Customer Financial Performance & Strategic Segmentation Model

Documentation Notes

1️⃣ Objective

This project establishes a **customer-level financial intelligence framework** to:

- Identify profit-generating and loss-making customers

- Understand cost-to-serve economics

- Quantify economic risk exposure

- Support leadership decision-making on pricing, customer focus, and profitability strategy

The model replicates real-world FP&A analytics used in enterprises.

2️⃣ Scope

This solution provides:

- Full customer financial model (Revenue → Cost → Profit → Margin)

- Cost-to-Serve modeling using operational drivers

- Strategic segmentation based on revenue & profitability

- Economic risk evaluation

- Executive KPI summarization

- Interactive analytics dashboard for exploration

This is not descriptive BI only — it is **financial decision intelligence**.

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3 Dataset Design

Synthetic dataset (business-realistic):

- **~250 Customers** across SMB / Mid-Market / Enterprise

- Attributes: Region, Industry, Tenure, Users, Discounts, Retention Probability

- Cost Drivers:

  - Transactions

  - Platform Usage

  - Support Tickets

  - Service Hours

- Financial Assumptions applied to simulate real economics

Purpose: Simulate enterprise financial reality meaningfully.

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4 Financial Modeling Framework

Revenue

- **Net Revenue = Annual Subscription – Discounts**

Direct Cost-To-Serve

Derived from cost drivers impacting:

- Support Cost

- Service Delivery Cost

- Infrastructure Cost

- Transaction Processing Cost

Overhead Allocation

Allocated proportionately using: 1. Revenue Share   2. Effort Share

Profitability

Customer Profit = Net Revenue – (Direct Cost + Overhead Allocation)
Profit Margin % = Profit / Net Revenue

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5 Segmentation Logic

Revenue vs Profitability Matrix

Revenue	Profitability	Segment
High	High	Strategic Gold
High	Low	Margin Diluters
Low	High	Hidden Gems
Low	Low	Value Destroyers

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6 Cost-To-Serve Classification

- **Low Cost** → < 40%

- **Medium Cost** → 40% – 70%

- **High Cost** → > 70%

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7 Risk Intelligence

Weighted Risk Score:

0.4 × Late Payment Score
+ 0.3 × Discount Dependency
+ 0.3 × Retention Risk

Risk Classes: 1. Low Risk: < 0.35   2. Medium Risk: 0.35 – 0.65   3. High Risk: > 0.65

(Observed dataset resulted in Low + Medium risk only)

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8 Dashboard Overview

The interactive Power BI dashboard delivers:

- Executive KPIs

- Profitability vs Revenue Quadrant

- Cost-to-Serve vs Profitability Scatter

- Risk Distribution

- Profit Contribution by Risk Class

- Detailed Customer Segmentation Explorer Table

- Slicers for drill-down analytics

Purpose: enable leadership decisioning.

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9 Key Takeaways (Example Insight Set)

- Majority customers are profitable

- Economic loss is driven by Value Destroyers segment

- Strategic Gold customers drive most profit

- Hidden Gems represent untapped expansion opportunity

- Cost-to-Serve strongly correlates with low-profit segments

- Risk exposure concentrated in specific customer categories

These insights inform pricing, support strategy, and portfolio optimization.

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10 Assumptions

- Costs modeled on realistic financial logic

- Synthetic dataset (reflective, not actual)

- No seasonality impact included

- No AR/AP ledger modeling included

🔢 Limitations

- Not built on real corporate ERP data

- Certain business complexities are simplified

- Does not include tax financial treatment

- Does not include multi-year forecasting

🔢 Future Enhancements

Recommended next steps:

- Add time-series trend analytics

- Customer lifetime value (LTV) modeling

- Churn prediction modeling

- Dynamic pricing simulations

- Scenario planning capability

- Industry-wise profitability benchmarking

🎯 Conclusion

This solution bridges **finance + analytics + strategy**.
It demonstrates enterprise-grade FP&A thinking and actionable BI design — enabling organizations to move from descriptive reporting to **decision intelligence**.

Author

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