



Phil Allen's MarketAbility  
The Marketing Centre  
Seestrasse 103  
CH-8820 Wädenswil  
Zürich  
Schweiz

Tel: 41 1 783 8777

Fax: 41 1 783 8778

E-mail: [info@marketability.org](mailto:info@marketability.org)

Web: [www.marketability.org](http://www.marketability.org)

[www.pentadigm.com](http://www.pentadigm.com)

# CUSTOMER VALUE MANAGEMENT IN THE CHEMICALS AND PLASTICS INDUSTRIES

A REVEALING NEW STUDY  
BY  
MARKETABILITY

*Practical Marketing for Value Growth*

*WE DO ..... while others only talk*

*© Copyright Phil Allen's MarketAbility 2003. All rights reserved*



July 2003

## NEWS ITEM

### Giving it all away

A major new report by MarketAbility benchmarks the performance of leading chemicals and plastics producers on their customer value management. The study uses the unique Pentadigm Customer Value Management Best Practice model and ranks the top 125 global chemicals and plastics producers.

"The picture is not very pretty" reports Phil Allen, CEO of MarketAbility and author of the report. He explains: "The average performance amongst the leading chemicals and plastics producers is well below par and even the top-ten performers identified in our report fall a long way short of best practice. We are convinced that there is a correlation between the performance of companies on Customer Value Management and their overall business results and this appears to be borne out by the results of the study."

MarketAbility has identified the following companies to be the top ten Customer Value Management performers in the industry, but we warn that even these companies should not feel overly proud of their achievement – albeit better than the average in the industry, they are still some way removed from Customer Value Management best practice. However, their lead in CVM versus their peers is also reflected in their results.

<b>Dow Corning Corp.</b>	<i>57% higher net income on 13% higher sales Q1 2003 vs Q1 2002</i>
<b>UCB</b>	<i>record ordinary profit in 2002 up 7% over 2001</i>
<b>Avecia</b>	<i>currency adjusted EBITDA ahead 5% 2002 over 2001</i>
<b>Lonza</b>	<i>operating income up 1.5% 2002 over 2001 on static revenues</i>
<b>Shell Chemicals</b>	<i>earnings more than doubled 2002 over 2001</i>
<b>BASF</b>	<i>EBITDA up 23% 2002 vs 2001 and up 5% Q1 2003 over Q1 2002</i>
<b>Eastman Chemicals</b>	<i>net profit \$ 61MM 2002 after 2001 loss and up 3 fold in Q1 2003</i>
<b>GE Plastics</b>	<i>maintaining profitable growth (no details available)</i>
<b>Ciba Speciality Chems.</b>	<i>net income up 6% 2002 over 2001</i>
<b>UCB Surface Specialties</b>	<i>net income up 10% 2002 Over 2001</i>

Companies who wish to participate in the study can do so by contacting Phil Allen at MarketAbility on +41 1 783 8777. This is also the number for enquiries about the report, which can also be purchased directly from the MarketAbility website: [www.marketability.org](http://www.marketability.org).

It is planned to update the report on an ongoing basis, so that anyone purchasing will always get a current view of the industry's performance.

*Practical Marketing for Value Growth*

*WE DO ..... while others only talk*

*© Copyright Phil Allen's MarketAbility 2003. All rights reserved*



July 2003

## EXTENDED ITEM

### Re-Capturing the Value

Phil Allen continues "The real shame is that the chemicals and plastics industry creates a huge amount of value for its customers, but seems to have lost the ability to capture that value back into its own business results." The consequence of this is an industry that underperforms on value creation and capture and is regarded in a poor light by the investment community and by potential employees.

So, what are the implications for the chemicals and plastics industry and what can companies do about it? Phil Allen has a few suggestions:

"First and foremost companies in the chemicals and plastics industry must begin to recognize the true value and importance of customer orientation and marketing excellence, which must be given equal or higher attention and status to manufacturing and R&D and must be staffed with experts from the fields of customer value management and marketing rather than by commercially aware technical folk. Secondly, marketers and business leaders in the industry must look beyond the worn-out approaches to customer segmentation (by industry, application or size of demand) to develop customer segmentation based around customer need and value. Thirdly, 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 competition and create sustainable profitable customer relationships."

MarketAbility has also developed a very useful tool to help chemicals and plastics marketers to quickly identify what, where and how they can improve their customer value management. **MarketAbility's CVM (Customer Value Management) Diagnostic** produces a rigorous and systematic evaluation of a company's performance on each of the five steps in the Pentadigm model:

1. Understand the Customer
2. Commit to the Customer
3. Create Customer Value
4. Obtain Customer Feedback
5. Improve Customer Value

(continued.....)

*Practical Marketing for Value Growth*

*WE DO ..... while others only talk*

*© Copyright Phil Allen's MarketAbility 2003. All rights reserved*



July 2003

## **CVM Diagnostic Approach and Outputs**

The CVM Diagnostic features a unique set of parameters and measures applied to each of the five steps and involves detailed analysis plus interviews and discussions with the subject company's customers, non-customers and staff at all levels. The results of the detailed study are presented back to the company team in an interactive workshop, geared to identify for each of the Customer Value Management steps:

1. What the company does well today, can reinforce and leverage in the marketplace with target customers.
2. What the company needs to improve to be better positioned in the marketplace and with target customers.
3. What the company must do differently to win greater success in the marketplace and with target customers.
4. How does the company compare with best practice

## **Specific deliverables for a company from the CVM Diagnostic will be a measure of performance on each step:**

### **1. Understand the Customer**

Understand market and customers, customer segmentation, evaluate competitive position, target customer segments.

### **2. Commit to the Customer**

Develop customer segment strategy, differentiate offerings to chosen target segments, communicate offerings internally and externally, define and measure key performance indicators.

### **3. Create Customer Value**

Develop a customer culture through the organisation, define and populate customer value processes, develop customer value infrastructure, implement customer value.

### **4. Obtain Customer Feedback**

Track won and lost business, proactively obtain customer feedback, measure and track customer satisfaction, manage customer queries and complaints.

### **5. Improve Customer Value**

Implement short-term improvements, continuous and ongoing improvements to customer value, challenge customer understanding, re-define customer commitments, improve implementation.

### **6. Key Actions and Initiatives**

The Diagnostic and the interactive workshop provide an action list for immediate, medium and longer term implementation as the basis for future success of the company in the market and at target customers.

END.

*Practical Marketing for Value Growth*

*WE DO ..... while others only talk*

*© Copyright Phil Allen's MarketAbility 2003. All rights reserved*