

Know your customer

Section: Comment

8 September, 2003

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.