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Changing the fortunes of E.ON's Corporate Customer business (B)

The situation was clear enough: transformation would be needed to create a sustainable business. The question was, how to achieve it? Adrian's first few weeks were taken up with learning about the key issues and sketching out his options. He'd established a good foundation of understanding and started to identify the people in the Corporates business – as well as the wider Retail business – who would help him to get Corporates back on track. He also noted how quickly his new team had brought him into operational decision-making. While this helped him learn more quickly, he was frustrated that he had not spent more time with frontline staff and customers in the first few weeks.

He had made some small but symbolic decisions. For instance, a sales manager had sought approval to quote for a £20 million contract with a major manufacturer via a paper pro forma with scant details. On further investigation, it transpired that the total gross margin on the deal was £50,000, the rationale being that this deal would help protect a larger piece of business with the same customer. Further questioning revealed that this larger contract was in fact break-even – at best. The deal was not signed off and an implicit message was sent.

Cases of this type drove Adrian to encourage his team to work with Finance on an appraisal process to measure expected net margin formally at the point of sale and introduce a clear governance process.

As well as these short-term issues, Adrian had to consider the looming strategic questions: profit, debt, product development, channels, segments and organisational design.

1. Profitability

Profitability needed to be tackled on three fronts: volume, margin and risk-based pricing.

Volume: The only way to find out whether E.ON's energy traders realised any benefit from large-volume Corporate deals was to ask them. The response was clear and immediate: they gained no advantage or commercial benefit from these deals. However, some analysts argued that a certain volume was required to benefit from the 'portfolio effect' – so that a change in consumption from one customer would be dampened by changes

This case was written by Adrian Merrick under the supervision of Professor Michael G Jacobides, Sir Donald Gordon Chair of Entrepreneurship and Innovation and Associate Professor of Strategic and International Management at London Business School.