CASE STUDY · ECOMMERCE · B2C · EUROPE

The customer base said €1.92bn. The data said something different.

A European ecommerce business. €1.92bn revenue. Customers up 32%. Every headline metric positive. Until you look deeper: a picture that changes how you think about the revenue line the deal is resting on, how you plan the hold, and how you tell the exit story.

SECTOR	GEOGRAPHY	CUSTOMER BASE	REPORTED REVENUE	IDENTITY
Ecommerce · B2C	Europe	5,418,807	€1.92bn	Withheld

METHODOLOGY

How the customer base was analysed

We rebuilt the customer base from transaction-level behaviour, not from the reported revenue line.

Each customer was assigned an anonymised ID and scored on four dimensions calibrated to this business: frequency, breadth of relationship, recency and value. Those scores grouped customers into behavioural tiers that reflect how value is actually created and sustained.

We then tracked how customers moved between those tiers over time: who strengthened, who weakened, who went inactive, and what revenue moved with them. That movement layer is what surfaced the €1,196.8m revenue floor, the €720.6m annual replacement dependency, and the €123.5m recoverable value already in the base.

All analysis used anonymised transaction data only (ID, date, value, category). No personally identifiable information was used.

> *This is Keystone IQ's Customer Revenue Quality Architecture™: a structured way for leadership teams and investors to see what the current customer base can really support, beyond the headline metrics.*

SAME DATA. TWO VERY DIFFERENT STORIES.

When every customer was scored using the Keystone IQ Revenue Quality Architecture™ and tracked year on year, three numbers emerged that do not appear in the equity story.

€1,196.8m
Revenue the existing base can sustain on its own

€720.6m
Annual replacement dependency to hold the €1.92bn headline

+€123.5m
Recoverable value from the existing base, no extra volume assumed

THE SNAPSHOT

What the base actually looks like

When every customer was scored using the Keystone IQ Revenue Quality Architecture™ and tracked year on year, the base told a very different story.

14.1% value-weighted churn, vs 6.2% reported

Churn is more than twice the reported rate

FINDING

The reported churn rate is 6.2%. When customers are weighted by the revenue they carried, effective churn is 14.1%. €269.7m of revenue stopped transacting in a single period, the largest single-year value destruction in the base. The customers leaving are disproportionately higher-value, so the reported rate understates the revenue impact.

SO WHAT

Analysis anchored on the reported churn rate misses a 7.9-point gap at value. That gap widens the difference between apparent and actual revenue durability over a multi-year horizon, and it does not appear in the P&L.

€720.6m annual replacement dependency in the revenue line

Reported revenue depends on continuous replacement

FINDING

On observed movement rates the existing customer base, after normal retention, upsell and cross-sell, can sustain €1,196.8m of the €1.92bn headline. The remaining €720.6m has to be generated each year from new and returning customers just to hold position.

SO WHAT

The reported number is real. The structural dependency sustaining it is not. Four changes to movement rates and intake mix, without assuming higher customer volume, lift the floor to €1,320.3m and unlock €123.5m from the customers the business already has.

MOST ENGAGED CUSTOMERS

The asset is narrower than it looks

16.6% of customers generate 55.7% of revenue

Around one in six customers generate over half of revenue

FINDING

16.6% of customers generate 55.7% of revenue. They shop across 6.8 categories at around 12 visits a year, making that spend structurally harder to displace than low-breadth, low-frequency behaviour. The high-value layers beneath that spine, between 31% and 35% of revenue, do not hold their position each year, stepping down into lower-value states or dormant rather than behaving like stable depth.

SO WHAT

The customer base is not 5.4 million customers of similar quality. A relatively small group of high-breadth, high-frequency customers carries most of the economics, while a significant share of the revenue immediately below them is sliding down the structure every year. That is the shape of the asset a buyer is actually taking on.

34% to 41% exit rates in key layers

Depth that looks stable is turning over every year

FINDING

One high-spend, low-frequency layer accounts for €176.9m of revenue, but 34.4% of customers in this layer stop transacting each year, sending €60.8m to inactivity. In the mid-tier, the most valuable segment loses 41.1% of customers annually, taking €44.4m of revenue out of the active base. A large slice of what looks like depth in blended reporting is actually first-year or transient behaviour with structurally higher churn.

SO WHAT

Revenue priced as core-adjacent depth is in fact turning over at roughly one-third to two-fifths a year. If you treat these layers as sticky in underwriting, the implied durability is higher than the behaviour supports.

MID-TIER CUSTOMERS

Exit runs roughly three times faster than development

The middle tier (9.4% of revenue) loses customers faster than it develops them

Mid-tier behaviour is skewed toward exit, not development

FINDING

In the most valuable mid-tier segment, 41.1% of customers stop transacting in a single year, destroying €44.4m of revenue. The one confirmed upward flow, from low-spend habitual customers into high-spend behaviour, moves only 21.6% of that feeder group up each year. The rest either stay flat or exit.

SO WHAT

Mid-tier behaviour is skewed toward exit, not development. For any buyer, the question is whether management is set up to slow these exits or to scale the one pipeline that consistently develops into high-value behaviour.

73.1% value retention at the top, 29.3% in the tier below

A 44-point spread inside a single metric

FINDING

Inside the high-value band, value retention ranges from 73.1% in the most durable cohort to 29.3% in the layer immediately below. The blended engaged figure hides a 44-point spread inside one cohort. Customers who remain active at the very top retain nearly three-quarters of prior-year revenue; the layer beneath retains less than a third.

SO WHAT

Any analysis anchored on a blended engaged-tier retention rate systematically overstates the durability of revenue beneath the very top cohort. For underwriting the asset, the distribution inside the tier matters more than the average.

NEW, LOW-VALUE AND DORMANT CUSTOMERS

Growth is building volume in the wrong places

New customers grew 32%, but 70% are low value

Customer acquisition is over-weighting the wrong customers

FINDING

Customer numbers grew 32% year-on-year, but the intake is heavily skewed. 30% of new customers account for roughly 80% of new-customer revenue; the remaining 70% generate only about 20%. The majority of new customers enter with mid- and low-value behaviour that, on observed movement rates, either churns or drifts into dormant within two to three years.

SO WHAT

The 32% growth in customer numbers and the value it represents are different things. Acquisition is building volume in parts of the customer base with weak starting economics and higher attrition, while a smaller, better-quality group carries most of the new-customer revenue.

23.6% of the customer base is inactive, and most is not coming back

The inactive base is not recovering

FINDING

23.6% of the customer base has no current spend. 51.8% of the low-value segment stops transacting every year, feeding a dormant pool of 1.28 million customers. A conservative reactivation estimate suggests only 9% of these prior-lapsed customers return to meaningful activity; 91% remain inactive.

SO WHAT

A large share of the customer base sits in low-value or inactive states and is not developing. Every blended metric is suppressed by customers who contribute very little or nothing, so reported averages overstate the health of the active base.

CUSTOMER BASE · FULL STRUCTURE · YEAR 2

What each segment looks like

Six behavioural groups. One architecture. The entire €720.6m replacement dependency, and the €123.5m recovery value, lives inside these rows. The concentration in the upper bands is not unusual. What is unusual is the spread in retention quality within them, and the scale of the replacement cost required to hold the reported number together.

Engaged

High breadth, high frequency. The 16.6% spine carrying 55.7% of revenue.

Selective

High value but narrower behaviour. Strong economics, weaker year-on-year hold.

Low value

Thin, infrequent spend. 51.8% stop transacting each year.

New

32% intake growth, but 70% enter below the high-value spine.

Dormant

No current spend. 1.28m customers, roughly 23.6% of the base.

ACV = average customer value. The full structure resolves these six behavioural groups into year-on-year tiers, each with its own value, retention and movement profile. Tier colours: Engaged · Selective · Low Value · New · Dormant.

THE MOVEMENT LAYER

Where customers actually went

The snapshot shows the structure. The movement data shows what was happening underneath. For a hold-period strategy or exit preparation, this is the layer that matters. Bars sized by revenue moved.

3× more customers moved down than up, and nearly 7× more value flowed down than up.

€751.3m flowed to lower tiers with only €110.6m flowing higher, plus €269.7m going to inactivity, 1,132,417 customers newly inactive in a single period. The reported revenue holds because acquisition and reactivation fill the gap. The underlying customer base is deteriorating, and that does not appear in the P&L.

MOVEMENT DETAIL BY SEGMENT

The flows that drive the floor

34.4%

Infrequent high-spend → inactive

€60.8m cycling out annually. The highest exit rate in the high-value band. Revenue that looks like depth in a snapshot turns over every year.

41.1%

Occasional mid-spend → inactive

€45.5m cycling out annually. Carries a large share of mid-tier economics, but loses nearly half its customers to inactivity every year.

21.6%

Regular low-spend → high-value

54,815 customers moving up. The strongest confirmed upward flow. The frequency habit is converting. The one pipeline that is clearly working.

The dormant pool: 1,280,658 customers · 23.6% of the base

FINDING

The dormant pool represents customers with no current spend, accumulated over time. In this period alone, 1,132,417 customers moved from active segments into inactivity, carrying €269.7m of revenue with them. On a conservative 9% reactivation assumption, approximately 115,000 represent potential recovery. The remaining 1.16 million are effectively cold.

SO WHAT

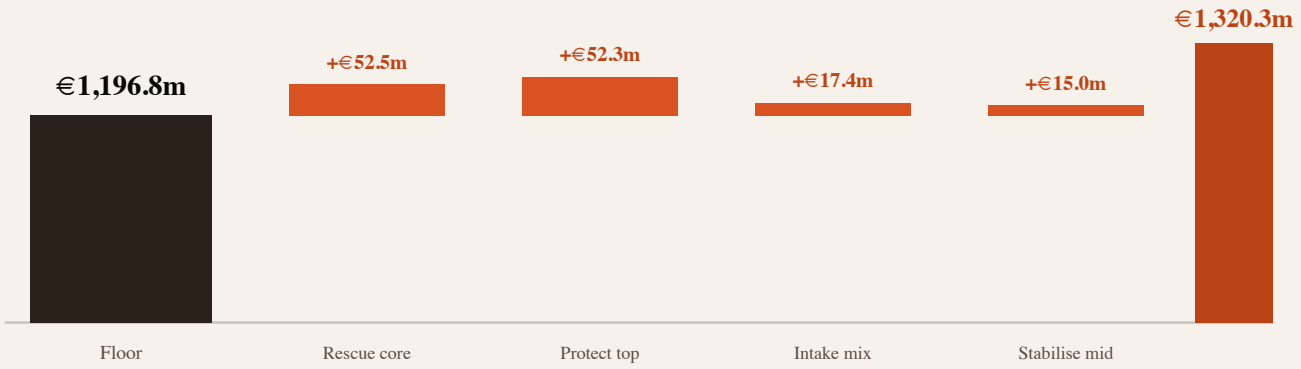
With most dormant customers never returning to meaningful activity, the dormant pool behaves more like a cold audience than part of the active customer base. If they sit in customer counts for a deal, they inflate apparent scale without contributing to revenue durability.

Inactive = no transaction in Year 2. The 9% reactivation rate is an estimated assumption. Movement direction: Engaged → Selective → Low Value.

SCENARIOS

The upside is already in the base

The floor is not the destination. Four interventions, none requiring higher customer volume, lift the revenue trajectory materially. The levers are drawn from observed movement patterns. The question is whether the hold period is long enough to let them compound.



Observed movement rates forward. The gap to reported revenue is the annual replacement dependency. Four levers lift the floor from €1,196.8m to €1,320.3m, unlocking €123.5m from the existing base.

€52.5m	**Rescue the core tiers.** Cutting dormant and low-value transitions from the top layers recovers value that would otherwise be lost.
€52.3m	**Protect top-tier step-downs.** Reducing leakage from the high-value spine into lower-value and dormant states.
€17.4m	**Improve intake quality.** Shifting more of the 32% customer growth into higher-value profiles at the same acquisition volume.
€15.0m	**Stabilise the mid-tier.** Slowing annual exits above 40% in the key segment by keeping those customers active longer.

All four levers applied at realistic intensity. Same customer base. Same volume of new customers. Different mix and movement. Even with aggressive improvements, only part of the €720.6m replacement dependency is recoverable from the existing base, which is itself a signal about how hard this engine has to work just to stand still.

THE INVESTMENT QUESTION

The numbers that shape all three conversations

€1,196.8m
Revenue floor the existing base can sustain

€720.6m
Annual replacement dependency

+€123.5m
Recoverable value in the existing base

This is not a valuation or a full hold strategy. It describes the customer engine a buyer would be taking on. It is relevant at every stage of the deal.

At entry
It shows what is actually being bought, the concentration, the floor, the replacement dependency, before capital is committed.

During hold
It becomes the operating intelligence behind the value creation agenda: specific, measurable customer objectives tracked year on year against the same data.

At exit
It builds the equity story on evidence rather than projection: how the base moved, which segments strengthened, whether the replacement dependency improved.

> *For any business where the customer base is the asset, these are the numbers that shape all three conversations. They rarely appear in an information memorandum. They should.*

Commission a Diagnostic

Identity withheld. Data anonymised. Scenario rates are stated assumptions based on observed transition data. Keystone IQ Revenue Quality Architecture™.

keystoneiq.co/services/customer-base-diagnostic

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