

**New economy,
new KPIs:
The customer era.**



Foreword.



Jean-Christophe Liaubet

Partner
at Fabernovel

By creating some disruption in value chains and favouring the emergence of new models, the digital revolution has induced deep changes in the way value is created and shared. It is more and more decorrelated from short term financial performance. That should push organizations and investors to review their monitoring and valuation of innovative projects, as well as pay attention to the value of some intangible assets, such as customer capital, talent capital, ecosystem, software or societal and environmental impact.

Customer centricity was at the heart of the digital revolution, which explains why among these assets, customer capital is the easiest to value by investors. However, if we've focused our analysis in this presentation on this asset, this should not overshadow the other key levers that organizations need now for their transformation to be more and more systemic.

Digital native economic models have been built by design according to an extra-financial approach with monitoring and communication already focused on customer KPIs, and sometimes on talent or ecosystem metrics. By contrast, if players other than digital natives have initiated a deep transformation of their model, they have not yet adapted their reporting styles, even though this would enable them to better allocate resources and value the customer acquisition strategy.

Combined with this document, we are launching a new index dedicated to testing your own maturity regarding customer capital (how you've integrated this approach, how customer-centric your reporting is, how you use it). Once this assessment has been completed, this presentation will help drive you along the path towards a new reporting approach. Additionally, it will help you harness your organization's potential, which we've identified at both the internal and external levels, while focusing on stakeholder engagement and value creation levers.



Customer-centric KPIs.

What is this document?

This is a document dedicated to presenting Fabernovel's view on the new value creation levers in the digital era and in particular on the customer pillar: why it is a critical asset, how to monitor it, assess it and optimize valuation. This comes jointly with an index to assess one's company maturity on client capital.

Who should read it?

CEOs and C-level employees both from financial and digital/innovation teams, in order to spread this new approach in the company and push their teams to monitor and assess innovation projects differently. Ideally, this approach should be widely shared inside the company.

What can you expect to learn from it?

This document should give you a good understanding of the customer lifecycle as well as the KPI toolkit to monitor each of its step. It also presents an overview of how mature digital players and incumbents are on this type of reporting. Finally, it intends to give you the keys to switch to this approach, including a dedicated tool to assess your own maturity.

Who wrote it?

Fabernovel's teams of experts in the valuation of innovation, some of whom were equity analysts for 10-15 years before joining Fabernovel, combining expertise in both finance and digital innovation.



The digital revolution is a value revolution.

The new economy is leading to massive value shifts driven by three simultaneous trends.

Value chain disruption

The Emergence of new models, changing competitive environments, evolving sector boundaries... Perspectives are **blurred**.

New value definition

The concept of “value” needs to be **redefined**: is it based on the generation of flows or on the development of assets, on usage value or on financial value?

Rising share of optionality in valuation

Investors increasingly base their judgement on optionality, which is reflected on valuation multiples. A company's biggest challenge then becomes to **crystallize this optionality**.



Valuation is not always correlated to financial performance anymore.

Three trillion-dollar babies, each in its own way.



Apple's
very high
profitability



Amazon's
strategic vision
and exploratory DNA



Microsoft's
good earnings
and long-term vision

Market Cap

=

Net Income

×

P/E

\$1Tn

Reached on 02/08/2018

\$63Bn

15x

\$1Tn

Reached on 04/09/2018

\$13Bn

80x

\$1Tn

Reached on 25/04/2019

\$39Bn

26x

Apple's market cap exceeded \$1Tn last August after its announcement of very strong financial results and high stock buybacks.

Amazon's market cap crossed the \$1Tn threshold in September 2018, driven by growing valuation multiples. Investors were notably buying Bezos's strategic vision despite the company's low profits.

Microsoft's market cap appreciation came after strong Q1 earning results, primarily driven by its cloud activity. But it also came from investors' trust in Microsoft's vision, due to the belief that Microsoft has a key role to play in the B2B cloud market.



New value models, new rules.



**Vision &
Entrepreneurial culture**
are key



Think long-term
and accept a J-curve



Uber

**New
patterns
of value
creation**

**Customer,
talent, ecosystem**
3 critical assets & value levers



WeChat

Immobilism is costly
a lack of transformation
can be fatal

KraftHeinz



The need for a new valuation approach.

Innovation & new models raise the question of how to measure value.

The digital revolution has brought uncertainty regarding the definition and measure of value creation, for investors as well as financial teams.

Current financial standards do not appear relevant enough anymore to value innovation and new models, as some unprofitable companies outperform on public markets.

User growth and employee engagement metrics can prevail over financial performance...

For innovative projects, long term growth prospects appear to be more attractive than short term profitability, showing the necessity to take a whole new approach, no longer based on financial restructuring and build-up, but rather **on customer retention, talent attractiveness, CSR impact, and ecosystem diversity.**

Financial standards do not reflect companies' value anymore.

2019 has seen the
highest percentage
of unprofitable IPOs: **83%**

Uber

Market Cap* **\$50Bb**

Net loss **\$5Bn**



Providing a 360° approach of value creation.

Some key intangible assets have become critical in companies' valuation.

Valuation approach in the new economy needs to integrate all drivers for value creation and provide a 360° vision of businesses.

Different pillars of value creation need to be taken into account in order to assess a company's value and growth sustainability:

Customers

Talents

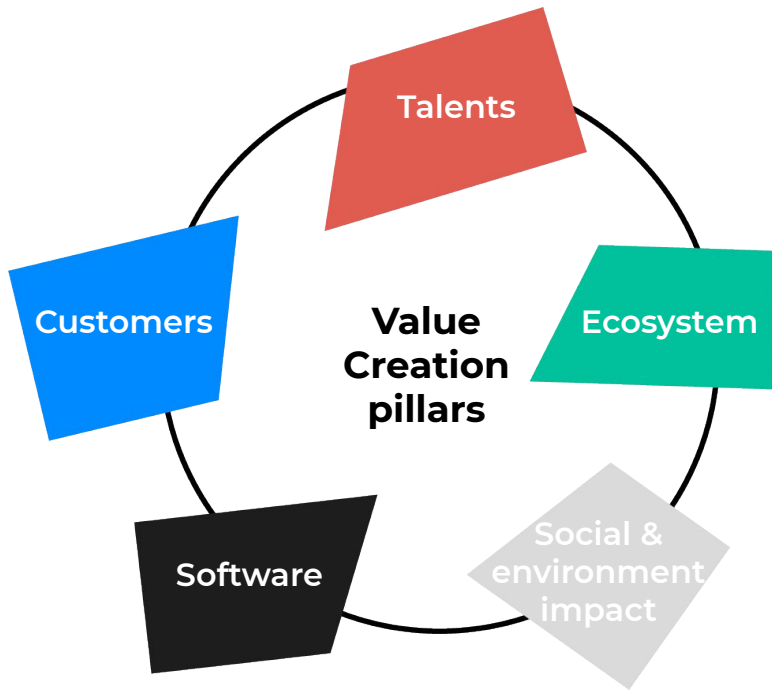
Ecosystem

Social & environmental impact

Software

& other components specific to each company and industry (governance, brand, culture, products and/or services etc.)

These pillars, complementary to financial performance, enable us to answer the question of **how to value innovation**.





Several forces pushing in that direction.

Regulations as well as stakeholder concerns call for a more comprehensive approach.

Regulatory push

The EU directive implemented in France (2017-1180 ordonnance) replaces companies' CSR reports with a compulsory "Extra-financial performance declaration" *.

It takes into account 4 categories of information: social impact, environment, human rights, and fighting corruption.

The objective is to make **extra-financial indicators** an integral component of a company's reporting, and to illustrate their **"crucial role in a company's performance and activity"** (Medef website).

* Applies to Public companies with > 500 employees and Revenue > €40m or Balance sheet total > €20m ; to Private companies with > 500 employees and Revenue or Balance sheet total > €100m

Stakeholder push

Investors are highlighting the rising importance of non-financial criteria to assess a company's value.

BlackRock CEO Larry Fink says within the next 5 years all investors will measure a company's impact on society, government, and the environment to determine its worth

Customers' concern for a company's commitment and purpose have encouraged corporates to focus on components other than financials.

By reinforcing its social & environmental objectives, **MAIF** has seen an improvement in its attractiveness and in its customer loyalty, resulting in a €100m cut per year in acquisition costs.

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1 ● The customer era.

Each era has created its own KPIs.

With digital revolution comes the customer era.

200s

Performance
grading of royal family members (China)

1800s

Daily performance of employees (Scotland manufactures)

1930s

ROI & apparition of the first **dashboards** (France)

2000s

Introduction of **ARPU** (Telecoms)

2015s

Digital revolution brings out new **customer-centric** players questioning traditional KPIs

Stakeholder era

Productivity era

Finance era

Customer era

1200s

First follow-up of **margins** (Venice merchants)

1910s

Taylorism introduces the calculation of **time per movement** (US workers)

1970s

EBITDA is introduced to highlight cash flow capacities (US)

1990s

The **Balanced Scorecard** evaluates **financial & non-financial performance** (US)

2018-2019

Amazon, the **"customer company"**, is valued \$1 trn

Customer approach expands to take into account all **stakeholders**

No more markets, only customers.

Looking at the new economy with different “glasses”.



Traditional Economy

Industrial economy, centered on **products**

From markets...

Marketing mix (4P)
Competition on one offer
Market share

From a chain...

Added value
Value chain
Assets owner
Number of suppliers

From core business...

5-year plan
Growth & margin
Business portfolio

Vs



New Economy

Usage economy, centered on **customers**

...to customers' needs

User experience (4C)
Competition on one particular need
Usage share / Share of wallet

...to an ecosystem of partners

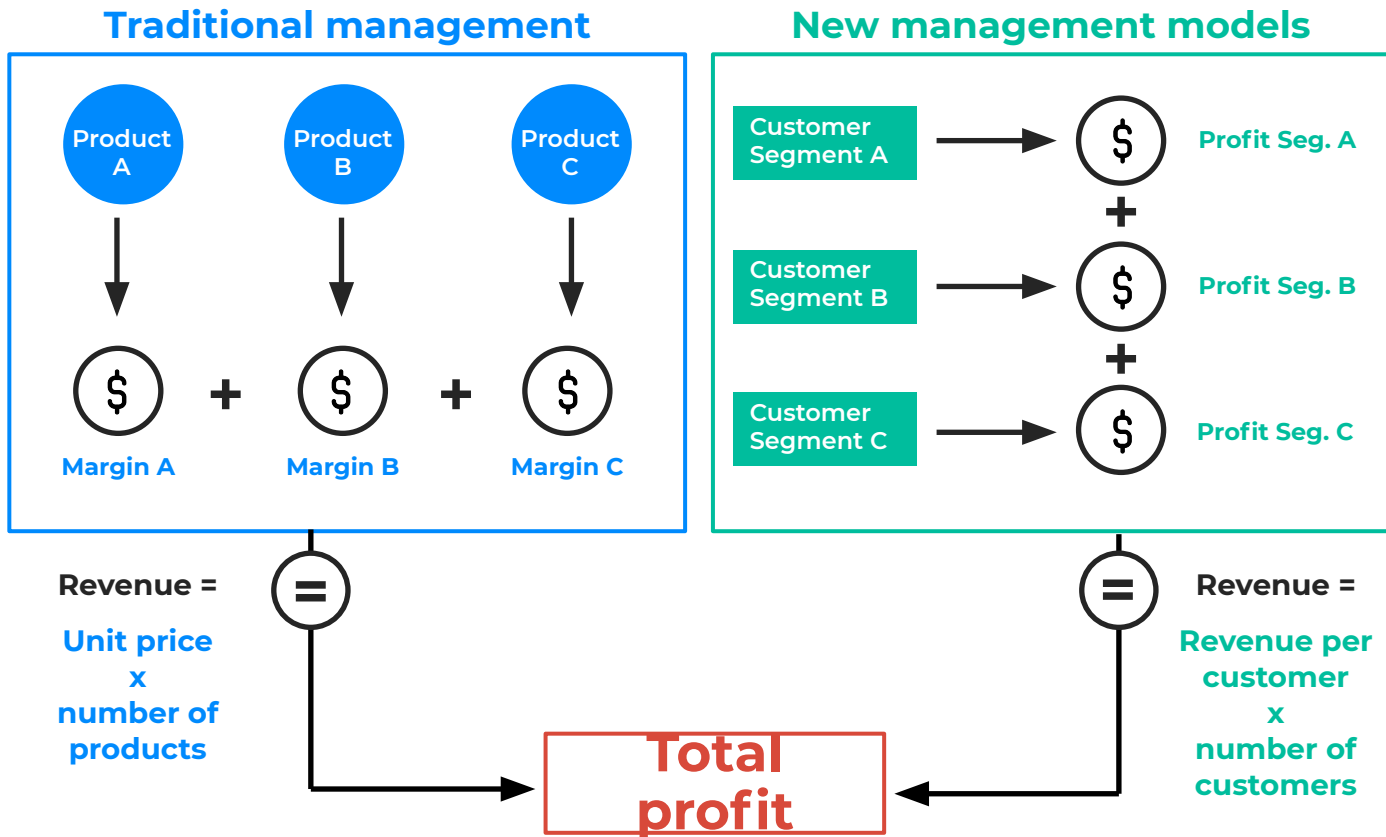
Circular value
Closed loop of value
Network orchestrator
Length of network & diversity of connections

...to mission statement

30-year vision, 6-month action plan
Customer Lifetime Value
Experience platform

Shifting from product management to customer experience.

Revenue based on customer spendings vs products.





Customer centricity, the cornerstone of the new model's success.

Leverage the direct access to customers via customized offers leading to high engagement.

The Customer *Is* the Business Strategy.

"Leading with next-generation key performance indicators"
study, MIT Sloan Management Review x Google

A strong pathway to revenue

New players are building a **direct, disintermediated** relationship with their customers, who are all the more willing to complete transactions when the relationship is qualitative. Their model is based on **economies of scale**, which leads to competitive prices.

Building high entry barriers

The bigger the added value for customers, the better the **network effect** for the brand. By building a wide user base with a high satisfaction rate, new players gain more attractivity and become harder and harder to challenge.

An innovation catalyst

Collecting and analyzing exhaustive customer metrics is a driver of innovation, enabling companies to experiment and create new solutions, services or products and opening the path to **customization**.



Customer centricity
at the heart of winning strategies.

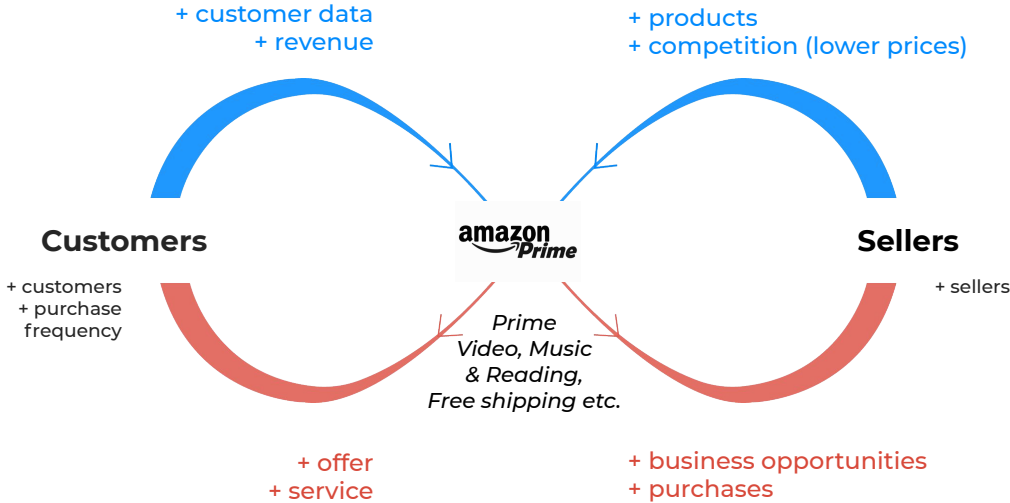


Amazon.

Investing in its customer base to grow profits & improve performance.

Selling subscriptions at a loss... or not!

The classical marketing & commercial approach has usually been to minimize acquisition costs. But with **Prime's** generous advantages (free and soon 1-day delivery, streaming, etc.), Amazon is looking to **maximize its margins** by investing in a growing base of customers spending **more money more often, and spending more time attached to the brand** (rather than optimizing costs).



An investment that pays off:

Amazon Prime

- + Prime subscription (\$120 yearly)
- Prime costs (Video & music content / delivery cost)

= Greater net short-term costs for Prime

Annual spend per member	\$1400	vs.	\$600	non-Prime
Retention rate after 1st year	93%			
After 2 years	98%			

= Greater long-term profit for Prime

[As of June. 2019]



I constantly remind our employees to be afraid, to wake up every morning terrified. Not of our competition, but of our customers.

Jeff Bezos



Amazon.

“An obsessive compulsive focus” on customers, the first driver of success.

Amazon follows **500 KPIs** internally in real time, of which **80% are customer centric**.

Indeed, delivering optimal satisfaction comes from a good knowledge of users.

1

Contact rate

(for each product)

The higher this rate is,
the lower the customer
satisfaction is.

2

Conversion rate

(by product category)

Enables performance
estimation of
recommendation
algorithms.

3

Loading time

(of homepage)

“A 0.1 second delay
in page rendering can
translate into a 1% drop in
customer activity”

Jeff Bezos

4

Delivery date

(of products)

% of purchases that are
delivered after the due
date

“We’re not satisfied
until its 0%”

Jeff Bezos

Thanks to these measures, Amazon has been ranked **number 1** in the American Customer Satisfaction Index for 8 years.

Netflix.

Leveraging customer knowledge to increase engagement and generate revenue.

75%

of the content viewed on Netflix is based on personal recommendations.

Netflix leverages customer data to draw a specific profile for each user and design via complex algorithms a **unique customized catalogue of movies** for each, which has been the base of the **strong customer experience**, on which Netflix built its success.

In a context of increasing competition among streaming services, and of Netflix subscribers growth slowdown in Q2, **customer centricity is all the more key to accentuate user engagement.**

Relying on customer centric metrics

Netflix captures data corresponding to various problematics

When is the user watching the program? Where?
On which device?
When does the user pause or switch off programs?
What do users research?

To better understand users

by cross-referencing data and identifying habits & preferences

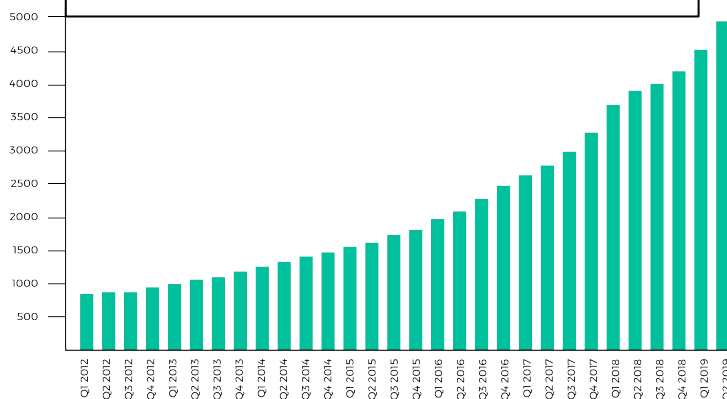
And drive strategic choices

regarding content creation and licence buyout to provide better customized content

House of Cards, a data-driven production

Netflix relied on user data showing their interests & preferences to produce a €100m TV serie and create different trailers, each targeting different customer segments.

A long-lasting growing revenue (in \$m)



Spotify.

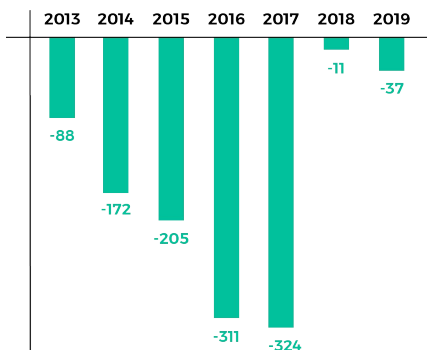
Customer asset as a driver of long-term sustainability, boosting company valuation.

Accepting short-term losses to win the long-term race

Value is not systematically linked to financial profit. Spotify has convinced investors to accept to lose financial value in the short term, in order to gain **customer-related sustainability drivers** (customer awareness, market share, loyalty, share of customer usage etc.). In Q1 19, Spotify was the first music streaming company to reach the **100m paying subscribers** milestone.

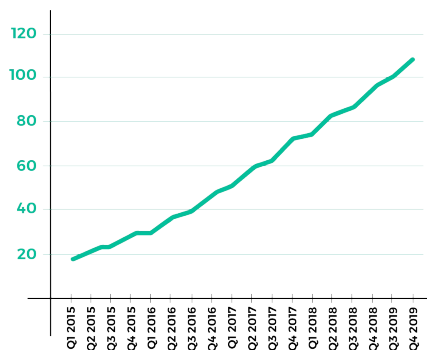
High losses

Spotify EBITDA (€m)



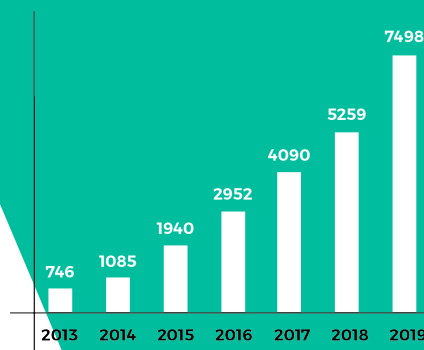
But an exponential customer value

Number of Premium subscribers (millions)



And growing revenues

Spotify Sales (€m)



A strategy leading to a high market valuation (as of Q2 19)

Enterprise value: **€27.8 Md**

EV / paying user: **€258 / subscription**

EV / sales: **4X**

Slack.

Betting on customer experience to attract users and convert them into paying users.

Slack relies on a freemium offer to grow its paying user base

Slack's strategic bet has been to rely on a free offer to attract the most customers. A free well-packaged and high-quality version of the solution is accessible to all, and paying companies are only being charged for their members that are actually active on the platform.

This strategy encourages teams **to onboard as many active users as possible**, with limited barriers to entry.

Slack then relies on its **frictionless user experience** (customization to reflect one's company culture, various services and apps) to encourages users to switch from free use of Slack to paying accounts, and generate revenue.

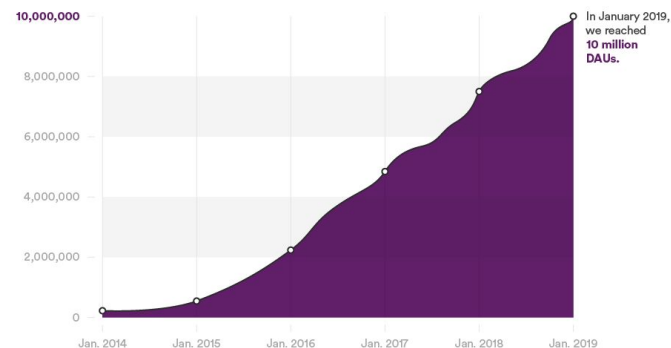
It has already proven its success with a **paying users/total users ratio growing impressively fast.**

Paying users / total users ratio:

30% (Aug. 14)

39% (Feb. 18)

Slack - Daily active users

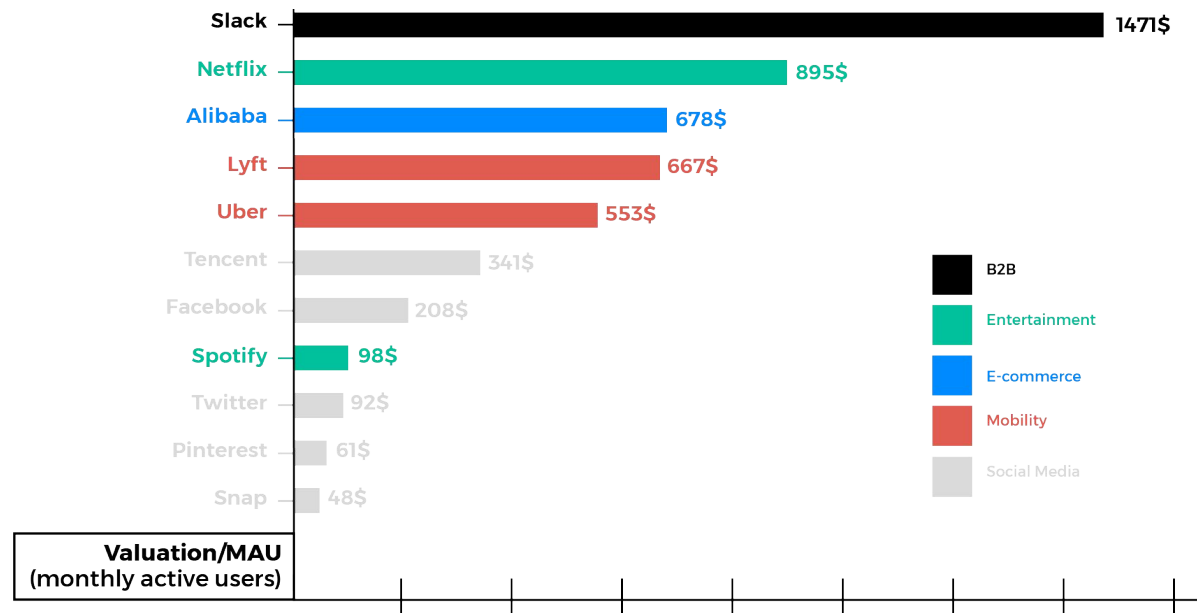


Sources: "Slack, the future workplace", by Fabernovel; Slack

Some customer-centric companies benefit from a high premium.

A recurring revenue model or market potential can be identified as drivers for valuation.

Comparison of customer-centric companies' EV/user.






Two key drivers

The market long term growth potential as illustrated by Lyft & Uber (new mobility) and Slack (New work organizations)

The revenue model: **Subscription** models such as *Slack* and *Netflix* are highly valued as it ensures a longer relationship with the customer while advertising models such as *Twitter* or *Snap* have a lower EV/User.

Among the same sector, valuations can be quite different.

Comparison of 3 social media leaders.

	 Snap A young community offering some opportunities	 Twitter Increasing the ARPU of a stable user base	 Facebook A stable empire
EV/User	48\$	92\$	208\$
No. of users	500m	336m	2.4 bn
ARPU	\$6.3	\$8	\$29
	<p>A decent number of users but users who are not using the service much often.</p> <p>New growth opportunities such as the implementation of video games and new filters, boosting the user base and the potential of increasing ARPU.</p> <p>But an ARPU below sector average Fewer interactions of the user base with Snap lead to fewer revenues from advertising.</p>	<p>A smaller user base of Monthly Active Users.</p> <p>But a higher & increasing ARPU The company shows a high EV/User due to its increasing ARPU.</p> <p>Twitter increased its Sales by 50% between 2017 and the end of 2019, with almost the same user base.</p>	<p>The biggest user base (as of June 2019)</p> <p>A very high ARPU One of the highest thanks to Facebook's various offers and its advertising revenue.</p> <p>Facebook has the highest EV/User among social media sector (excluding Tencent that reaches other sectors).</p>

Growth potential and visibility are critical for investors.

The capacity to give some insights on long term potential is key to engage them.

We see the following components as central for the potential of long term value creation for business models.
It is key for valuation to engage investors on it. That is where the use of customer KPIs plays a major role.



Monetization

The ability to have an elevated **annual ARPU** is highly correlated to the EV/User because it drives a company's revenue.



Magnetism

The magnetism of a company is its ability to **acquire and maintain its customer base** thanks to their offer and targeted marketing.



Potential of new territories

The future potential of a company is its ability to **find new levers of growth** (revenue diversification, new offers) which allows the company to improve the previous 2 pillars (with new offers comes new ARPU and a higher magnetism)



The notion of **customer** goes beyond
the **commercial transaction**.



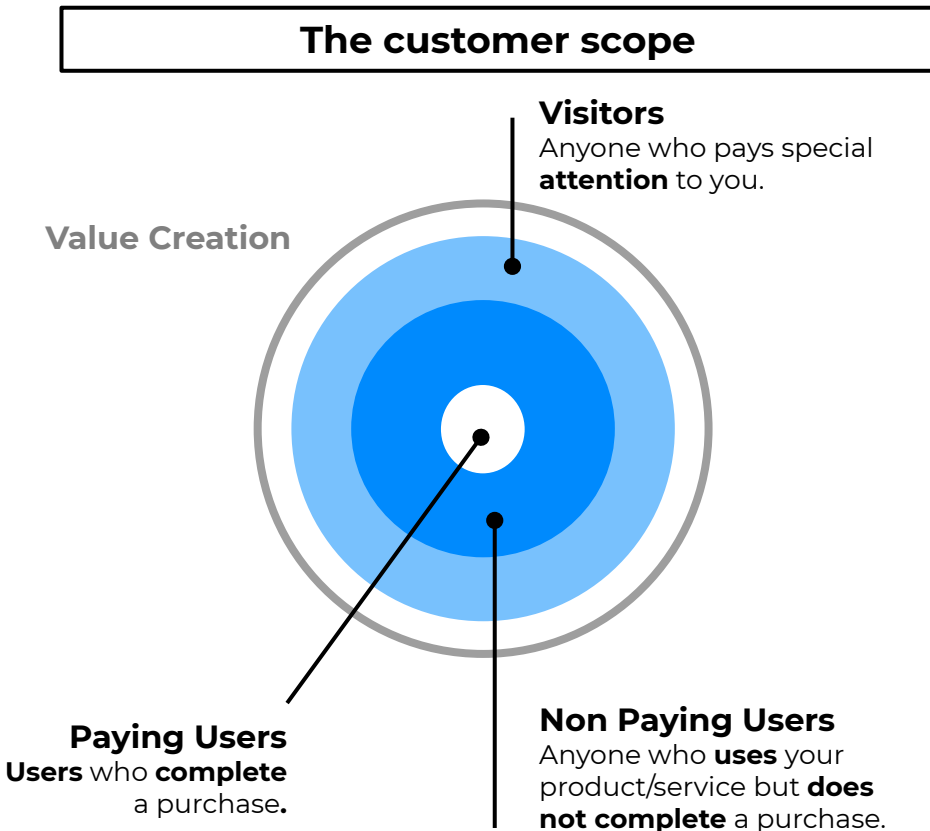
In the digital economy, everyone is a customer.

The customer scope goes from visitors to paying users.

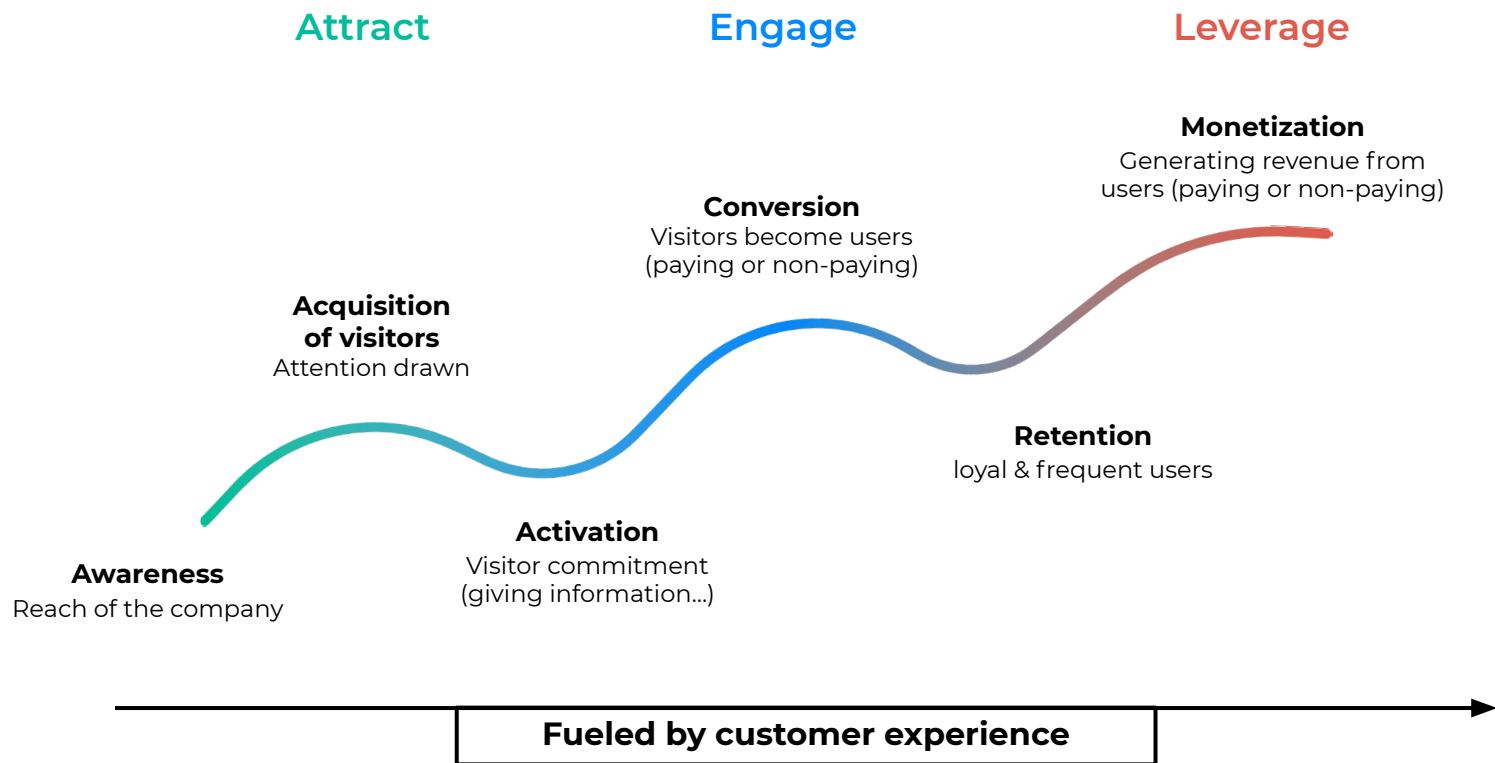
New business models have redefined the customer concept, and make no difference between paying customers & non-paying ones.

Indeed, customer-centric companies strive to deliver the best possible experience to everyone to catch their attention and turn it into commitment, and eventually into revenue... whether or not a transaction is made.

The scope of the customer notion brings together all steps of the relationship with the company, from being a visitor, to being a non-paying user, and finally a paying one.



The customer lifecycle, from attention to revenue.



The customer lifecycle, from attention to revenue.

Depending on their business model, companies can measure paying users, non-paying ones, or both.

B2C freemium models

can measure their **non-paying customers** (users) and their **paying customers** (subscribers), analyzing engagement & **monetization** of each.



Models based on data monetization

(advertising, affiliation)
can measure their **non-paying customers** (users) and their **paying customers** (advertisers).



B2B2C models

can measure their **paying customers** (companies) and their **non-paying customers** (final users: employees).



Experience is at the heart of the relationship with customers.

Customer satisfaction must be the ultimate goal of customer experience.

Customer experience has been a key differentiating factor for successful new business models.
It relies on a few standards that have become a prerequisite:



Simplicity

Amazon offers additional services to provide a seamless experience in fashion: Prime Wardrobe (members try before they buy) and Echo look (clothing style analysis and recommendations).



Efficiency

Gucci partnered with Farfetch to launch F90: a 90mn delivery service of any Gucci article.



Personalization

Spotify generates a unique track curation for each user, thanks to its AI algorithms.



Trust

Qwant differentiated from Google by insisting on user protection, with its slogan "The search engine which respects your private life".

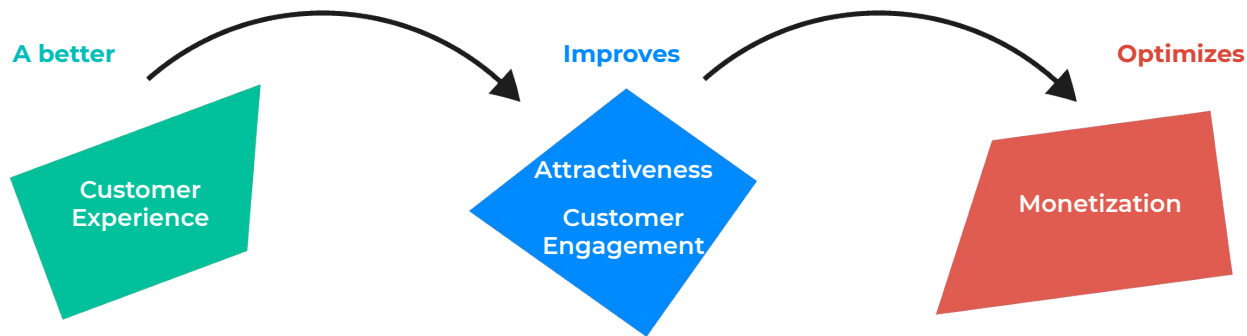
Critical in the digital era, trust has emerged as one of the most crucial standards for customer experience.

A strong relationship of trust relies on **user protection** regarding privacy and/or safety, **company's ethics** in terms of transparency of information and power given to customers, and more generally on the **quality of the value proposition** solving a real need.

*Indeed customers, and more generally stakeholders, penalize companies when trust is no longer respected : **Facebook** faced a strong backlash after repeated data breaches, and **Apple & Samsung** were fined by Italian antitrust authorities for their planned obsolescence practices considered dishonest for users.*

Experience is the backbone of customer value.

Experience lays the foundation to attract customers and engage them, in order to create value.



Inversely, a better knowledge of each step of the customer path can highlight potential areas of improvement of the customer experience.

ZAPPOS (Acquired by Amazon in 2009)

Delivering wow customer service to achieve a low churn.

Zappos invests in its 'Customer Loyalty team' to deliver a **wow service**, via an overstaffing that enables "breathing space" for employees, in-depth training and a wide flexibility regarding scripts and calls timing.

By focusing on its customer service, Zappos creates a strong emotional connection with customers, which has proven successful in terms of acquisition and retention.

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2

**How to assess & improve
customer value.**

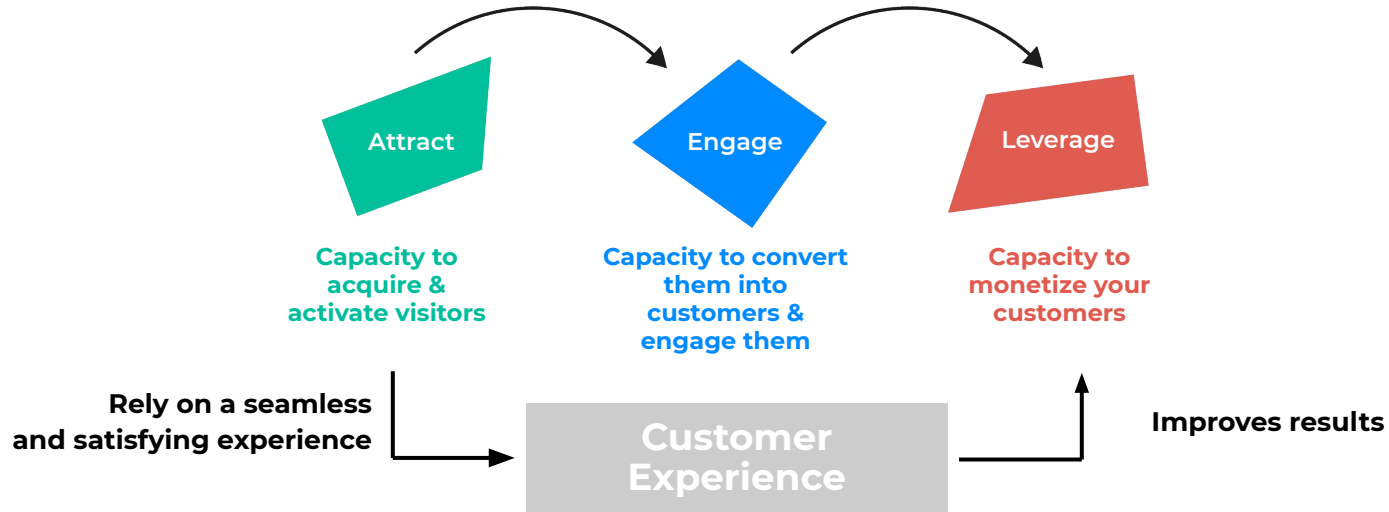
**“ If you don’t measure it,
you can’t improve it.**

Lord Kelvin

Evaluating each step of the customer lifecycle.

Measuring your customer centricity through each step of the customer path.

The framework to evaluate a company's customer capital integrates 4 complementary key blocks of KPIs that retrace every aspect of the customer scope:



The framework will reflect the maturity of one's company on its customer centricity.

Assessing attractiveness.

Attracting new visitors and activating them.

Attractiveness

is the first key phase in the relationship to customers:

raising awareness and acquiring new visitors. There is no monetization at this stage thus no direct impact on the P&L but it will condition the rest of the value chain.

How well does the company manage to reach a wide audience?

Awareness

Company marketing reach

Nb of followers on social media

Nb of views of content published

Nb of reactions (likes, claps...)

Nb of attendees to events

Nb of subscriptions to newsletters, clubs...

Brand/Product/service magnetism

Nb of brand/product/service mentions, researches

Brand knowledge (based on surveys & perception studies)

Rate of adoption of the product/solution

Viral coefficient

How many new visitors does the company attract?

How well are they activated (from someone paying attention to someone who takes action)?

Acquisition of visitors

Nb of visitors (anyone who pays attention)

Nb of visits on the website/physical venue/First contacts for business services
(Direct Traffic + indirect traffic, per channel)

Nb of single visitors (website, physical venue for meetings): Gross adds, net adds, overall growth

Nb of customer requests about the product/service

Activation

Nb of accounts/sessions created

Nb of proposals or demos required

Nb of app downloads

Attract — Reporting use cases.

Financial services & mobile payment



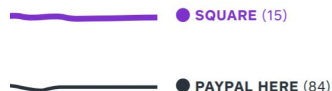
Magnetism & activation

KPI:

App store ranking, based on number of downloads

Reporting:

IOS APP STORE—BUSINESS APPLICATIONS RANKINGS
"Number of downloads" is primary component of ranking



Square Investor Presentation May 2019

Online fashion retailer



Tracking traffic

KPI:

Nb of visitors

Reporting:

1,992.8m (+19%)
Total visits

77.0% (up from 70.3%)
Mobile device visits

Asos 2018 financial report

Social Media



Reach

KPI:

Audience
Audience reach

Reporting:

- As of March, Snapchat reaches 90% of all 13-24 year-olds and 75% of all 13-34 year-olds in the U.S.
- Our audience watching content on Discover every day has grown over 35% year-over-year.

Snap 2019 Q1 & Q2 earnings

Assessing Engagement.

Converting visitors into users and retaining them.



Engagement

will be critical regarding the potential of revenue and value creation driven by each customer.

Once visitors engage with the product/service, they become users. Either paying or non-paying users (ex : freemium models) participate to create value and impact the P&L, directly or indirectly.

Are visitors successfully converted into users?

Conversion

From visitors to users (Paying or non-paying)

Total nb of active users (Gross adds / Net adds/Total growth)

Conversion rate (from visitors to users (paying or non-paying)

Nb of contracts/ purchase/ membership abandonment; rebound rate

From non-paying users to paying users

Conversion rate

Do these users become loyal and committed to the company?

Retention

Paying & non-paying users

Daily/monthly active users

Retention rate / Churn rate

Average lifespan of customers

% of returning customers

Usage : Nb of interactions/ average time spent/visits; Nb of pages seen per session

Recurring users (paying)

Average time between service contract renewals or purchases

Nb of recurring buyers

% recurring purchase or service contracts (Nb of repeat purchases/nb of total purchases)

Commitment

Nb of referrals & sponsorships

Nb of new users drawn by existing users

How many final users, and how engaged are they?

Final user data

Nb of final users

Total, net adds, gross adds, growth

Daily/monthly active users

User churn rate / retention rate / nb of returning users

Usage

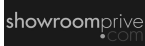
Nb of interactions/ average time spent/visits; Nb of pages seen per session

Frequency of usage

Average lifespan of users

Engage — Reporting use cases.

Fashion e-commerce company

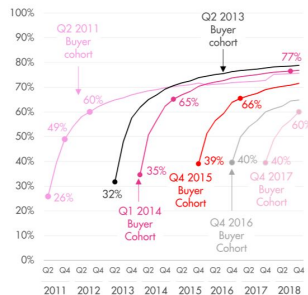


From members to repeat buyers

KPI
Conversion rate of first-time buyer into repeat buyer

Reporting

A significant share of first-time buyers become repeat buyers...increasingly quickly
First-time buyer to repeat buyer conversion (France)



Showroomprive 2018 results presentation

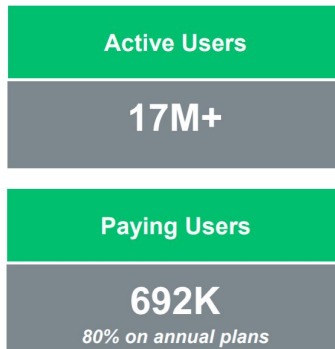
Online surveys solution



Users

KPI
Active users
Paying users

Reporting



SurveyMonkey yearly report 2018

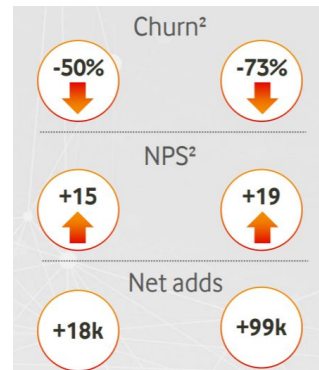
Telecom operator



Retention of customers

KPI
Churn rate
Net adds

Reporting



VodafoneZiggo Presentation, March 2019

Assessing Leverage.

Monetizing customers and maximizing value.

Leveraging

means monetizing.

By evaluating customers' (including both visitors and users) impact on P&L, value creation can be quantified, monitored and optimized.

What revenue is drawn directly from paying & non-paying users?

Customer revenue

Direct revenue (paying users)

Total & average revenue per customer
 % **revenue** from high value customer
 % **revenue** from repeat customers
 ARR per customer
 ARPCO
 Upsell & cross-sell rate
 RGU
 Average **basket** value size, GMV, Nb of orders per customer

Indirect revenue (Non paying user)

Total **revenue** per user
 ARPU
 FCF per user
 ARR per user

What are the costs for each user?

Customer costs

Paying users

CAC* (blended, paid)
 Fulfillment cost ratio
 Marketing costs (channels costs,
 Pay-per-click costs...)

Non paying users costs (if applicable)

User acquisition cost / Marketing costs

What is the overall value generated by each user?

Customer value creation

EV/customer
 CLV (per customer or per cohort)
 Contribution margin per customer
 Content created by customers

Cash impact

FCF per customer
 Poor debt status / Payment delays

Leverage — Reporting use cases.

Social media

facebook

From members to repeat buyers

KPI:

Average Revenue Per User (ARPU), worldwide & per region

Reporting:

Average Revenue per User

Worldwide



US & Canada



Facebook - Q2 2019 Results

Meal kit delivery service



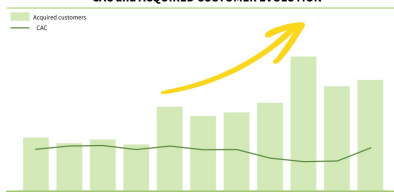
Users

KPI:

Customer Acquisition Cost

Reporting:

CAC and ACQUIRED CUSTOMER EVOLUTION



HelloFresh - Capital Markets Day 2018

E-commerce company



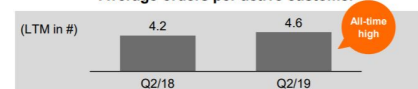
Retention of customers

KPI:

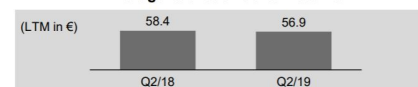
Average orders/basket size/GMV per active customer

Reporting:

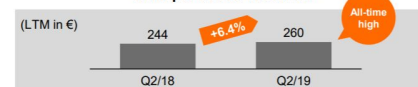
Average orders per active customer



Average basket size after returns¹



GMV per active customer²



Zalando Q2 2019 earnings

Assessing Experience.

Providing a qualitative experience to maximize satisfaction.

Customer experience

is a key enabler in the customer relation and will drive a company's ability to optimize its centricity and generate the best value from it. Today, most companies limit their attention to NPS or customer service indicators: they need to push their analysis beyond.

How well does the company know and adapt to its customers?

Personalization

Knowledge of customers

Customer habits & preference metrics
Customer profile

Curation

Amount of dedicated content
Amount of customized products or services
Level of anticipation of choices and needs
Singularity & differentiation of the experience

How qualitative and seamless is the experience provided to customers?

Quality of experience

Simplicity

Frictionless experience :
Ergonomics of the digital or physical venue (app & website loading time) and of the customer path
Additional services :
Free trials, return policies

Efficiency

Customer relation :
First contact resolution and % of resolved issues ; delay of answers and problem resolution time
Delivery & delay time
Initial training time of employees

Trust

User protection:
safety of the product/solution, data, privacy
Ethics : responsibility of the company, respectful business practices

How positively do customers evaluate their global experience?

Satisfaction

Overall satisfaction

Product or service ranking
Nb of cancelled orders
Customer Satisfaction rate/score (CSAT) ; NPS
Social sentiment (% of positive reaction, positive vocabulary)

Experience satisfaction

Customer Effort Score, Customer experience index (Forrester), System usability scale
Level of emotion generated by the experience (Net Emotion Score)

Experience — Reporting use cases.

E-commerce conglomerate



From members to repeat buyers

KPI:

Average Revenue Per User (ARPU), worldwide & per region

Reporting:



Alibaba - Investor Day 2018

Rental & mobility company



Users

KPI:

Customer Acquisition Cost

Reporting:



Customer satisfaction

CSAT Booking

	May.19	Sat rate
Europcar	4.04	81.8%

Europcar Mobility Group 2019 Capital Markets Day

Meal kit delivery service



Retention of customers

KPI:

Average orders/basket size/GMV per active customer

Reporting:

Children

Almost 30% of customers are cooking for children under 18

27%

73%

- Cooking for kids (under 18)
- Not cooking for kids

Based on email survey of Blue Apron account holders conducted in April 2018 with 1,074 respondents.

Blue Apron - Investor Presentation (Q3 18)

The background is a solid red color. It features several white geometric elements: a large white shape on the left side that resembles a stylized '3' or a torn piece of paper; a white triangle at the top center; a white triangle at the bottom right; and three dashed white circles of varying sizes scattered across the upper and lower portions of the slide.

3

Where do companies stand today?

Main trends & reporting practices.

A lack of homogeneity in the customer-centric approach.

Incumbents have not switched to a new reporting approach yet.

In our study led about several French and international companies, two main trends emerged.

A gap in reporting practices

Customer-centric reporting practices still vary highly between digital players and more historical ones

Digital native companies were created with a stakeholder centric approach, and a monitoring/communication focused on customer KPIs from the beginning. **However, even if other companies have initiated a deep transformation of their organization, hardly any of them have really switched to a new reporting approach yet.**

A variety of KPIs

In general, companies tend to report metrics related to all steps of the customer lifecycle (**attractivity, engagement, leverage, experience**)

With a slight focus on customer engagement.

Benchmark methodology: Collection & classification of customer-centric KPIs

General overview of CAC 40 companies compared to a panel of large **digital natives** (GAFAM, social media, e-commerce)

Deep dive on a sample of 35 various B2C companies, both digital natives and traditional, among a diversity of sectors: Insurance, Banking, Social media, Streaming, Mobility, Leisure, Video games, E-commerce, Retail, Food Tech, Telecoms, Energy.

Mostly based on external reporting (2018-2019 results publications, press releases)

With insights on internal reporting practices (Corporate blogs, research articles, white papers, interviews).

Digital native companies leading on customer-centric reporting.

Different models, different practices.

Customer-centric **external reporting** appears to be a standard for “**digital native**” companies (Tech giants in e-commerce, social media, streaming...). However, it remains less common among **incumbents**, except for a few pioneering sectors like Telecoms.

Overview of CAC 40 companies & a panel of 10 large “digital natives” :

CAC 40 external reporting

0%

Have external reporting mainly focused on customer metrics

60%

Communicate on at least one customer KPI

Main KPIs

Number of customers
Satisfaction metrics (mostly NPS)

“Digital natives” external reporting

50%

Have external reporting mainly focused on customer metrics

90%

Communicate on at least one customer KPI

Main KPIs

Number of customers & growth
Number of active customers ARPU

Average number of customer KPIs reported

By digital native companies

5.2

By CAC 40 companies

1.7

Such a gap can be explained by an uneven access to the customer, different models and cultures and the difficulties encountered to change an historically different approach as well as the legacy business.

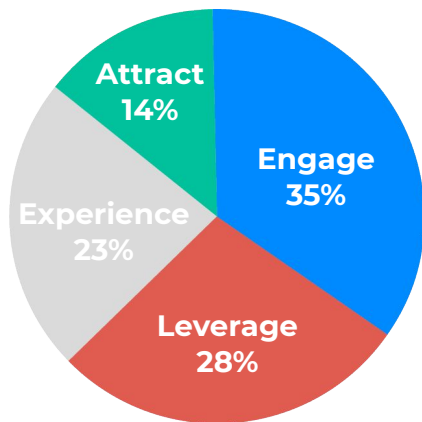
Companies focus on different aspects of the customer scope.

Companies report KPIs related to all categories, with a slight focus on engagement.

Deep dive on a panel of thirty-five B2C companies with various industries and nationalities:

A variety of KPIs reported

Repartition of KPIs collected



Most reported KPIs

Number of customers:
Reported by
53%
of benchmark's companies

Total & average
revenue per user:
Reported by
33%
of benchmark's companies

Active customers:
25%

Number of orders
per customer:
25%

Customer profile:
25%

Areas of focus 25% of companies communicate on all 4 categories of KPIs

94% of companies included in the benchmark report at least one metric related to **Engage**.

72% of companies included in the benchmark report at least one metric related to **Experience**.

61% of companies included in the benchmark report at least one metric related to **Leverage**.

42% of companies included in the benchmark report at least one metric related to **Attract**.

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4



And for you?

The path to customer KPI reporting.

The path to customer-centric reporting.

A three-step plan to integrate customer KPIs into your reporting.



Selecting
the right KPIs



Implementing
your KPIs



Harnessing
your KPIs
Internally
& externally

Selecting the right KPIs

For each company its own KPIs, adapted to its specific needs.

Selecting the relevant metric

Temporality
(can be contextualized)

Rate/Ratio
(comparable)

Intelligible
(easily understandable)

Decision-oriented
(actionable)

Strategic customer KPIs driving your financial performance

Focus on adequate KPIS providing actionable insights on your long-term financial performance.

"The one metric that matters"

Focus on the one metric that is most critical for your performance and that can be followed over time.

A few examples of OMTM (one metric that matters)



OMTM: Time between the 1st & 2nd connexion



OMTM: Nb of friends added in the 10 days after inscription

Implementing your KPIs.

A progressive process for a long-term approach.

Complementary approach

Customer-centric reporting does not replace traditional financial indicators; it brings complementary information in order to improve value creation.

Starting internally

To set sustainable customer-centric reporting, start by following & monitoring these KPIs internally before communicating externally on it.

Engaging your teams

CEO, CFO, COO, Operational teams, Unit managers etc. need to be familiarized with this new approach.

Setting up tools & guidelines to reach goals

Set specific objectives to be reached for every step of the way, tools (automated data tracking etc.), and a timeline of follow-up.

Defining your level of action, depending on your maturity on customer approach

Collecting customer data, analyzing to extract information, and/or leveraging data to engage actions.

Harnessing your KPIs internally.

Setting the internal purpose of your follow-up.

Leveraging your KPIs internally:



To monitor
company's performance



To optimize
resource allocation



To segment
customers and identify
new customer needs to
launch new offers



To monetize
customer data to third
parties

Who ?

Teams: **Executives, Management, Operationals**

Nike: using Customer Lifetime Value to optimize resource allocation.

Selecting and implementing CLV to better forecast customer value.

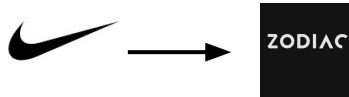
In 2017

Nike launches "Consumer Direct Offense" plan to improve direct customer relation



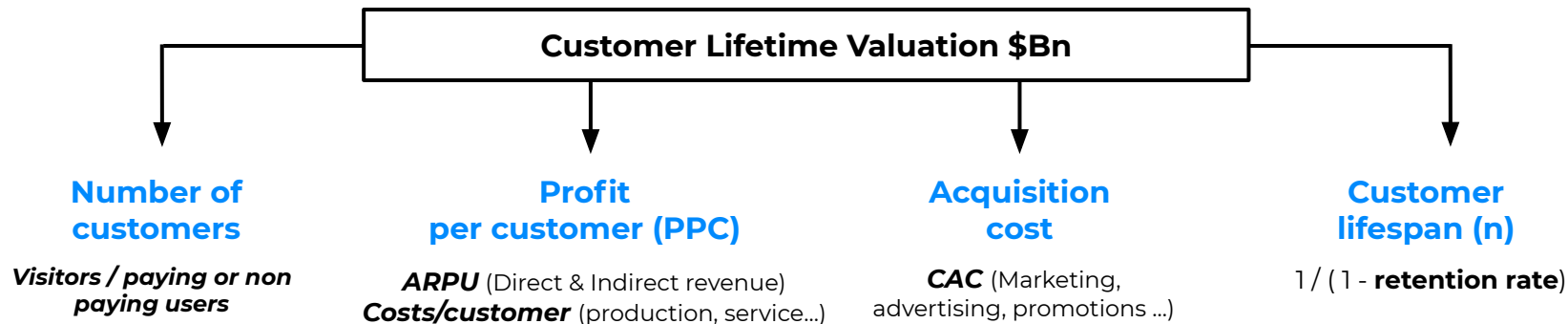
Early 2018

Nike acquires Zodiac (consumer data analytics) to help calculate CLV.



The results

Better understanding of the value of an individual customer enabled them to **boost revenue and retention**, with the right marketing, recommendations and offers.



$$CLV = \sum_{k=1}^n \frac{PPC_k}{(1 + WACC)^k} - CAC$$

Harnessing your KPIs externally.

Setting the external purpose of your follow-up.

Building on your KPIS externally :



To educate
on your model



To measure
your impact



To value
your customer asset
and strategy

Who ?

Stakeholders: **Investors, Partners, Customers, Media, Regulators**

Twitter: valorizing customer capital to financial markets.

User acquisition KPI positively influences market reaction after disappointing forecasts.

+ 5 million
Daily active users

In the publication of its 2019 Q2 earnings, Twitter published a guidance adjusted downwards, with revenue growth expected to slow down and a disappointing forecast.

And yet, the company's market cap has been up following the publication of its quarterly results, driven by a better user acquisition growth which has pushed investors to focus on mid-term potential.

+ 10%
Stock price



The KPI toolbox for starters.

A few elements to begin with:

The must haves

- / Direct traffic
- / Conversion rate
- / Nb of active users
- / Churn rate
- / Recurring users
- / ARPU
- / CAC
- / CLV
- / NPS
- / Customer habits specific to each company

The underrated game changer

Customer experience has been crucial for the success of new business models.

It is key to gather experience KPIs on every step of the customer journey and to set specific objectives for each step.

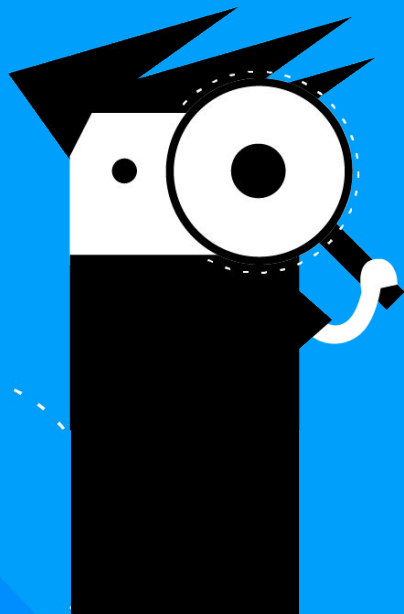
Offering the best experience tailored on customer's specific needs must be an all-time preoccupation.

The next move

New customer concerns and interests in social & environmental issues impact the customer-business relationship. Customers loyalty is now related to the company's external commitment.

Stakeholders centricity soon to be integrated as a driver of customer value ?

Going further : Download [Fabernovel data mapping toolkit](#)



And you, how customer-centric are you ?

Evaluate the level of maturity of your customer approach.

[Click here for an overview of the index !](#)

To access the full version of the index, you can contact us at : axelle.ricour-dumas@fabernovel.com

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Graduate from ESSEC, Gabrielle joined Fabernovel in 2018 as a **Value Analyst**.

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Axelle joined Fabernovel in 2018 as a **Director**, after 20 years as Equity analyst at Cheuvreux, Director of Investor Relations at **IPSOS** and Founder of her company, **MYFINADVICE**.

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Jérémy joined Fabernovel as a **quantitative analyst**, after graduating from **CentraleSupélec** and **ESCP Europe**.

He specializes in quantitative finance and data analysis, especially for tech companies, and works on several projects including financial research, financial modelling and ecosystem modelling.

KPIs glossary.

ARPCO

Average Revenue Per Convergent Offer

ARPU (Average Revenue Per User)

total of revenues/total users

ARR

Annual Recurring Revenue

Avg. lifespan of customer (in months)

1/monthly churn

Cohort analysis

analysis based on consumers/users fragmentation

Customer acquisition cost

total acquisition campaign costs/number of new customers (*CLV/CAC ratio*)

Customer concentration

biggest customer revenue/total revenue

Customer Effort Score

measures satisfaction regarding the effort through customer journey

Contribution margin

selling price per unit minus the variable cost per unit

LTV or CLV / Customer lifetime value

$ARPU \times 1/CLV \text{ attrition rate}$ *Can also be based on FCF, margins...*

DMT (Durée Moyenne de Traitement)

average processing time

First Call Resolution

first call resolution rate, reflects customer service performance

Fulfillment Cost Ratio

Fulfillment cost (Cost of sales & distribution: logistic, content, creation, services, payments)/revenue

GMV (Gross Merchandise Value)

average nb of orders per customer x average basket size (after returns)

Marketing Cost Ratio

marketing costs/revenue

Net adds

new subscribers or customers - nb of unsubscribing

Net Promoter Score

% brand ambassadors - % brand detractors

KPIs glossary.

Network effect

the more a product is used, the more its value increases (ex : Facebook), each company has its own KPIs to assess it

Problem Resolution time

(Sum of All Interactions for Total Resolved Issues - Total nb of Resolved Issues)

RGUs

Revenue Generating Units (a customer can represent various RGUs: for example when subscribing to a mobile phone contract + TV contract + internet → the customer represents 3 RGUs)

Traffic sources

direct, organic...

Conversion rate

pace at which the solution/product/service has been adopted

Rebound rate

customers leaving site without a chance to convert them

% repeat purchase

$$\text{Nb of repeat purchase} / \text{nb of total purchases}$$

Requests rate with low/high level of added value

simple/recurring customer service requests rate vs. complex ones


Retention rate

$$\frac{\text{Nb of Customers at End of Period} - \text{nb of New Customers Acquired During Period}}{\text{nb of Customers at Start of Period}}$$

Virality

speed of product/service spread, can be measured by k-value (average nb of invitations sent by each user * conversion rate of invitations into new users)

Companies analyzed in the benchmark.



/ Activision Blizzard	/ Facebook
/ Airbnb	/ HelloFresh
/ AirFrance	/ Netflix
/ Alibaba	/ Orange
/ Allianz	/ PSA
/ Amazon	/ Showroomprive
/ Asos	/ Snap
/ Axa	/ Spotify
/ Baidu	/ Square
/ Blablacar	/ Takeway.com
/ Blue Apron	/ Twitch
/ BNP	/ Twitter
/ Carrefour	/ Ubisoft
/ Crédit Agricole	/ Vodafone
/ Easyjet	/ WeChat
/ EDF	/ Zalando
/ Engie	/ Zynga
/ Europcar Mobility Group	



Thank you

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