



Customer Loyalty Assessment Overview

March 2013

Executive Summary

Interactive customer interviews assess loyalty and whether a company is viewed as a supplier of choice, convenience or necessity.

- **Customer Leverage** – Some customers do not have a choice while others likely work to include specific suppliers into their plan. Measuring customer leverage can highlight the value of loyalty and areas of opportunity to win additional volume.
- **Competitive Positioning** – Our approach encourages customers to share aspects of their supplier strategy and rank how a company compares to its competitors.
- **Customer Sensitivity** – Each customer has different decision criteria. Common points are price, volatility, lead time, payment terms, inventory and geography. Customers also identify their supplier expectations and how a company’s business development approach compares to other suppliers. This analysis provides insight into the specific message that should be customized for strategic accounts.
- **Customer Developments** – Customer surveys identify strategic plans and the amount of “safe” business, “at risk” business and “potential wins” for each customer. This segmentation helps the sales and business development teams prioritize.

1. Customer Loyalty Assessment

2. Introduction to Cost & Capital


Customer Insight

Customer interviews are summarized in a consistent manner to provide market details.

Interview Results

- Customer interviews reveal details such as:
 - Performance issues
 - Customer decision making process
 - Customer influencers and owners
 - Competitor developments
 - Market share data
 - Customer's view of sales team
 - Pricing insight
 - Ideas/ data desired by customer
 - Investment requirements

Customer Interview Summaries

Customer X		Representative: John Doe Title: VP Purchasing
Competitive Review	<ul style="list-style-type: none"> ▪ Logistics Spend: ▪ Barge Spend - ▪ Truck Spend - ▪ Rail Spend - ▪ Client Share 	Market Assessment Positive ↑ Supplier 1 Supplier 4 Supplier 2 Supplier 3 CLIENT Negative ↓
View of Client	<ul style="list-style-type: none"> ▪ Slow Response – No follow through ▪ No leadership attention – won't entertain future business with client because they aren't receiving proper attention ▪ Client Competitor offers investment dollars and rebates for partnerships 	
Innovation / Customer Needs	<ul style="list-style-type: none"> ▪ Sales team is just a friendly face ▪ Pricing is "fine" service is "fine" ▪ Wants more attention, thoughts on savings ideas and faster response ▪ Client Competitors share capital plans 	
Take-Aways	<ul style="list-style-type: none"> ▪ Planning future locations but won't use Client because of poor relationship ▪ Need to share investment plans 	
		page 5

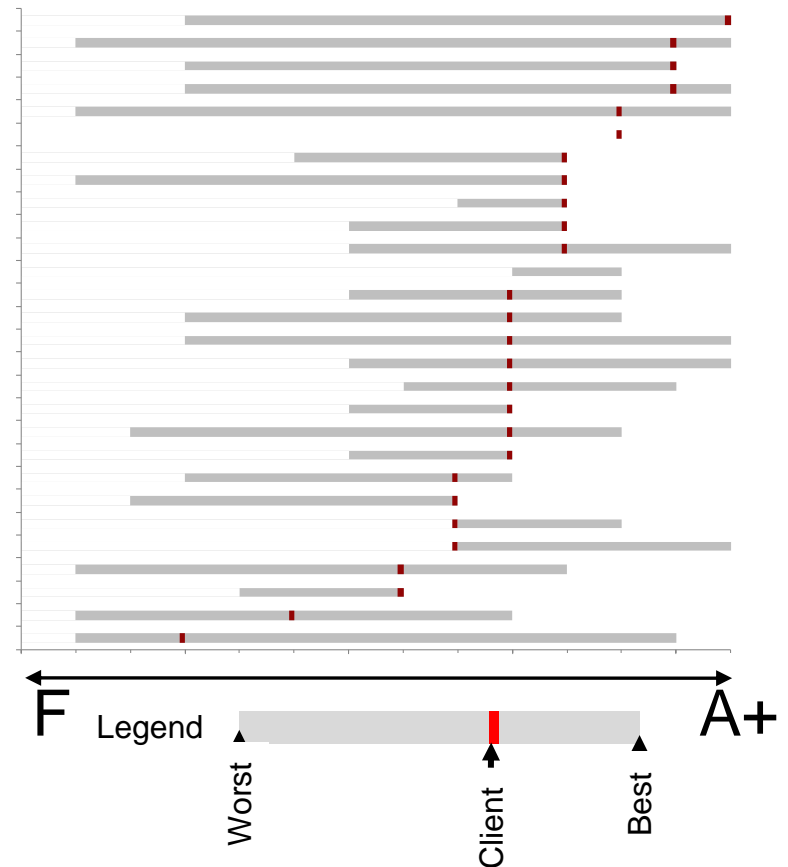
Customer Satisfaction

Customer interviews capture customer satisfaction relative to competitors.

Interview Approach

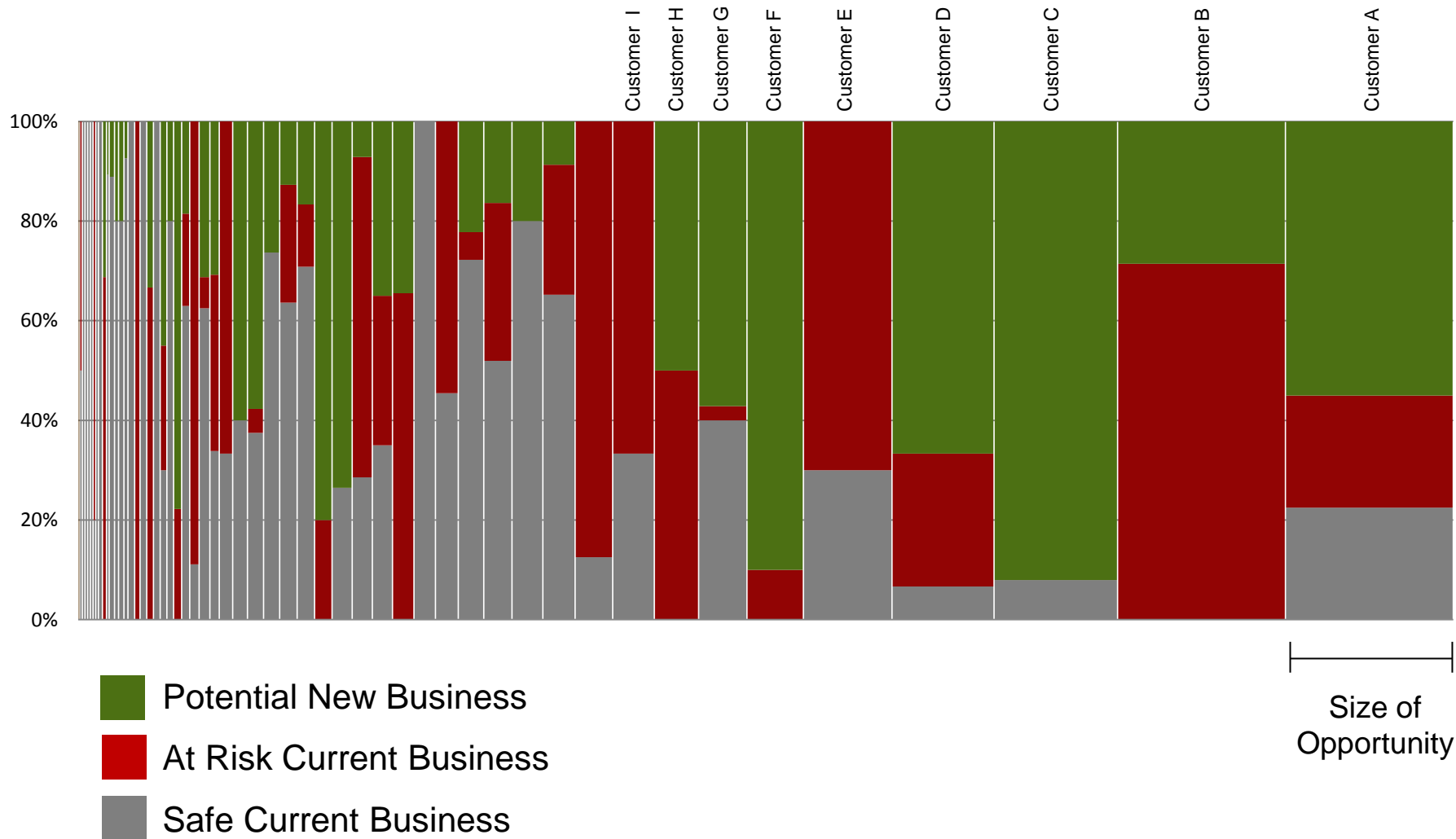
- The Cost & Capital customer interview approach employs active listening techniques to gather sensitive information and competitive insight
- The ranking matrix provides visibility into customers' decision criteria and a company's place in the market

Customer Satisfaction Ranking



Customer Value Potential

Each customer's safe, at risk and potential business is plotted side-by-side to help prioritize.



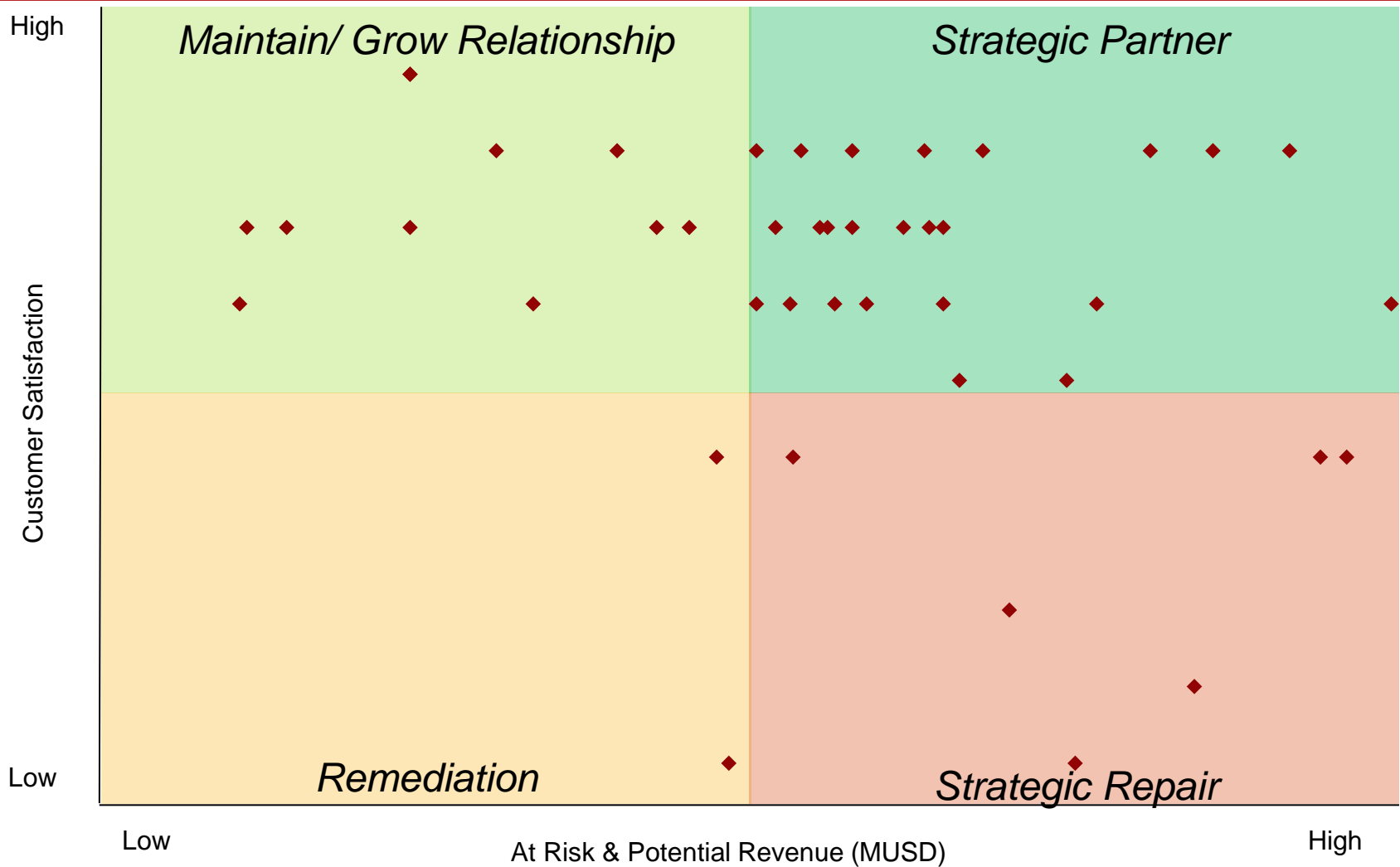
Customer Prioritization

Various action plans should be developed based on a combination of customer satisfaction and total potential business.

High	<h3>Maintain/ Grow Relationship</h3> <ul style="list-style-type: none"> Identify strategic resources in customer organization that determine growth areas Ensure current contacts provide feedback to strategic resources Develop market report highlighting potential operational and revenue improvements for customer Engage business development to grow Goal is to move customer to “Strategic Partner” quadrant 	<h3>Strategic Partner</h3> <ul style="list-style-type: none"> Identify stakeholders involved in growth opportunity Build business plan with customer Develop action plan to achieve business plan Conduct regular customer reviews to ensure action plan remains on track 	
Customer Satisfaction	<h3>Remediation</h3> <ul style="list-style-type: none"> Determine if customer has growth potential Identify key issues Develop action plan to resolve key customer issues 	<h3>Strategic Repair</h3> <ul style="list-style-type: none"> Identify key issues Determine root cause of issues Identify strategic resources in customer organization that determine growth areas Develop action plan to resolve issues Conduct regular customer reviews to ensure action plan remains on track Goal is to move customer to “Strategic Partner” quadrant 	
Low	Low	At Risk & Potential Revenue (MUSD)	High

Customer Prioritization

Customers are mapped to help prioritize next steps.



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2. Introduction to Cost & Capital

Cost & Capital Practice Areas

We focus on four levers to maximize shareholder value:

Cash should be treated as a scarce resource and conserved

Internal inefficiencies often lead to weak cash management resulting in excess capital tied up in the business.

Lean operations allow for investment and growth

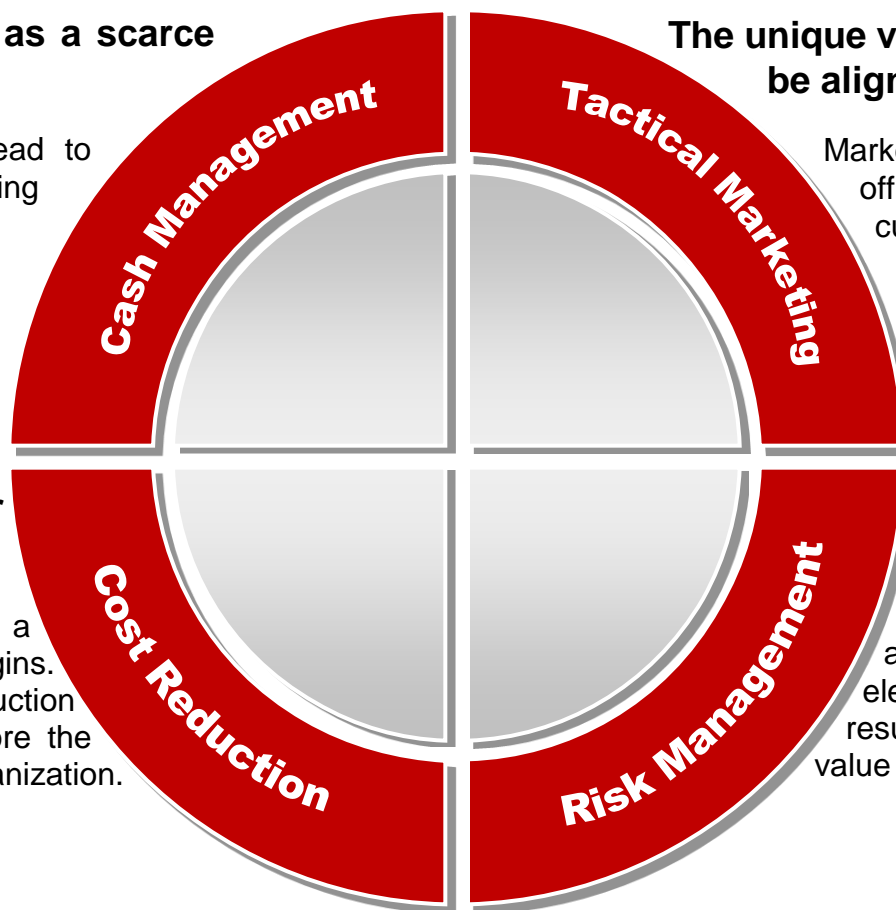
Cost efficiency often becomes a lower priority during high margins. As margins constrict, cost reduction opportunities can quickly restore the overall profitability of the organization.

The unique value proposition needs to be aligned with market dynamics

Marketing should reflect distinctive offerings to maximize value for the customer and allocate resources.

Risk takes focus from business operations

Management of cost, price and supply risks are the key elements to deliver consistent results that show the market the value of the company, not commodity.



Cost & Capital Practice Areas

Representative Case Work

Cost Reduction

- Fact-based negotiations
- Strategic sourcing
- Overhead efficiency
- Performance metrics
- Training

Tactical Marketing

- Strategic account management
- Market viability assessment
- CRM optimization
- New business development
- Sales force training

Risk Management

- Supplier stress assessment
- Risk identification
- Raw material exposure
- Risk mitigation playbook

Cash Management

- DSO reduction
- Customer engagement training
- Cash flow mapping
- DPO management
- Inventory management

Cost & Capital Practice Areas

Cost Reduction

Cost Reduction

Fact-based negotiations

Engage suppliers with detailed facts to increase leverage, determine true cost and maximize value

Strategic sourcing

Deploy a comprehensive sourcing approach with the supply base to align tactics with the future vision

Overhead efficiency

Review current processes and staffing to identify bottlenecks, unnecessary steps and redundancies

Performance metrics

Deploy performance metrics that effectively measure output and value for each function

Training

Provide case-based learning and application of the latest tools to enable best-in-class performance

Delivering Value

- Reduce operating costs
- Improve competence level
- Improve design through supplier alignment
- Maximize supply agreement flexibility for future selection and leverage
- Track performance for incentives and alignment to corporate goals

Recent project work



Assess and implement sourcing controls for multi-site MRO spend



Deploy supplier costing and negotiations for 80 global teams



Category benchmarking, market analysis and negotiation support

Commodity strategy development and negotiations

Cost & Capital Practice Areas

Tactical Marketing

Tactical Marketing

Strategic account management

Audit current and future customers for profitability, level of competition and long-term value to the organization

Market viability assessment

Assess new market opportunities based on the strategic value, level of competition and external market factors that drive the scope and scale of the opportunity

CRM optimization

Unlock the value of customer relationship management (CRM) software solutions to align to corporate objectives, provide visibility into performance and drive accountability

New business development

Structure detailed go-to-market plans for new business based on the unique value proposition and market need

Delivering Value

- Maximize profitability through understanding of the total cost to deliver for a customer
- Prioritize markets best suited for the company
- Improve performance of capital spent on automating the sales tracking function
- Deploy specific customer plans to improve accountability and capitalize on new business

Recent project work



Customer loyalty survey and decision criteria analysis



Perform competitive assessment of financial viability of competitors

ASSA ABLOY

Market review, competitive intelligence and market sizing

Cost & Capital Practice Areas

Risk Management

Risk Management

Supplier stress assessment

Evaluate the level of financial stress and rank suppliers in order of exposure

Risk identification

Identify the sources of risk in the supply chain (financial, logistics, capacity)

Raw material exposure

Manage raw material price volatility through contracting, financial hedges, pass-through escalation and negotiations

Risk mitigation playbook

Develop a specific risk mitigation plan for identified supply risks which enable rapid deployment of counter-measures when event triggers are identified

Delivering Value

- Reduce supply interruption risk
- Enhance understand of why a supplier is at-risk to enable constructive dialog
- Improve response time to risk events
- Manage price and supply volatility

Recent project work



Evaluate private and public supplier financial risk



Assess supplier risk and develop internal skills to engage suppliers



Review supplier financial exposure and capacity readiness

Cost & Capital Practice Areas

Cash Management

Cash Management

DSO reduction

Map the collection process and deploy tools to enable on-time collection

Customer engagement training

Train collections on effective customer engagement tactics and approach to use facts to improve performance

Cash flow mapping

Identify process deficiencies that limit effective cash collection in the order-to-cash process

DPO management

Structure controls and process to ensure that buying decision include payment term performance

Inventory management

Manage stocking levels through SKU velocity analysis and service level compliance

Delivering Value

- Cash tied up in working capital can be released which reduces borrowing costs
- Timely collections also reduce the exposure to write-offs and customer insolvency
- Optimal inventory ownership can increase value between suppliers and customers

Recent project work



Audit aging file to identify customer behavior affecting on-time collection



Train the buyers to value payment terms and engage suppliers



Eliminate process bottlenecks limiting effective account collection

Cost & Capital Partners

- **Cost & Capital Partners focuses on the two most critical levers for shareholder value today - **Cost Efficiency** and **Capital Efficiency****
 - Cash should be treated as the valuable resource it is
 - Spend management preserves cash
 - Capital efficiency frees cash trapped in traditional operations
- **We deliver results – not just recommendations, each and every time**
 - We stand behind our recommendations and prefer to be involved in implementation
 - We conduct negotiations on behalf of our clients
 - We are passionate about our work and the results
 - We work with our clients to implement the changes required to improve the business

Previous project work



Cost & Capital

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