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Module Eight:
Practical CSM Framework Phase 6: Value Realization
Workbook One

Welcome to Workbook 1 of Module 8, in which we will examine Practical CSM Framework Phase 6: Value Realization. The Value Realization phase is a really critical one for the CSM to get right, and this is because from the customer's perspective this is the phase when all the value is generated for them. So from the CSM's perspective this means that it is during this phase that they are going to help their customer not just to generate that value but also measure it, analyze it and report on it so that the customer's senior decision makers are aware of it.

Because this phase is so important, there is a lot to talk about, and so we have decided to create not two but four workbooks for this module.

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Practical CSM Framework Phase 6: Value Realization – Agenda

- Promised and Anticipated Value
- Determining the Value Generated
- Selecting Indicators to Report On

As the name of the phase that we will be covering implies, this stage of the proceedings is all about *value* and in particular we are talking here about value to the customer. This means that it is essential that we understand what "value" means to each of our customers, as this may well (indeed is highly likely to) vary from customer to customer, dependent upon their business model, their products and services, their customers, their vision, mission, goals and strategies and so on.

In Workbook 1 we are going to discuss what value has been promised and anticipated, how to determine what value is being generated from a customer's initiative, and then how to help the customer to select meaningful KPIs that contribute towards the enablement of early analysis of progress towards outcome achievement.

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The proof of the pudding is in the eating. What does this mean? Let's say you go out for a really nice meal in a restaurant – perhaps to celebrate a special occasion. Perhaps you order the chef's "special" for dessert – a wonderful pudding that everyone says is just an amazing gastronomic delight that shouldn't be missed. Perhaps when the waiter brings the pudding to the table it both looks wonderful and smells delicious. But however mouth-watering the dish might look and however wonderful the aroma from the food might be, it's only after consuming it that you can really say that you now know for sure just how good it really is. Up until that moment you have had to take the chef's word for it, and perhaps the advice of others who have dined at that restaurant before you. Only after eating there yourself do you then know by your own experience whether the restaurant you have chosen is as good as it itself proclaims, and the reviews from previous diners all say it is. After all they might be lying, or let's say "embroidering the truth" for their own purposes, or their standards might recently have slipped and it's not as good as it used to be, or quite simply it might be good for other people but just not what suits your own personal tastes and needs.

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Promised and Expected Value

- During pre-sales and sales:
  - Marketing teams explain and present the offerings
    - The customer shortlists potential suppliers
  - Sales teams position solutions to meet the specific needs and desires of each customer
    - The customer selects a preferred supplier to work with

As with puddings so with our own products, services and solutions. During the pre-sales process our Marketing teams explain what we offer and present those offerings in the best possible light to prospective customers, including the use of case studies and references from other previous customers who have purchased our solutions and found them useful and are willing to say so in public. Also, the account manager or other sales executive responsible for the particular sale will do their best to position our solutions as being appropriate to meeting the specific needs and desires of that customer, and will develop and present a sales proposal that undertakes to explain why the customer should purchase your company's solution instead of any other competitive offering. Of course the customer needs to do its due diligence, both initially at the marketing stage to determine a short list of potential suppliers they'd like to invite to develop and present a sales proposal to them, and then at the sales stage when they need to select one supplier's proposal as being the right one to move forwards with.

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Promised and Expected Value

- The sales team will develop a sales proposal based upon research into the customer's needs and requirements
- An AM may well help stakeholders to develop a business case to present internally for funding approval
- Purchases will be based on the expectations of the types and amounts of value returned, and the timescales for by when this value will be attained

To get the initial sales proposal (and ultimately the actual quotation) right, it's highly likely that the sales executive has spent a certain amount of time researching and studying the customer's organization, including asking questions and gathering information to ascertain that company's needs and how best those needs might be fulfilled. So there may well have been a fair degree of input from the customer itself at this early, fact finding stage, at least in answering the sales exec's questions, if not in actually preparing some sort of brief for them in the first place, often referred to as an RFP (request for proposal) document and ultimately an RFQ (request for quotation) document as starting points from which the various suppliers' sales teams can work.

In some situations – most likely where it is an existing, friendly customer that the account manager has built up a good relationship with over a number of months or years – it may even be the case that the account manager has helped the customer to identify their need in the first place, and maybe to then build a business case around implementing an initiative to fulfil that need. This business case may then perhaps have been submitted to a finance or funding committee for them to determine whether or not proceed to the stage of looking for a solution provider from which to make the necessary purchases for whatever products and services the business cases has stated as being necessary for the initiative to succeed.

Whatever the details of the situation during the pre-sales process, what it is fair to say is that the decision to go ahead and make a purchase will be based on the expectations of (if not actual promises to) the customer for what they will receive in terms of the types and amounts of value returned, and the timescales for by when this value will be attained

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Promised and Expected Value

- The start point for the CSM when they get to the Value Realization phase is to check back on previous documentation to remind themselves as to:
  - What was promised
  - What wasn't promised but was also proposed as an expectation in terms of value that would be realized by the initiative

Obviously promises are a little different to expectations. So the start point for the CSM when they get to the Value Realization phase is to check back on their previous documentation to remind themselves as to what *was* promised and also what wasn't promised but was also proposed as an expectation in terms of value that would (or at least might) be realized by the initiative. Both categories (ie both what was actually promised and what was not promised but was nevertheless proposed as an expectation) needs to be clearly identified, since these combine together to form the target or targets for value realization.

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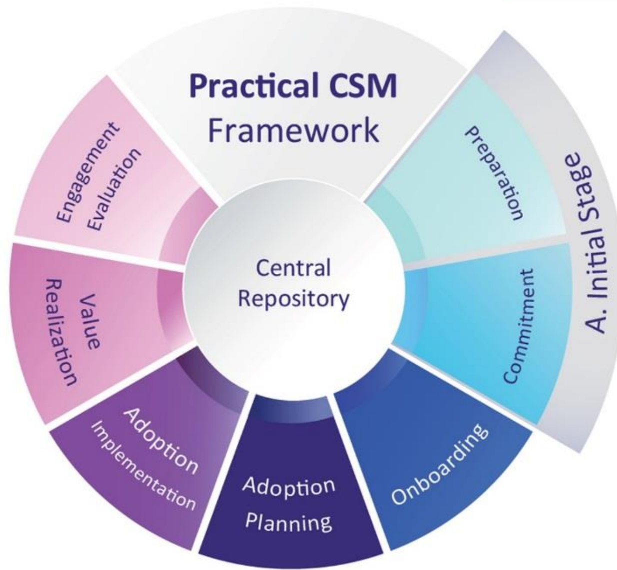
Promised and Expected Value

- One overall target with two levels:
  - The fulfilment of all promises that were made
  - The fulfilment of some or all additional, aspirational desires
- Customers will typically make their purchase decision based on a combination of both of the above, hence it is necessary to understand both

These could be looked at as one overall target, but could also be described as two separate targets – the first and most mission critical being the fulfilment of all promises that were made, and the second and perhaps less essential but nevertheless still very important being the additional values that were proposed as being possible to also achieve. This second target is likely to be harder to fully attain, since it is likely to be (or at least to include) more aspirational desires than the former target. These two targets of what was promised and what was expected will tend to follow the pattern of “must haves” and “nice to haves” from the customer’s perspective. In other words, the customer may well have selected the supplier’s proposal based upon an agreement (ie a promise) that the solution will definitely meet their core requirements – their “must haves”, and then perhaps a secondary consideration for the customer’s selection of the supplier may have been the additional expected value that the customer would consider to be “nice to haves”.



All of this should of course already have been documented right at the start of the CSM's engagement with this customer during Practical CSM Framework Phase 1: Preparation and where necessary validated with the customer's own stakeholders during Phase 2: Commitment. Hopefully by now, it is becoming very clear to you as to why these two phases that combine together to become the Initial Stage of an engagement are so important, and also why they have been given those particular names. You will recall that basic information around outcome requirements would have been captured in the Customer Engagement Strategy tool, and then identified more clearly in the Customer Research Checklist, and then finally agreed with and validated by the customer in the Customer Success Proposal and ultimately the Customer Success Contract (or by using similar tools provided by your own company's existing systems and processes).

The target outcomes for the initiative together with significant milestones and deadlines should therefore have been accurately identified well before the CSM and customer end up at Phase 6: Value Realization, and it is just a case of refreshing one's memory and perhaps circling back with the SPL and other key stakeholders to refresh their memory as well as to what these target outcomes are.

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Determining the Value Generated:

- During the pre-sales process a business case would usually have been created
- This proposal would have been submitted to the company's financial decision makers for approval
- The decision makers may have rejected the business case, accepted it in full, or partially accepted it
- CSMs should learn what occurred at the funding stage

So now we come to the interesting part, which is how to decide exactly what value has been (or is being) generated, what type of value it is, and how much of it is happening.

Let's go back to the pre-sales and sales processes that we discussed earlier in the video. During the pre-sales process a business case would usually have been created. That business case was developed by a business analyst or by a middle manager (typically) such as a department head or process owner, in order to document the justification for the customer organization to invest its money and other previous resources such as it employees' time and energy in the proposed initiative. That analyst or manager would then have presented this proposal to the company's financial decision makers (typically a small committee who might for example sit once a quarter to review and accept or reject all business proposals submitted within that quarter) and of course it would either have been accepted in which case its funding was approved, or rejected in which case its funding was not approved.

Not all funding decisions are necessarily black and white incidentally. So for example the funding committee might have rejected a proposal as it stands but recommended certain changes to it that could be made after which it could be submitted again for their reconsideration. Or a proposal could have been partially accepted – for example funding for the first phase of the proposed initiative might have been agreed, with funding for further phases remaining dependent upon results attained during the initial phase.

An understanding of the process that was gone through at this early, pre-sales stage and especially any decisions arising from that process, plus an understanding of what (if any) involvement the CSM's own company had at this very early "business case" stage, can actually be very useful for the CSM, as this enables a deeper understanding not just of what happened and what was agreed, but also of *how* it happened and *why* it happened as well. Bear in mind also that in many cases the CSM may become

involved in further iterations of funding requests for the initiative they are working on with the customer, where it is entirely possible that reports on progress during the first or initial phases need to be prepared and presented, together perhaps with a business case to support the request for further funding for subsequent phases.

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Determining the Value Generated:

- Value could be divided up into two categories:

Financial Value

Non-Financial Value

How Value is Presented within a Business Case

Value could be divided up into two categories – Financial Value and Non-Financial Value. These are often also referred to as Direct Benefits (ie financial value) and Indirect Benefits (ie non-financial value). What do these two categories mean, and why are they important?

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Direct Benefits

- A direct benefit is any value that can be shown to directly influence the company's finances. For example:
  - Increasing prices by 10% = greater profitability
  - Reducing energy costs by 10% = lesser expenditure
  - Reducing raw materials costs by 10% = lesser expenditure

A direct benefit is any value that can be shown to directly influence the company's finances. So for example:

- Increasing selling prices by 10% = greater profits per unit sold
- Switching energy supplier to reduce energy costs by 10% = lesser expenditure
- Switching raw materials supplier to reduce raw materials costs by 10% = lesser expenditure

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Direct Benefits

- It is relatively easy to calculate the financial value of direct benefits. For example:
- If the retail price of a product is $100, then increasing the price by 10% should provide an additional $10 profit per unit sold
- If 100,000 units are sold per annum then this will equate to $1m in additional annual profits

Because direct benefits have a direct influence on the company's finances it is easy for the company to calculate the financial value of them. So for example if the retail price of a product is $100, then increasing the price by 10% should provide an additional $10 profits per unit sold, and assuming of course that all other figures remain the same (including the number of units the company can sell), then if 100,000 units are sold per annum then that will equate to $1m in additional annual profits (in simple terms at least – of course there may be additional considerations such as sales commissions to take into account for example). So if the company believes it can increase its retail price by 10% without affecting the number of units sold then it's on to a winner.

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Direct Benefits

- Another example:
- What if the company increases the price by 20% and now only sells 90,000 units?
- This equates to $1.8m in additional profits, however it also equates to $300k in lost profits
- The net gain in profits therefore would now be $1.5m per annum, which is better than the previous example

Let’s change the scenario. Let’s now say that the company believes it can increase its retail price by 20%, although in doing so reduce the number of units sold by 10%, what then? Well, the additional value created would be $20 x 90,000 units sold = $1.8m in additional profits. But how much has been lost in profits from the 10,000 units that will not now be sold each year? To answer this we’d need to know how much profit per unit the company currently makes. Let’s say they make $30 per unit. So the lost profit would be $30 x 10,000 = $300,000 (again this is a very simple figure – for example it might cost more per unit to manufacture 10% less units, in which case this would need to be taken into consideration). So now we know that by increasing the retail price by 20% the company expects to gain an extra $1.8m in additional profits from the (reduced) number of units it sells, but also expects to lose $300k in profits from selling less units, leaving a net positive gain of exactly $1.5m pa, which of course is $500k better than increasing the price by 10% and keeping the sales volume the same.

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Value is Not Always the Same

Is the decision to increase prices by 20% justified?

Scenario A: Sell the company to a larger competitor

Scenario B: Become the number one vendor

So in this situation as described, is the decision to increase prices by 20% justified? Should the company make the decision to do so? What is your opinion? On the face of it, and looking just at the financial information alone, the obvious answer would be “yes” since of course the company will gain additional annual profits of $1.5m, and who wouldn’t want an extra $1.5m in profits every year?

However, there may be reasons why a company’s senior decision makers (in other words the top level managers who are setting the overall, long term, strategic direction for the entire business, as described in Module 2 when we looked at business fundamentals) might decide *not* to raise the retail price by 20% and instead either raise it by a lower amount, or simply not increase the retail price at all in order to keep the number of units sold at its current level. Why would they do this? Here are two very different corporate strategies that might have been set by the senior management team:

Scenario A: Sell the Company to a larger competitor

In this scenario the company is preparing itself for an acquisition by a larger competitor, which it aims to do within the next five years. Currently it is growing fast but it’s not yet profitable, only just barely breaking even each year. In order to be attractive as a potential acquisition it needs to start turning a healthy profit each year so that they can prove the potential value of being acquired in its annual financial reports.

Scenario B: Become the Number One Vendor

In this scenario the company wants to become the dominant player in its market and be the number one vendor for their product within their region. Currently they are fifth largest by revenue, and they want to become the largest. This market dominating position will provide them with a strong base of customers from which they can then grow by expanding their product range.

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Value is Not Always the Same

- Each scenario leads to a different decision:
  - For Scenario A it might make sense to increase the retail price in order to gain the additional profits at the cost of losing some customers
  - For Scenario B it might make sense to keep the prices as they are in order to continue to grow revenues and expand their customer base

Both of the above high level strategic desires are perfectly normal and healthy, and many companies' senior managers might have something similar to one or the other as their actual long term objective. Of course they may not necessarily *say* to the outside world either that they want to be acquired in a few years' time, or that they want to become the dominant player in a particular market, or indeed they may not even tell this to their more junior management team, but that doesn't mean that those strategies don't exist or aren't being worked towards. Instead of releasing the reasons behind their long term strategy, Company A might for example release a "mission statement" about consolidating their position and increasing their profits, and Company B might for example release a "mission statement" about growing revenues and increasing numbers of customers. In each case they have set the overall direction for shareholders to understand and for more junior managers to follow but without necessarily giving away more information than they wish to at this point in time.

If we now turn back to our strategic decision as to whether or not to increase the retail price of the product, it is clear that for Scenario A it might make most sense to increase the retail price in order to gain the additional profits at the cost of losing some customers. It is also clear that for Scenario B it might make most sense to keep the prices as they are or increase them by a lesser amount or even potentially to *reduce* the price in order to continue to grow revenues and expand their customer base.

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Value is Not Always the Same

- Neither scenario is “wrong” they’re just different strategies
- Understanding corporate vision and mission helps the CSM by providing the context for business decision making within that company
- It is therefore important to know the customers’ strategic outcome requirements, as well as the data

To be clear – neither of the above strategies can be said to be right or wrong, they are just “different”. Each senior management team is paid (and paid extremely well usually) to come up with the right strategy for the unique and specific situation their company is in. As we have seen, the decisions of the senior managers of two companies that on the face of things may seem very similar may actually vary wildly, based upon very different corporate objectives.

Hopefully what you have understood from this section is that before we can start to help calculate the value from an initiative it is very helpful to have an understanding of the overall corporate vision and/or mission of our customer’s company, since this helps to provide context for what the word “value” might mean. For example for Company A you might lead your report on the value attained by the initiative by describing the additional profits that have been generated, whereas for Company B you might focus more on the additional numbers of products that have been sold or the numbers of new customers that have been acquired.

The rule therefore is that whilst it is a great starting point to know the data, it is much better to also understand the customers’ strategic outcome requirements, so that the data can be interpreted and reported in a way that shows how these strategic outcome requirements are being supported by the initiative.

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Indirect Benefits

- An indirect benefit is a value that is harder to link directly to the company's finances. So for example:
- Reducing time to deliver orders = more satisfied customers
- Increasing the amount of brand advertising = greater public awareness of the brand
- Reducing the time to develop and release new services = more attractive services on offer

An indirect benefit is a value that is harder to link directly to the company's finances. So for example:

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Indirect Benefits

- It is harder for the company to calculate the financial value of indirect benefits than direct benefits
- More work might need to be completed before the CSM can present the value from an initiative to the customer's senior decision makers in a way that is going to make the most sense to them

It is harder for the company to calculate the financial value from an indirect benefit than from a direct benefit. This of course is because of the "indirect" nature of the value being created, which by definition means that the value is not directly measurable in financial terms. Because of this, more work might need to be completed before the CSM can present the value from an initiative to the customer's senior decision makers in a way that is going to make the most sense to them.

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Measuring Indirect Benefits

- The customer has purchased a solution to help reduce delivery times
- Reducing the time to deliver orders will lead to more satisfied customers
- Increased customer satisfaction will lead to more sales from existing customers, which is the desired outcome from the initiative

So if an indirect benefit is difficult to measure, how do you measure it?

Let's use the first example of reducing the time to deliver orders to illustrate how this might work. Let's say that our customer has purchased a solution from us that helps them to reduce their delivery time for product orders placed by their customers. Perhaps our customer has told us that they are confident that reducing the time to deliver these orders will lead to more satisfied customers and that increased customer satisfaction will in turn lead to more sales from existing customers, which is the desired outcome from the initiative. Our starting point then should be to turn this into a well-defined outcome.

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Measuring Indirect Benefits

- The “initial” outcome is to reduce the time to deliver orders
- The “secondary” and more important outcome is increased customer satisfaction
- The “tertiary” outcome is increased sales from existing customers
- This is the “real” outcome that the customer wants

In this case the “initial” outcome is to reduce the time to delivers orders, which leads to a “secondary” and more important outcome of increased customer satisfaction. In turn this “secondary” outcome leads to a “tertiary” outcome of increased sales from existing customers, and it’s this “tertiary” outcome which is actually the important one – the one that the company really desires, and the reason why the company is undergoing the initiative in the first place. Reducing the order time is in fact a *means to an end* rather than an *end in itself* and therefore is not really part of “Ends” from the BMM or Business Motivation Model that we looked at in Module Two. Increased sales from existing customers however *is* an end in itself and therefore does form a part of “Ends” from the BMM and we can therefore define it as the real outcome requirement from this particular initiative.

One important thing to understand here is that customer stakeholders may or may not always understand their own outcome requirements as fully and completely as we would ideally like them to be able to do, or even if they understand them, be able to articulate them to the CSM in a way that is clear, logical and understandable. Getting to the point where *increased sales from customers* is recognized as the “real” outcome may take some time and effort, and then getting the customer’s stakeholders to commit to the detail of how great and increase and by when it should occur might take still further time and energy. The CSM should therefore be prepared to spend some quality time on the topic of determining the customer’s outcome requirements, and should not be shy to (politely and professionally of course) ask the same question multiple times, employ techniques such as active listening and paraphrasing to sum check the answers, and generally do as thorough a job as possible of ensuring that outcomes are fully described and documented as early on as possible in the engagement, preferably by the end of Practical CSM Framework Phase Two: Commitment and certainly by then end of Phase 4: Adoption Planning

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Selecting Indicators to Report On

- A well-defined outcome has at least three aspects:
  - a quality (what is it?)
  - a quantity (how much of it is needed?)
  - a deadline (by when is it required?
- The CSM will also need:
  - the baseline (start point for the journey)
  - milestones (significant achievements en route)

As we know from our previous training modules, a well-defined outcome has at least three aspects, namely a quality (what is it?), a quantity (how much of it is needed?) and a deadline (by when is it required?). In addition, if we're going to take them on a journey from where they are currently to arrive at their desired destination then as well as the destination (ie the outcomes) we're going to need to understand the start point for their journey and the major milestones to hit en route.

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Selecting Indicators to Report On

- How will the initiative be measured?
- Greater numbers of indicators means more work in data collection, analysis and reporting, but will provide a more accurate and/or more multi-dimensional illustration of what is occurring
- The CSM needs the customer to agree on outcomes, milestones and indicators to measure progress

And we need to agree how this journey will be measured. For example in the case of a real journey in the car we can measure by distance travelled, or we can measure by time taken, or we can even measure by passenger satisfaction levels, or perhaps we could use a combination of all three, to get us a more three-dimensional and in-depth understanding of what has happened so far and what is happening right now.

Greater numbers of indicators means more work in data collection, analysis and reporting, but (assuming the indicators are well selected for their purpose) will provide a more accurate and/or more multi-dimensional illustration of what is occurring. This in turn provides greater reassurance for decision makers if things are going well, or enables better decision making as to how to turn things around if the initiative is not currently performing to required standards.

So our first task is to try to pin our customer down to a well-defined outcome that incorporates these three aspects, and ideally to agree not just on the ultimate outcome but also on breaking down that outcome into significant milestones that we can use to determine the quality and pace of progress earlier on, in order to be able to have time left in which to make any necessary corrective changes to the initiative to enable the initiative to be brought back on track to attaining the ultimate outcome.

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Selecting Indicators to Report On

- The next task is to determine how best to measure progress as it occurs, to show:
  - whether or not each milestone gets reached
  - ultimately whether or not the final outcome is reached
- Not all indicators are "predictive" and selecting leading indicators in the real world can be difficult

Our next task is to determine how best to measure progress as it occurs, so that we can tell whether or not each milestone gets reached and ultimately whether or not the final outcome is also reached. You may recall our previous discussions about KPIs or key performance indicators, and in particular the use of indicators to enable early as possible prediction of results later on down the track. Not all indicators have this same predictive quality. Some indicators only really tell you what "has" happened and are not necessarily indicative of what "will" happen in the future.

Selecting leading indicators in the real world can be more difficult. You may recall the discussion from Chapter 9 of the training manual around an example of the launch of a brand new and highly innovative product into the market, where it was explained that one couldn't just take the first Quarter's revenue figure and multiply it by four to project likely annual revenues for the new product, because it would be likely to take several months or even several years for a brand new product or service to become established in the market and for revenues to begin to pick up. So if for example you wanted to know how much revenues you might receive overall from the entire lifetime of a particular product (which for the sake of argument we will say will remain in production for five years), taking the first three month's revenue figures and multiplying by twenty would not give you any valuable insight. So in the case of launching new products, revenues may prove to be a very poor measurement to select as a leading indicator, since it does not accurately portray at an early stage what is likely to occur at later stages.

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"Revenue is a lagging indicator, usage is a leading indicator"

Satya Nadella, CEO Microsoft

Do you recall the quote from Microsoft Corporation's CEO Satya Nadella about measuring early activity after launching a new software product?

"Revenue is a lagging indicator, usage is a leading indicator."

So for software, Nadella sees the measurement of early adopters' activity (things like how often they log in to the software, how long they stay engaged with it and how many different features and function of it they use) are better leading indicators of the likely success of the software than just measuring revenues coming in during the early stages. CSMs should advise their customers to think very carefully about what measurements to take, and advice from industry and product/service experts should be sought to ensure that the measurements that get taken really do help to determine progress towards outcome attainment.

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Selecting Indicators to Report On

- A high quality consultative questioning process might be required to enable us to arrive at the true or ultimate outcome requirement
- Example: "Increase annual sales revenues from existing customers by 20% within three years"
- Problem: Measuring revenues from existing customers early on is likely to show very little change

Let's go back to the example we were looking at previously, where we are supporting the customer's initiative to reduce delivery times to their customers. We saw that a high quality consultative questioning process might be required to enable us to arrive at the true or ultimate outcome requirement, which is to increase sales revenues from existing customers. Let's assume we have managed to get a fully described outcome requirements from the customer, which was "to increase annual sales revenues from existing customers by 20% within three years". That's great, but here's the thing, just as with Satya Nadella's situation with measuring early progress when launching a new product, just measuring revenues from existing customers early on in the initiative is very likely to show very little if any change.

Why? Firstly because out of the pool of existing customers, only the small subset of those who have just recently made a purchase have even experienced anything different yet. Secondly, because out of the small pool of existing customers who *have* made a recent purchase there'll be an even smaller subset of customers (or even no customers as yet) who have then needed to make subsequent purchases. In other words, it's going to take some time before sufficient numbers of existing customers have not just made a purchase subsequent to the change and therefore experienced the improved delivery times, but have then gone on to need to make further purchases after this. Only after this has occurred will there be any real hope of seeing changes to revenues. This is why it is important to select the right indicators. Just measuring revenues will of course tell us in three years' time whether or not the outcome target gets reached. However, that's no good for understanding what's happening early on in say the first few months or perhaps even the first couple of years, since substantial numbers of existing customers may not yet have reached the stage when they are re-ordering after having experienced the improved service. So *other* indicators need to be employed to give us more of a leading indication of potential revenue increases coming down the line.

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Selecting Indicators to Report On

- Remember we said that the "initial" outcome is to reduce the time to deliver orders, which leads to a "secondary" outcome of increased customer satisfaction. In turn this "secondary" outcome leads to a "tertiary" outcome of increased sales from existing customers, and it's this "tertiary" outcome which is actually the important one
- We can now use this information to determine KPIs

This is where we can go back up to our initial, secondary and tertiary outcome requirements and review them to see if they can help us. You may recall that we said the following:

The "initial" outcome is to reduce the time to deliver orders, which leads to a "secondary" and more important outcome of increased customer satisfaction. In turn this "secondary" outcome leads to a "tertiary" outcome of increased sales from existing customers, and it's this "tertiary" outcome which is actually the important one – the one that the company really desires, and the reason why the company is undergoing the initiative in the first place.

Can this be used to help us to identify leading indicators to use as KPIs to measure progress towards attaining the desired outcomes of increased revenues from existing customers? Most definitely!

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- Measuring delivery times and comparing them against the baseline of current delivery times will show the *immediate* difference in delivery time performance
- Measuring CSAT levels for those customers who have experienced the new delivery service, against baseline scores taken beforehand will show if customers' satisfaction is also increasing early on

We can immediately see that we can first of all measure delivery times and compare those delivery times against the baseline of current delivery times to show the difference in delivery time performance. Then we can secondarily measure customer satisfaction (often referred to as CSAT) levels for those customers who have experienced the new delivery service, and again compare these scores against baseline scores taken beforehand to learn if customers satisfaction is also increasing.

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- A pattern of increased quality of service (ie reduced delivery times) plus a pattern of increased CSATs (ie happier customers) from initial customers is an early indicator of increased revenue potential to come further down the line

If we see a pattern of increased quality of service (ie reduced delivery times) plus a pattern of increased CSATs (ie happier customers) from those few initial customers who have as yet experience the new delivery service, then this is an *early indicator* of increased revenue potential to come further down the line when we get to the stage where a significant number of customers has experienced the improved service, increased their satisfaction with the customer and placed more orders.

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