

How Analytics and Marginal Gain Theory Transformed a Company's Sales and Profitability

A hand is shown from the right side, pointing its index finger towards a glowing key. The key is positioned in the center of a complex, glowing blue digital circuit pattern that fills the background. The key itself is bright white and yellow, standing out against the dark blue and black tones of the circuitry. The overall scene is set against a dark, almost black background, with the blue light of the circuitry creating a sense of depth and technology.

A mature, formerly successful company needed to turn around several years of declining revenue and increasing losses, but faced obstacles that arose suddenly and which it could neither understand clearly nor react to quickly enough. Marketing and sales approaches that had always worked in the past, had ceased working.

Within a year of engaging RPMG, the company's revenue and profitability increased by 21% and 184% respectively. Another year saw a further 19% and 135% respectively. In three years, sales total increased by 60%, but profitability improved by more than 300%.

The Full Story

It's 3am on Wednesday 15 March 2016 and David Hynes* is laying awake in a cold sweat. It had been weeks since he could remember being able to sleep through the night. The cause of his anxiety and racing heartbeat this morning was that after years of success, the firm he founded more than 20 years earlier had been struggling for quite a while now, and he was questioning its ability to survive for much longer.

Three years earlier everything had been so different. ABC Co had just posted its third straight record year of sales and profit growth, and David had taken the whole company to Bali at Xmas to celebrate. Even his CFO Dennis had been happy. The electricity and buzz throughout the company was palpable, and David was being courted by potential acquirers waving big offers. Seventeen years of hard work and suffering was coming to fruition. Life was looking and feeling pretty good.

But then, towards the end of 2014, it all started turning south. Sales began to slow for the first time in years. They invested in a new CRM system and training for the BDM's. To no avail. And then things started getting really tight. David and Dennis went through the costs, cutting everything they could, and together with the Board held their breath hoping things would turn. They didn't. They just couldn't seem to halt the slide. When his largest customer and close friend of 35 years called to say he was putting his substantial annual contract out to tender, he knew he was in dire trouble.

The constant gnawing pain from the knot in his stomach was immense, but the most frustrating and painful thing was nobody could tell him what had changed to turn the ABC Co dream into a nightmare so quickly.



The Full Story (Cont.)

In April 2016 a little less than a month after narrowly making that payroll and avoiding having to put his company into administration, David and his fellow directors were sitting in the audience at an industry conference in Singapore. On stage delivering one of the keynote presentations was Craig McKell from RPMGi, there at the invitation of one of the global conference sponsors.

In that session Craig walked the audience largely consisting of CEO's, GM's and Sales / Marketing Directors from across Asia Pacific, step-by-step through RPMG's formula for applying analytics to their CRM and other data to pinpoint the precise causes for pipeline under-performance. Then how to use what they call Marginal Gain Theory to remedy those problems and in the process dramatically and sustainably increase not just sales but profitability and valuation.

Qualitative and quantitative data analysis highlighted the key issues, and pointed to the best Marginal Gain opportunities:

- ▶ Lack of understanding and / or insight into buyer motivation and process;
- ▶ Unclear and weak client segmentation and profiling;
- ▶ No upper pipeline demand generation, lead identification or nurturing;
- ▶ No strategic management of major clients beyond entertaining;
- ▶ No real process in marketing and sales at all, and no documentation.



The Full Story (Cont.)

David went up to Craig with his Sales Director straight after Craig's session and said, "I've just had an epiphany watching your presentation. When do you think you could come and do it for my Board?" Two weeks later he did – and the rest, as they say, is history.

Roll forward to July 2017. After three torrid years of increasing losses culminating with a near-death experience in March 2016, ABC Co has just delivered 21% sales growth, turned a multi-million dollar loss into a modest profit and was now sitting on three months of operating cash in the bank. In 2018 they repeated the dose; delivering another 19% growth in sales – making for 43% in two years, and a nearly 200% increase in profit from the previous year. In 2019, they delivered a "three-peat". In three years, they put 60% onto the top line, and more than 300% onto the bottom line.

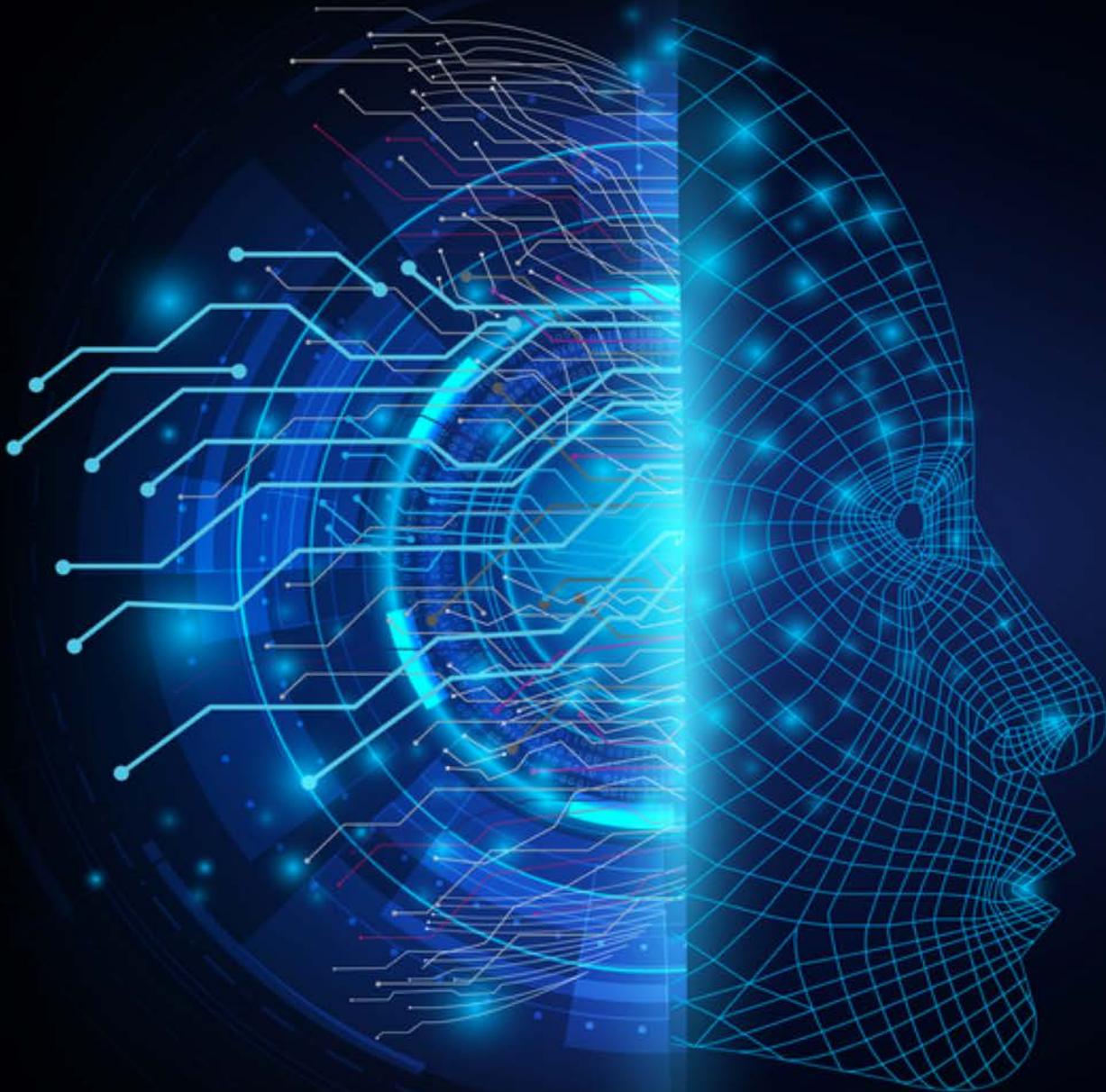
Revenue and Profit Results

RPMG commenced baseline Risk Assessment & Performance Diagnostics in June 2016. The analysis identified and prioritised an initial list of five core issues which also represented the most immediate opportunities for marginal gains at lowest risk and cost. Their Telemetry modelling highlighted that these five elements – when properly addressed, should yield between 43% and 51% revenue improvement over the subsequent two years. The actual result turned out to be 43.3%.

ABC Co's Blueprint implementation commenced during August 2016 and the five stage one initiatives were all live by mid-November that year.

The uplifts in conversion and velocity during the remaining seven months of the 2016/17 financial year were sufficient to deliver 21% revenue growth (from an initial flatline status) and a 185% improvement in profitability.





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* We take our clients' confidentiality and privacy seriously. While we've changed their names at their request, the rest of this case study is true.