

CAVALLO

Protect Your Best Customers

A PLAYBOOK FOR MANUFACTURING AND DISTRIBUTION EXECUTIVES TO DETECT CHURN
BEFORE IT HAPPENS — AND TAKE ACTION THAT KEEPS CUSTOMERS LOYAL AND MARGINS STRONG.



Executive Summary

Hidden churn starts weeks before the first missed order. This playbook shows how to spot early signals, prioritize high-value accounts, and run coordinated sales-and-marketing actions that address churn and keep customers engaged. From there, follow the operating rhythm: spot risk early, prioritize each account's value, take targeted action, and track outcomes. Then repeat the cycle to protect margin and drive incremental lift.

Introduction

Losing a customer rarely happens overnight. Long before the final order is placed, the warning signs appear — quieter communication, shrinking order volumes, slipping margins. The trouble is these signals are buried deep in your ERP, easy to miss until the damage is already done. Even well-run teams miss these early signals because they're subtle and scattered across reports.

For manufacturers and distributors, that hidden churn creates more than a sales challenge. It drains profits and forces you to spend valuable resources replacing revenue that could have been preserved. In an industry where replacing lost business is expensive and time-consuming, spotting and acting on these signals early isn't just about customer retention — it's also about protecting profits.

Cavallo's Profit Max Platform changes that. By predicting churn risk before it shows up in lost orders, showing which customers matter most, and guiding timely intervention, the platform equips your team to protect revenue and keep your best customers loyal.

Step 1 — Spot Risk

Churn risk often begins with subtle shifts in buying patterns and margin — long before an order is missed. The Profit Max Platform predicts customer churn by surfacing the shifts in customer behavior indicating potential risk utilizing proprietary AI. These early warnings are highlighted in AVA Insights, giving leaders a clear view of which customers are at risk and how much profit is tied to them.


What really matters is context. Your best early signals compare each customer to their own history — not to a one-size-fits-all threshold. That lets teams distinguish seasonal noise from meaningful decline, and act before losing a customer — and the margin they represent.

Key actions:

- **Spot risk early** — see it building weeks before the first missed order.
- **Prioritize wisely** — focus on the few accounts that matter instead of reacting to every fluctuation in orders, engagement, or margin.
- **Align teams** — give sales, ops, and finance a shared view of where to intervene.

Step 2 — Prioritize Customer Value

Retention effort should match customer value. ABCD segmentation makes this clear by grouping accounts by their profit impact: A and B customers drive the majority of profit and warrant proactive outreach and tailored offers; C customers contribute modestly and respond to light-touch nudges; while, D customers cut into margin and should only be engaged when there's a clear path to ROI. Here's how to turn segmentation clarity into actions.

 **AVA Insights**

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Daily insights that uncover risks, trends, and growth opportunities to drive profitability and help you make smarter decisions.

Customer Health

➤

Customers Entering At Risk

Without intervention, 155 customers are expected to fall from Stale to At Risk in the next 7 days.

Days Since Last Invoice #

Customer

👍

💬

Customer Health

➤

Customers At Risk

103 customers have become At Risk in last 7 days.

Days Since Last Invoice #

Customer

👍

💬

Customer Health

➤

Losing Customers

Without intervention, 58 customers are expected to fall from At Risk to Churned in the next 7 days.

Days Since Last Invoice #

Customer

👍

💬

Trend

➤

Class-Specific Customers with Margin Decline

308 customers in RESELLER Customer Class have experienced a decline of -20% or more in Margin \$ MTD compared to the same time-frame last year.

Margin

Customer Class

Customer

👍

💬

Trend

➤

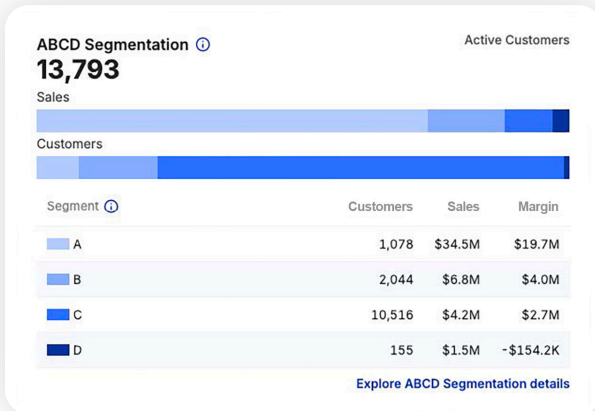
Sales Territories with Margin Decline

2 sales territories have experienced a decline of -5% or more in Margin \$ MTD compared to the previous month.

AVA Insights surface who's at risk, why it matters now, and the next move—so teams act before revenue slips.

Key actions:

- **Plan ahead** — use early churn predictions to prepare outreach before risk escalates.
- **Spend wisely** — focus retention resources where they protect the most profit.
- **Make clear tradeoffs** — know when to offer vs. when to simply check in.



Customer value isn't equal—ABCD segmentation directs retention effort where it protects the most margin.

Step 3 — Take Early Targeted Action

Early warnings only matter if they turn into coordinated action fast. The goal is simple: reach the right customer, with the right offer, at the right time—before the relationship slips away. These are the actions that make the biggest impact:

Sales actions:

- **Call at-risk accounts** with a clear reason to talk (check-in, service review, next-order planning).
- **Offer tailored incentives** like a limited-time discount, a bundle, or an added service commitment.

Marketing actions:

- **Send retention outreach** via quick emails or texts with tailored reorder incentives.
- **Re-engage accounts** with ads or messages that put your company back on the radar.
- **Win back lapsed customers** through a short series of reminders and a limited-time offer.

Ops actions:

- **Ensure this customer's key products are in stock** to prevent backorders, substitutions, or delays.
- **Resolve any fulfillment or shipping issues** this customer has experienced.
- **Double-check billing accuracy** for this customer to prevent errors that could damage the relationship.

Choosing the right action:

- **Start with value at stake** — protect your most profitable accounts first.
- **Identify the cause** — timing, price/margin, or service.
- **Assign ownership** — decide whether sales, marketing, or both should lead.
- **Set a success target** — define a simple outcome (order in 30 days, margin restored, schedule back on track).
- **Capture and repeat** — document what works and scale it across similar accounts.

How it could look

A long-time customer starts ordering less often and at lower margins. Marketing sends a quick retention offer, sales follows up with a check-in, and ops fixes a backorder issue. The platform shows margins rebound, and the account returns to normal—and the play is repeated with similar customers.

Step 4 — Track Outcomes & Fine Tune

Close the loop. After each sales or marketing move, confirm it changed behavior and protected profit—then decide whether to keep, tweak, or stop.

What to watch:

- **Margin contribution:** Is contribution stabilizing or improving?
- **Order Frequency:** Is time-between-orders returning to normal?
- **Average order value/mix:** Are customers buying at healthy levels again?
- **Risk trend:** Is churn risk moving down from Elevated/High?
- **Cohort signal:** Are similar accounts responding to the same play?



Confirm that customer trends are normalizing after an intervention and decide whether to keep, tweak, or stop the play.

Conclusion

Retention isn't about working harder—it's about knowing sooner and acting smarter. By bringing churn risk into focus, prioritizing accounts by their true value, and taking targeted action, distributors can protect relationships and margin before they're lost. The path forward is clear: start small, measure results, and expand the strategies that deliver incremental lift.

Take the next step:

Schedule a free Profit Max Platform demo today.

