

## ADVERTISEMENT CONTACTS

## HEAD OFFICE

Quadrant House, The Quadrant,  
Sutton, Surrey, SM2 5AS, UK

## Display advertising enquiries

Joanne Webb +44 20 8652 8147  
fax +44 20 8652 8918  
e-mail jo.webb@rbi.co.uk

## Africa, Middle East and UK south

Ken Walford +44 20 8652 3363  
Sales manager e-mail ken.walford@rbi.co.uk

## Eastern Europe, Germany (0-4), Italy, Scandinavia and UK north

Malcolm Fullarton +44 20 8652 8056  
e-mail malcolm.fullarton@rbi.co.uk

## Austria, Belgium, France, Netherlands, Germany (5-9), Portugal and Spain

Maarten Dubbeld +33 1 5321 8804  
Reed Business Information France fax +33 1 5321 8805  
24, Rue de Milan e-mail dubbeld.reed@wanadoo.fr  
75009 Paris  
France

## Switzerland

Hans Eschmann +41 52 633 08 88  
Iff media ag fax +41 52 633 08 99  
Brauerstrasse 1 e-mail iff@iff-media.ch  
CH-8201 Schaffhausen  
Switzerland

## US

Jonathan Sismey +1 212 791 4315  
Schnell Publishing Company fax +1 212 791 4311  
2 Rector Street e-mail jonathan.sismey@chemexpo.com  
New York NY10006-1819  
USA

## Asia-Pacific

June Tan  
RBI Asia +65 6780 4304  
The Signature fax +65 6544 1171  
51 Changi Business Park e-mail june.tan@rbi-asia.com  
Central 2, #07-01  
Singapore 486066

## China

Liu Fanqiang +86 23 6351 3164  
CBISTIC fax +86 23 6350 7395  
132 Shenghi Road e-mail advert@cta.cq.cn  
Central District  
Chongqing 400013  
China

## Japan

Hiro Morita +81 3326 14591  
Japan Advertising Comms fax +81 3326 16126  
Three Star Building e-mail atsukoo@media-jac.co.jp  
3-10-3 Kanda Jimbocho  
Chiyoda-ku  
Tokyo 101  
Japan

## Korea

Mr J W Suh +82 2720 0121  
Hau International fax +82 2720 0122  
CPO Box 4072  
Seoul  
Korea

## Advertisement production - display/classified

Mike Gray +44 20 8652 8719  
Quadrant House, The Quadrant  
Sutton, Surrey, SM2 5AS  
UK

## Conference/newsletter sponsorship

Anne Martin +44 20 8652 3383  
e-mail anne.martin@rbi.co.uk

## Classified advertising enquiries

Valerie Hall +44 20 8652 8315  
fax +44 20 8652 8918  
e-mail valerie.hall@rbi.co.uk

# Know your customer

The chemical industry is good at creating value, but even better at giving it away. It is a familiar lament, especially in the commodity and polymers sector but increasingly in speciality chemicals as well.

Hard-won expectations of higher margins from improved products and/or enhanced customer service largely end up with the customer, not the producer. One key to retaining value and hence swelling the all-important bottom line, lies in customer value management (CVM). But few companies in the industry manage this approach well.

A recent benchmarking exercise by MarketAbility, provocatively entitled 'Giving it all away' puts the performance of the top 125 chemical and plastics producers in perspective and the 'picture is not very pretty', says the consultancy's head, Phil Allen. 'The average performance amongst the leading producers is well below par and even the top ten performers identified in the report fall a long way short of best practice.'

Allen is convinced there is a correlation between how well companies perform on customer value management and their overall business results.

Just for the record, the top ten performers in the industry are: Dow Corning, UCB, Avecia, Lonza, Shell Chemicals, BASF, Eastman Chemicals, GE Plastics, Ciba Specialty Chemicals and UCB Surface Specialties. But even if these are better than the average in the industry, they are still some way removed from CVM best practice.

So what are the implications and lessons for the industry, and what can

producers do about it? Allen has a few suggestions. 'First and foremost, companies must begin to recognise the true value and importance of customer orientation and marketing excellence.

'Second [they] must look beyond the worn-out approaches to customer segmentation, by industry, application or size of demand, to develop approaches based around customer need and value.

'And third, from the basis of such customer insight the industry must look beyond product and delivery to more advanced and innovative ways of differentiating their offerings, using advanced services, solutions and other intangible elements of offerings, such as relationship and image, in order to get ahead of the competition and create sustainable profitable customer relationships.'

The difficulty, of course, is to create the top level appreciation of the changes required to put CVM on a par, if not at even higher priority, than manufacturing and R&D.

The key to improved performance lies with a series of five steps, which, if implemented, create a virtuous feedback: understand the customer, commit to the customer, create customer value, obtain customer feedback and improve customer value.

If the vast resources companies plough into R&D are to earn their full reward, such attention to the customer is essential. Only if the industry performs on value creation and capture, will it be seen in a better light by the investment community, and potential employees.



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