

Sustainable Business Growth and Profitability from Customer Value Management



A new study by marketing practitioners MarketAbility found the practice of Customer Value Management (CVM) lacking among chemicals and plastics suppliers.

Customer Value Management (CVM) is defined by MarketAbility as: "The marketing process whereby supplier and customer create value through a planned and systematic

exploitation of mutually beneficial sustainable and profitable market opportunities". Key behaviors distinguishing four categories of performer are summarized in the table below.

Phil Allen, founder of MarketAbility and the CVM Circle of Excellence, highlights Dow's e-epoxy.com as one example of CVM good practice, saying: "They researched the needs of their customers; they committed to deliver to those needs; they have created a model which beats competing suppliers; they are constantly seeking feedback to improve their offering; and—most importantly—they have made a profit!"

The top ten of Customer Value Management practice in the chemicals and plastics industry identified by MarketAbility are:

- e-epoxy.com
- Dow Corning
- Dow Chemical (selected businesses)
- Shell Chemicals
- Ondeo Nalco
- Avecia
- GE Plastics
- BASF (selected businesses)
- Lonza
- Ciba Specialty Chemicals



A 5-step best practice model can help chemicals and plastics companies improve their CVM performance and practice:

- Understand our Customers—look at the world through the customer's eyes;
- Commit to the Customer—create a compelling offering (value proposition) to fulfil customer needs;
- Create Customer Value—implement that value proposition consistently and effectively;
- Obtain Customer Feedback—use internal contacts and external independent third parties;
- Measure and Improve.

Allen is launching a new service to the chemical industry this month—the Customer Value Management Circle of Excellence, described at www.customer-value.com. He explains: "Having worked in the chemical industry for most of my career, I really do feel

ashamed as a marketer that we do not create and capture more value for some of the excellent inventions and offerings that we bring to market. Without chemicals and plastics the world would be a less efficient, less healthy, less colorful place and yet we fail to really create and capture the value of these offerings—primarily because we do not understand the true value of them to our customers. Through the CVM Circle of Excellence we want to change that."

Phil Allen runs the Marketing Excellence Practice, MarketAbility, serving a broad base of clients in the chemicals and energy sectors in all aspects of improving business profitability through applied practical marketing and customer value management. He counts more than 30 years of practical experience in chemicals and plastics marketing and sales.

CHEMICALS AND PLASTICS COMPANIES: CVM BEHAVIORS

Item	Non-Starters	Laggards	Followers	Leaders
Business Strategy	Asset driven	Product driven	Product driven	Customer-focused
Market Understanding	Poor	Basic	Good	Advanced
Customer Intelligence	No customer research	Ad hoc customer research	Periodic customer satisfaction research	Regular interactive customer needs fulfillment dialogue
Customer Segmentation	No customer segmentation	"Limited customer segmentation by product/geography"	Well-defined customer segments	Clearly defined needs-based customer segments
Competitor Understanding	Basic	Good	Advanced	Strategic
Value Propositions/Differentiation	Poorly defined offerings	"Basic offerings defined, no clear differentiation"	Basic value propositions for different segments	Differentiated offerings for each segment
Internal communications	Offerings not communicated internally	Customer-facing groups understand offerings	Company-wide basic understanding of offerings	Advanced understanding of differentiated offerings company-wide
Customer communications	Confused offerings poorly communicated	Poor communications	Limited customer communications	Proactive customer communications
Measures of Success (KPI's)	No clearly defined measures of success	Basic financial measures	Advanced financial and some non-financial measures of success	Well-defined and advanced measures of success using internal and customer metrics
Customer service	Poor to non-existent customer service	Poor to non-existent customer service	Reactive customer service	Proactive customer service
Customer service systems	Non-existent	Non-aligned computer systems	Non-integrated customer service systems	Integrated customer service systems
ICT infrastructure	Inconsistent or undeveloped ICT infrastructure	Inconsistent ICT infrastructure	Basic ICT infrastructure	Advanced ICT infrastructure

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Phil will be delivering a paper at the Chemical Week's "Marketing and CRM: Best Practice for ROI" Houston, TX on September 24-25, 2002 on the Successful Implementation of Customer Value Management for Sustainable Growth and Profit