test campaign of 500,000 cold mailings using the company's existing catalogue for new customer acquisition.

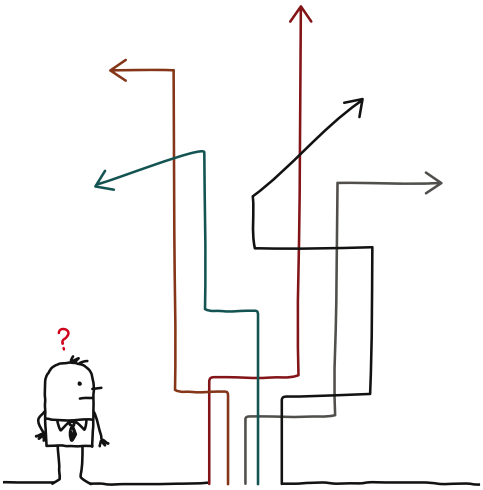
This data was then linked to **Blue Sheep®**'s, The UK Business Universe®, to identify where personal email data was available for use within an integrated marketing campaign to help Hotel Chocolat test the performance of using targeted email marketing and traditional catalogue cold prospect marketing to its target market.

The work undertaken produced the following top line results:

- Integrating catalogue mailing with email follow up increased response rates by over 145%

- The program reduced the cost of acquisition by 200%. Traditional catalogue mailing with email follow up is one of the most cost effective forms of integrated direct marketing.

- The ROI on this project was 116% better at over 286% and the average customer order value increased by 7%.



Marketing channels have evolved - so must our approach

Over the past decade, marketing media has changed beyond recognition. Traditional media such as television, radio, print, advertising, point of purchase, PR and promotional events provided adequate access to markets.

Today, new digital media are becoming equally as important. Websites, banner advertising, email, landing pages, mobile phones and social and business networks are all common mechanisms for customer interaction.

This presents marketers with an opportunity to gain more knowledge about customers and to use this intelligence to determine a customer's true value to your business. And it is this value that will determine how and to whom you market and the corresponding effort.

Marketers, like so many groups of professionals, use terminology to expound the virtues of the work they do. This can, however, be counter-productive when attempting to persuade a Financial or Managing Director about models of customer engagement.

Money Mapping creates a level playing field that allows marketers to talk, for example, about strategy in terms of future value, cost to service and business risk. Senior management like to know exactly where the company's money is being spent, why it has been invested in the chosen ways and what the real return is.

You might be pleasantly surprised if you were to tell the board that you had taken a decision to sever a business relationship or had designed a new strategy of dealing with a customer that has not brought anything to the business!

Money Mapping's pioneering approach to customer appraisal and valuation has the power to shape marketing thinking and drive business profits.

At its heart is evaluating the cost to service for each customer and referencing this data against their real value to the business. With this information, strategies can be developed to address specific customers, sectors and products, etc. Resource can also be apportioned in a logical and cost effective way for maximum gains.

Money Mapping supports a multi-faceted approach, utilising the most appropriate marketing mechanisms to get the best job done. This no-messing, jargon-free process allows the marketing function to develop a common language with senior bosses that will create resonance and bring about the desired change.

Justifying your marketing spend

With a finite marketing budget available to you, how do you ensure that your money is being spent in the right areas and focused on the right people? This is the age-old problem that has largely been ignored by many businesses.

As long as business is coming from somewhere, marketing is often claimed to be effective! The rapid uptake of digital media has changed all of this - competition for business is far greater than ever and customer expectations have grown.

If you don't provide a good service, customers will move and it's never been easier for them to do so. To address this, some businesses have attempted to implement a constant service level for all customers, irrespective of their value to the business.

This may work for some sectors but for many B2B organisations it is an unsustainable model. With ROI and profit at its heart, **Money Mapping** provides a far better way of engaging with customers and affords the basis for apportioning marketing investment.

{ CASE STUDY 3 } :

Rapid Racking

Rapid Racking is the UK's leading supplier of storage, racking and shelving systems for industrial, commercial and consumer use. The company's business model combines traditional catalogue marketing techniques, direct mail and modern online services to reach its target market.

To extend its business reach and drive greater sales, Rapid Racking needed to obtain all business sites in England and Wales, excluding those deemed inappropriate (e.g., some registered offices) including available contact names.

Records were to be held in-house by Rapid Racking and these would then be used by Rapid Racking to mail up to 2.8m personalised pieces per year.



The database was to be updated with a quarterly file of new, changed and no-longer live records and flagged accordingly. Each quarterly update was to be supplied in a structured format. Rapid Racking would supply the template and copies of in-house files and any other-source prospect files in advance of the update production process.

Blue Sheep® provided licensed access to its industry leading B2B database, The UK Business Universe®. This is an aggregated dataset of 4.4 million UK workplaces that provides the most comprehensive coverage available in the UK.

An initial scoping exercise was undertaken that involved analysing and **Money Mapping** Rapid Racking's customer database to create a system to score and rank each prospect on The UK Business Universe® by its potential value to the business.

Specific criteria were used that included geography, SIC code, employee size, transactions, spend and market penetration. In addition, de-duplication of external data sources, customer enhancement data and monthly matching of Rapid Racking's new customers was also undertaken.

The newly created database is refreshed every quarter by The UK Business Universe® with all fields, flags and default contact records. In addition, Rapid Racking has access to a supply of 'new connections' and customer enhancement data through monthly matching of Rapid Racking's new customers to the prospect universe.

To complement and enhance its online business, **Blue Sheep®** also included access to its email community of 500,000 email addresses. Database resilience is provided by **Blue Sheep®** through parallel processing of information to an output data file, which can be accessed in the event of Rapid Racking experiencing any operational issues.

As a result of the creation of an enhanced database, Rapid Racking was able to extend its reach and brand to a much broader target audience. This has allowed the business to use the power of its internal marketing systems to help facilitate greater exposure of its portfolio of over 1,200 storage and accessory products to more prospect businesses.

In the year following the engagement of **Blue Sheep®** and the development of its prospect data, Rapid Racking experienced a 30% growth in profits and 11% upturn in sales.

The Blue Sheep Single View

Underlying the process of **Money Mapping** is the procedure of harvesting data and combining this information in order to produce a true and accurate representation of each customer relationship and value.

It is a complex challenge to achieve a 'single customer view' from the plethora of information now available through various sources. To manage this task successfully **Blue Sheep®** has advanced database technology, in-house analytical skills and access to critical information sources that allow marketing possibilities to be turned into a practical reality.

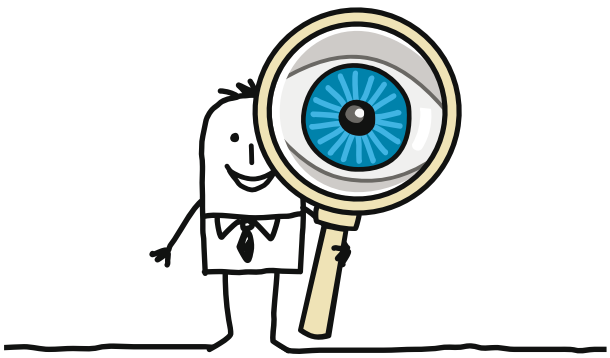
Central to **Blue Sheep®**'s capabilities is its market-leading aggregated database, The UK Business Universe®, which is used as the key reference for all client data allowing data enhancement and de-duplication to be undertaken.

Additional information, gathered from on and offline customer touch points, is also combined to the aggregated data to enrich its value and depth. An automated data integration platform powers the data analysis to create a unique insight for every customer based on their monetary value to the business.

From this analysis further market segmentation and customer engagement mapping can be developed to identify the best market sectors to sell to, the share of business within your customer base, and which marketing strategies should ideally be adopted to create resonance with your customers.

A single view of each and every customer empowers marketers with the intelligence to make the proportionate investment needed to maximise customer engagement.

This results in reduced marketing expenditure, more sales, better profit margins and a more loyal customer base. Equally, it identifies those customers that require a different engagement strategy to make them more profitable.



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