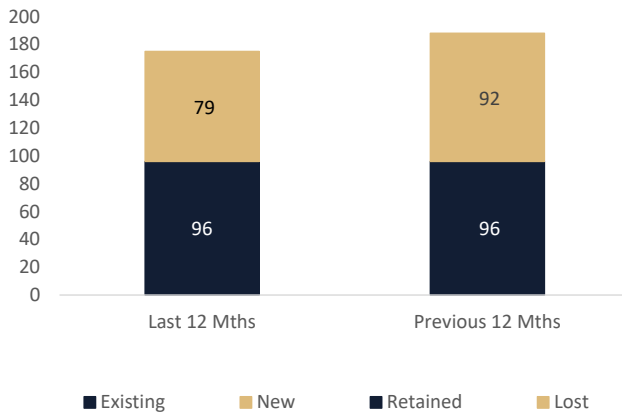


Customer Exception Report for A Fictional Software Company

This exception report has been produced because we believe the future profitability of Growing Your Numbers is at risk if key customer drivers are not addressed. This report analyses every transaction each of your customers have made over the past 3 years, along with all identifiable advertising and marketing spend. The report is complete to May 2022.

Recommended action - Commission an investigation to establish if customer satisfaction adversely impacts your customer loyalty. Improving levels of customer satisfaction and engagement will reduce customer attrition, increase sales per customer and generate more referrals.

Looking at the rate of new customer acquisition and retention. If your current trends continue, you may experience a decline in your sales, this is likely to impact your profit (EBITDA) and hence the equity value of your business.



Customer Acquisition

You generated 79 new customers over the last 12 months with revenue of £220.9k. This was 19.4% fewer than the number of new customers generated in the previous 12 months (98, with revenue of £218.0k).

Customer Retention

51.1% of your customers over the last 12 months also bought from you in the previous 12 months (96 out of 188). This means that 48.9% of your customers from the previous 12 months did not purchase in the last 12 months. A potential lost revenue value of £224.8k.

Revenue by Customer

Of your top 10 customers (by revenue value) this year, 4 are showing a decline year on year with revenue reduced by £63.8k (31.8% down). Revenue for the rest of your customers decreased by £168.8k (28.3% down).

To summarise, your total customer base has decreased by 6.9% (from 188 to 175). Driven by a decrease in new customers acquired (19.4%) and an increase in the number of customers retained from the previous 12 months (6.7%). However, the proportion of customers retained has decreased (55.2% to 51.1%).

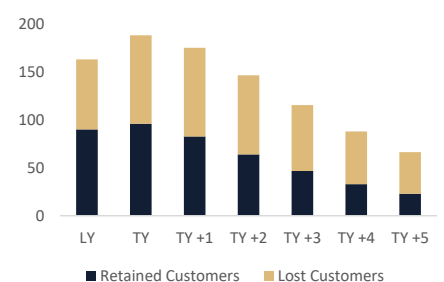
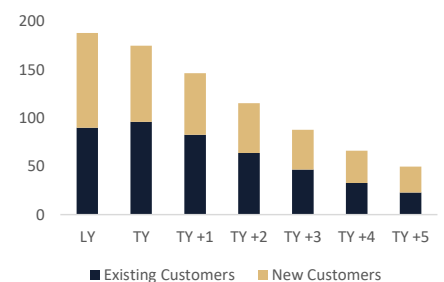
If you had acquired the same number of new customers and retained the same proportion of customers from the previous 12 months as in the prior 12 months, assuming an average value per client, this would have contributed an additional £116.6k to revenue and £40.8k in profit.

We have reviewed the current rate at which you are retaining and acquiring customers and have prepared 3 scenarios below:

Scenario 1 - Do nothing - Your current trend for new customer acquisition and customer retention continue

If your current negative trend of (19.4%) for new customer acquisition continues over the next 5 years, your total new customers acquired will move from 79 this year to 27 in 5 years time. If your existing customer retention trend of (7.5%) continues over the same time period, your anticipated net profit will reduce by £250.8k from £79.9k to (£170.9k).

	LY	TY	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	64	51	41	33	27
Existing Customers	90	96	83	64	47	33	23
Total Customers	188	175	146	115	88	66	50
Retained Customers (from LY)	90	96	83	64	47	33	23
Lost Customers (from LY)	73	92	92	82	69	55	43
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£238	£223	£223	£223	£223	£223	£223
Total Revenue	£1,003.0k	£1,001.2k	£837.2k	£659.3k	£503.1k	£378.8k	£284.7k
Gross Margin £	£341.2k	£350.5k	£293.0k	£230.8k	£176.1k	£132.6k	£99.7k
Gross Margin %	34.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Overheads	(£281.0k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)
Profit	£60.2k	£79.9k	£22.5k	(£39.8k)	(£94.4k)	(£138.0k)	(£170.9k)
Profit %	6.0%	8.0%	2.7%	(6.0%)	(18.8%)	(36.4%)	(60.0%)
New Customer Growth		(19.4%)	(19.4%)	(19.4%)	(19.4%)	(19.4%)	(19.4%)
Customer Retention	55.2%	51.1%	47.2%	43.7%	40.4%	37.4%	34.5%
Retained Customer Movement		(4.2%)	(3.8%)	(3.6%)	(3.3%)	(3.0%)	(2.8%)

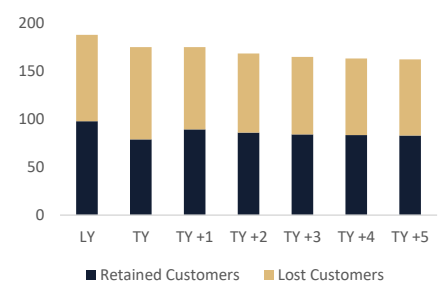
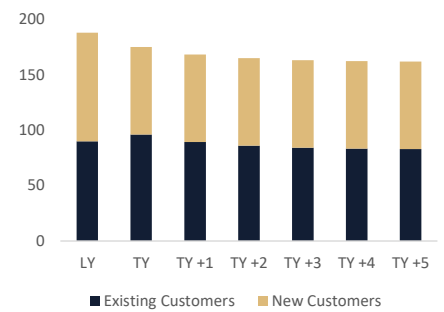


Customer Exception Report for A Fictional Software Company

Scenario 2 - Maintain this year's performance - If the new customers and retained customers remain the same in absolute terms

If you continue to acquire the same number of new customers (79) over the next 5 years and your existing customer retention rate of 51.1% continues, your anticipated net profit will reduce by £26.2k from £79.9k to £53.7k.

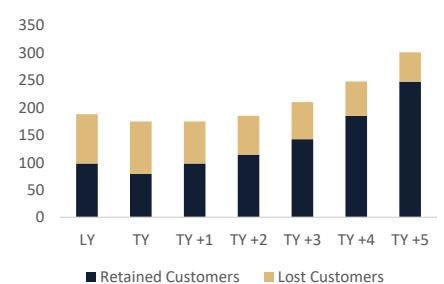
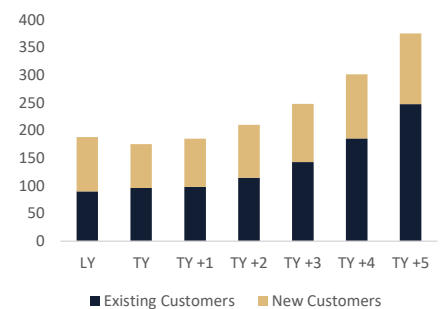
	LY	TY	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	79	79	79	79	79
Existing Customers	90	96	89	86	84	83	83
Total Customers	188	175	168	165	163	162	162
Retained Customers (from LY)	98	79	89	86	84	83	83
Lost Customers (from LY)	90	96	86	82	81	80	79
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£238	£223	£223	£223	£223	£223	£223
Total Revenue	£1,003.0k	£1,001.2k	£963.2k	£943.8k	£933.9k	£928.9k	£926.3k
Gross Margin £	£341.2k	£350.5k	£337.2k	£330.4k	£326.9k	£325.1k	£324.2k
Gross Margin %	34.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Overheads	(£281.0k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)
Profit	£60.2k	£79.9k	£66.6k	£59.8k	£56.4k	£54.6k	£53.7k
Profit %	6.0%	8.0%	6.9%	6.3%	6.0%	5.9%	5.8%
New Customer Growth		(19.4%)	0.0%	0.0%	0.0%	0.0%	0.0%
Customer Retention	55.2%	51.1%	51.1%	51.1%	51.1%	51.1%	51.1%
Retained Customer Movement		(4.2%)	0.0%	0.0%	0.0%	0.0%	0.0%



Scenario 3 - Take steps to improve performance - New customer acquisition and customer retention ratio increase by 10% per annum

If we were to assume an increase in new customer acquisition over the next 5 years of 10.0% per annum, your total new customers acquired will move from 79 this year to 127 in 5 years time. If we assume an increase in your customer retention rate of 10.0% over the same time period, your anticipated net profit will increase by £400.1k from £79.9k to £480.0k.

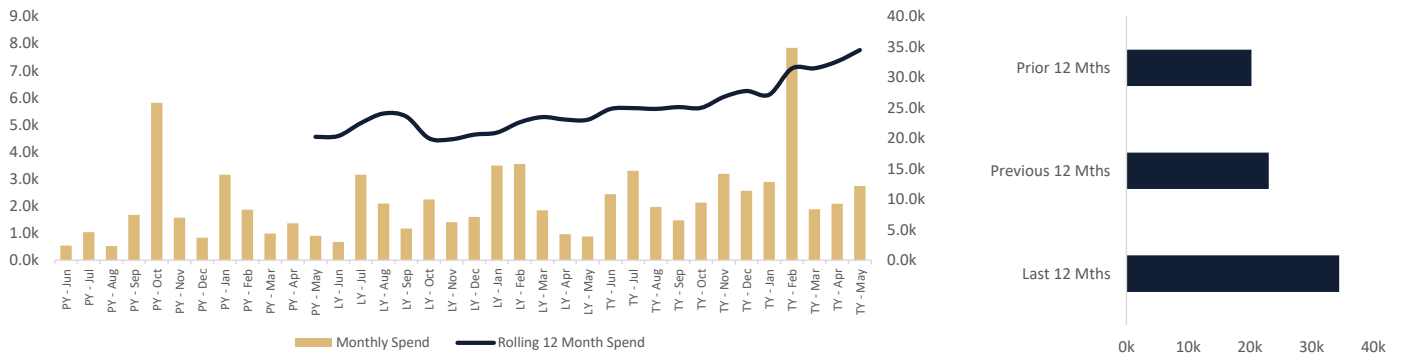
	LY	TY	TY +1	TY +2	TY +3	TY +4	TY +5
New Customers	98	79	87	96	105	116	127
Existing Customers	90	96	98	114	143	185	248
Total Customers	188	175	185	210	248	301	375
Retained Customers (from LY)	98	79	98	114	143	185	248
Lost Customers (from LY)	90	96	77	71	67	63	53
Avg Trans per Customer	22	26	26	26	26	26	26
Avg Trans Value	£238	£223	£223	£223	£223	£223	£223
Total Revenue	£1,003.0k	£1,001.2k	£1,059.6k	£1,201.6k	£1,418.2k	£1,722.1k	£2,144.1k
Gross Margin £	£341.2k	£350.5k	£370.9k	£420.6k	£496.4k	£602.8k	£750.5k
Gross Margin %	34.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Overheads	(£281.0k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)	(£270.5k)
Profit	£60.2k	£79.9k	£100.3k	£150.0k	£225.9k	£332.2k	£480.0k
Profit %	6.0%	8.0%	9.5%	12.5%	15.9%	19.3%	22.4%
New Customer Growth		(19.4%)	10.0%	10.0%	10.0%	10.0%	10.0%
Customer Retention	55.2%	51.1%	56.2%	61.8%	68.0%	74.8%	82.2%
Retained Customer Movement		(4.2%)	5.1%	5.6%	6.2%	6.8%	7.5%



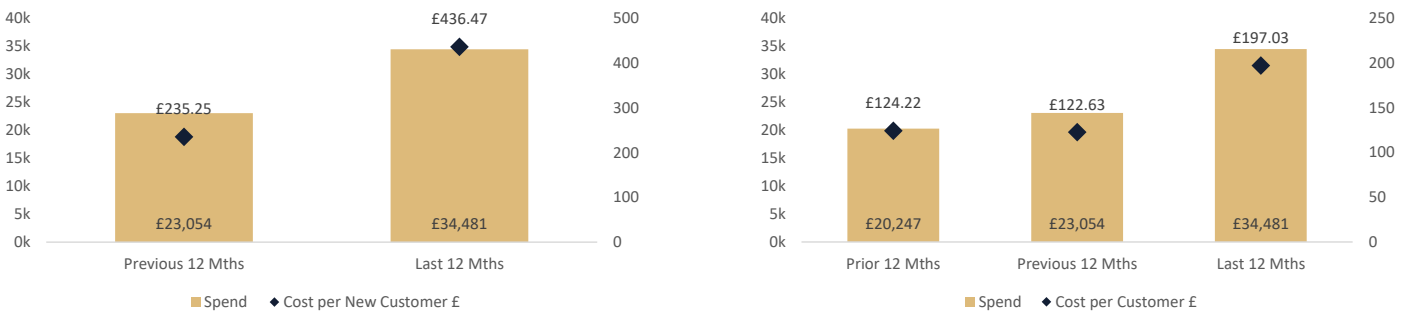
Customer Exception Report for A Fictional Software Company

Marketing Effectiveness and Customer Acquisition

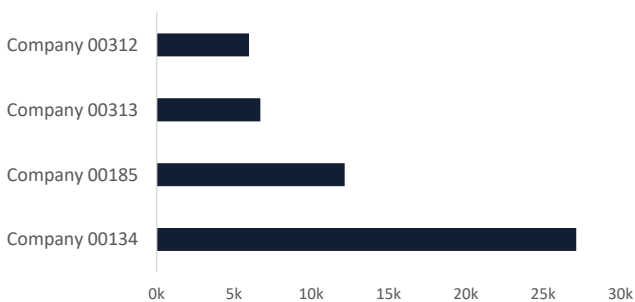
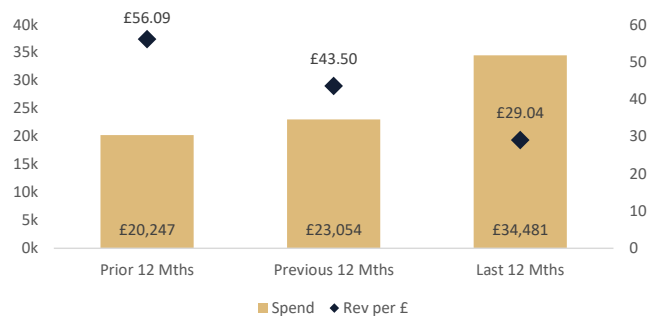
Spend on marketing related activity in the last 12 months totalled £34.5k, which was an increase of 49.6% or £11.4k on the previous 12 months total of £23.1k. This in turn was an increase of 13.9% or £2.8k on the total of the prior 12 months.



When comparing the total amount spent on marketing related activity over the last 12 months to the total number of new customers acquired, there is a cost per new customer of £436.47. This represents an increase of £201.22 on the previous year. When comparing this spend to the total number of customers serviced, there is a cost per customer of £197.03. This represents an increase of £74.40 on the previous 12 months, which in turn was a decrease of £1.58 on the prior 12 months.



When comparing the total spend on marketing related activity to the revenue generated, the business generates £29.04 of revenue for every £1 spent. This represents a decrease from £43.50 in the previous 12 months, which in turn was a decrease from £56.09 in the prior 12 months. Return on investment (new customers only) is £6.41 of revenue for every £1 spent. This is a decrease when compared to the previous 12 months return of £9.46.

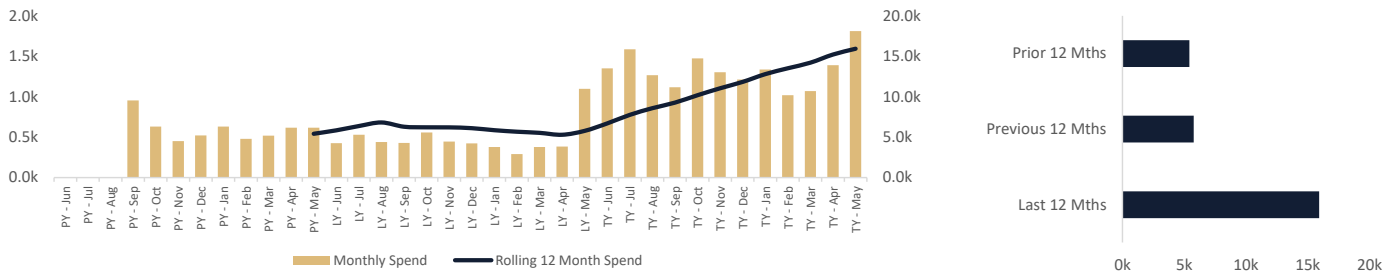


A total of £77.8k has been spent on marketing related activity over the past 3 years. The supplier the business has spent the most with (£27.1k) was Company 00134, accounting for 34.9% of overall spend over the past 3 years.

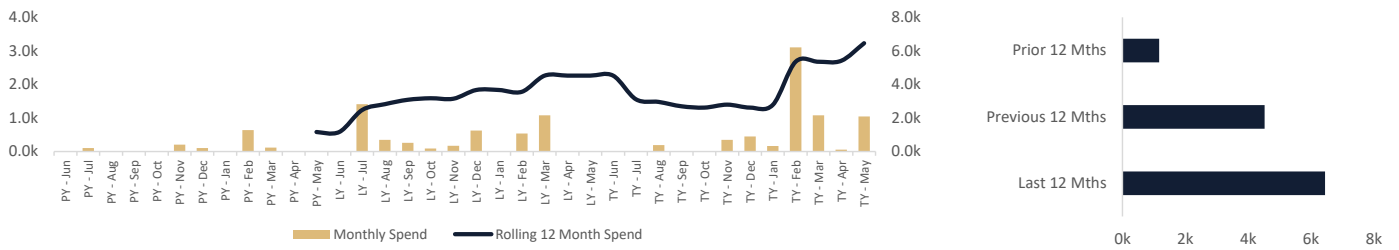
Customer Exception Report for A Fictional Software Company

Marketing Effectiveness and Customer Acquisition

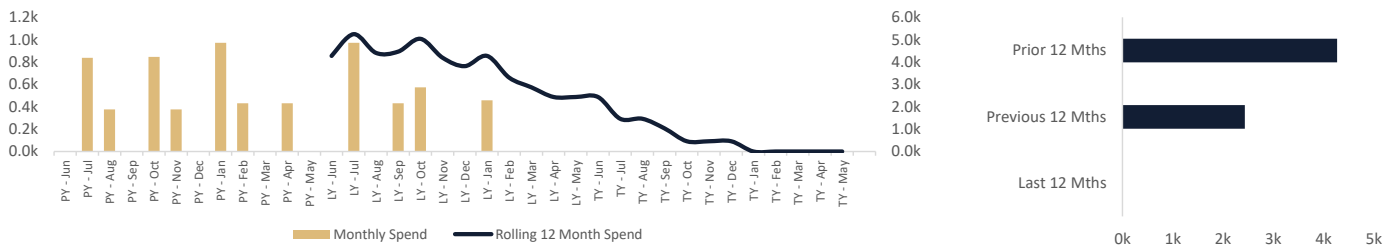
Spend on marketing related activity with Company 00134 over the past 12 months totalled £15.9k, which was an increase of 175.8% or £10.2k on the previous 12 months of £5.8k. Which in turn was an increase of 6.6% or £0.4k on the prior 12 months total of £5.4k.



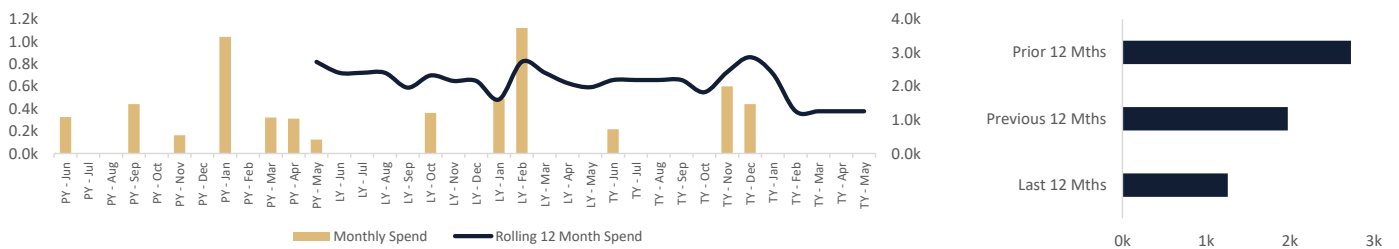
Spend on marketing related activity with Company 00185 over the past 12 months totalled £6.5k, which was an increase of 42.7% or £1.9k on the previous 12 months of £4.5k. Which in turn was an increase of 288.2% or £3.4k on the prior 12 months total of £1.2k.



Spend on marketing related activity with Company 00313 over the past 12 months totalled £0.0k, which was a decrease of 100.0% or £2.4k on the previous 12 months of £2.4k. Which in turn was a decrease of 43.0% or £1.8k on the prior 12 months total of £4.3k.



Spend on marketing related activity with Company 00312 over the past 12 months totalled £1.3k, which was a decrease of 36.3% or £0.7k on the previous 12 months of £2.0k. Which in turn was a decrease of 27.7% or £0.8k on the prior 12 months total of £2.7k.



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