

# It ain't what you do.....

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## it's the **WAY** that **YOU DO IT**

(That's what gets results)

By

Phil Allen, MarketAbility

*Chemical Week Demand Chain &  
Customer Value Enhancement  
Conference, Houston*

24<sup>th</sup> September, 2002



**“Genius begins great works,**

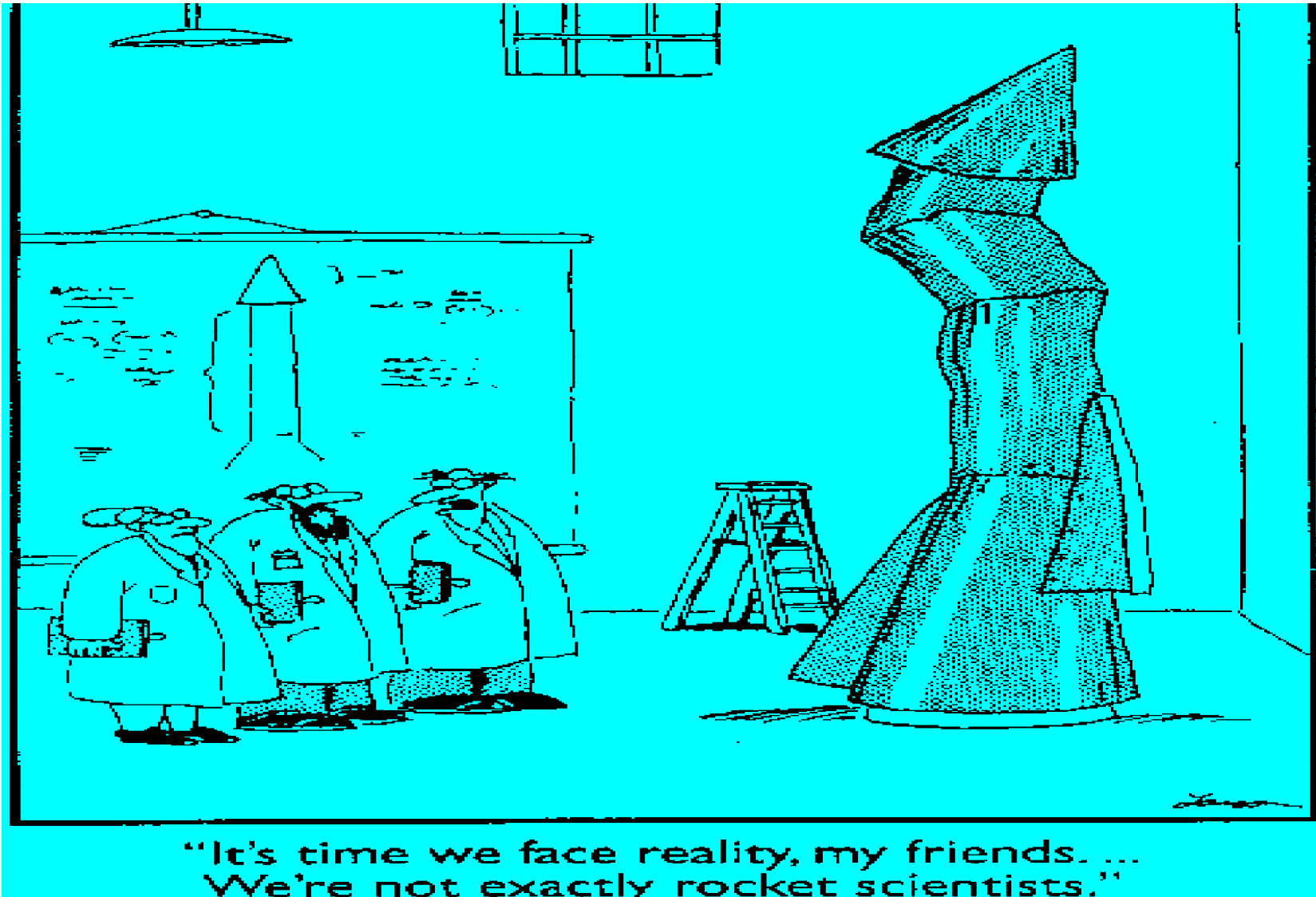


**labor alone finishes them”**

*Joseph Joubert, French essayist*



# Market Success: Not rocket science



# Sticky Black Liquid 1

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- Customers use it in a blend with other materials
  - Customers can buy from several suppliers
  - Customers do not perceive a difference in the physical product
  - Customers switch supplier easily
- 
- Would you like to be in this business?
- 
- What is the business?



# Sticky Black Liquid 2

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- Customers can buy it almost everywhere
  - Customers are brand loyal
  - Special products are priced differentially
  - Competitors all seen as equal on quality and primary services
- 
- Would you like to be in this business?
- 
- What is the business?



# Sticky Black Liquid 3

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- Customers rave over it
- Customers love it or hate it
- Customers refuse alternatives
- Customers go out of their way to get it
  
- Price ranges from \$4.50 per gallon to \$50 per gallon for the same product
  
- Would you like to be in this business?
  
- What is the business?



# Sticky Black Liquid 4

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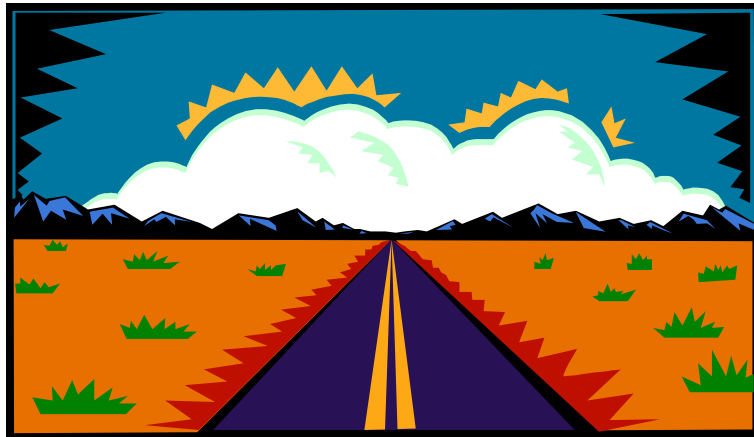
- Customers go out of their way for it
- Customers refuse alternatives
- Customers refuse free substitutes
- Customer retention is high
- Customers repeat purchase often
  
- Price is from 1.5 to 10 TIMES the competitive product
  
- Would you like to be in this business?
  
- What is the business?



# Sticky Black Liquids: which one for you?



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# Why are you in business?

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- To create value for stakeholders
- To provide products and services
- To provide employment
- To make a profit



# What is PROFIT?

**Create MORE VALUE for LESS COST = PROFIT**

## ➤ **Managing COST**

- Total Quality Management
- Six Sigma
- Financial Controls
- Supply chain management
- Managing product, place, promotion, people, process

## ➤ **Creating VALUE**

- Price is the only VALUE creating "P" in the market
- Price is what the customer is willing to pay for VALUE
- VALUE is the difference between the customer's willingness to pay and the cost of the goods and services provided
- SUCCESS is the ability to do it better than the competition
- PROFIT is the result of making a profit from customer



# What is PROFIT?

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## Create **MORE VALUE** for **LESS COST** = **PROFIT**

### ➤ **Managing COST**

- Total Quality Management
- Six Sigma
- Financial Controls
- Supply chain management
- Managing product, place, promotion, people, process

### ➤ **Creating VALUE**

- Price is the only VALUE creating "P" in the marketing mix
- Price is what the customer is willing to pay for VALUE
- VALUE is what you offer to the customer in terms of benefits through your products and services
- SUPERIOR VALUE is how you do it better than competitors
- Customer Value Management is about making a profit from customer value



# Customer Value Management

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- Total Quality Management, Six Sigma, Financial Controls, Supply chain management, Managing product, place, promotion, people, process – ***all played out***
- CRM is passé as a business concept, because it does not go far enough
- Welcome to the era of

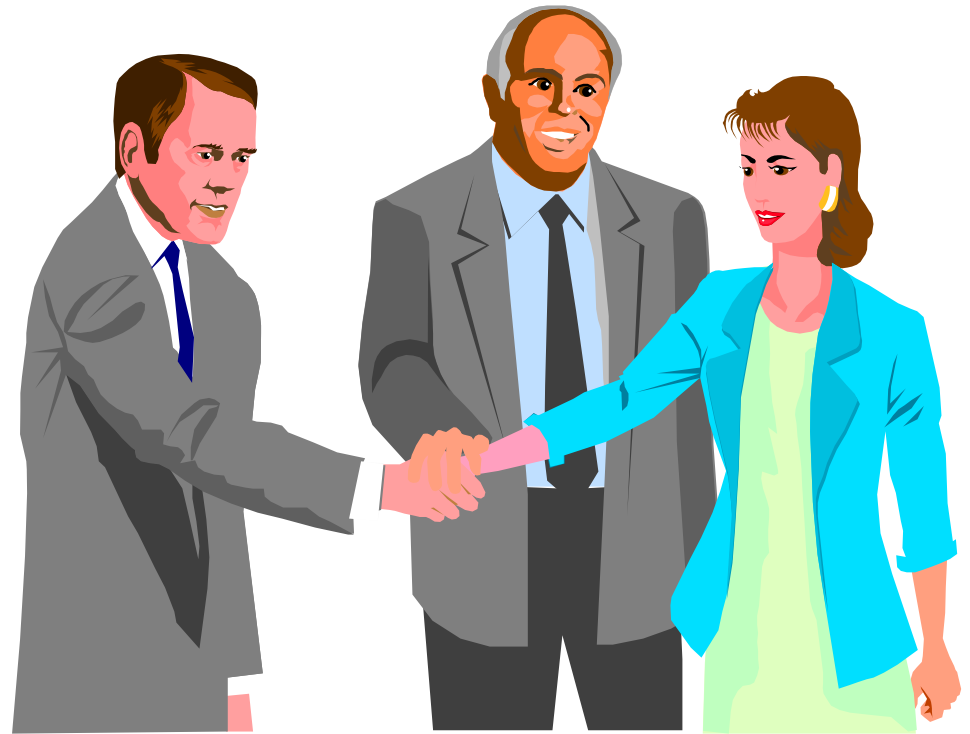
CUSTOMER VALUE MANAGEMENT



# CVM Defined

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- **CVM is the marketing process whereby supplier and customer create customer and business value through a planned and systematic exploitation of mutually beneficial opportunities.**



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# Customer Value Management in the Chemicals and Plastics Industry

A study by MarketAbility  
A Best Practice Model



# Who really focuses on the CUSTOMER?

**Vopak BASF Ciba UCB**  
**Bayer Rohm & Haas Solutia Dow Chemical**  
**Vantico Degussa Nova Chemicals Praxair**  
**ICI Eastman Solvay Clariant Avecia**  
**Du Pont Equistar Elemica Lyondell**  
**Mitsubishi Elements Onda Nalco**  
**Air Products GE Plastics DSM Atofina**  
**Borealis Rhodia SABIC**  
**Crompton ChemConnect Shell Chemicals**  
**Dow Corning Huntsman Brenntag**  
**BP Chemicals Olin Wacker Akzo Nobel**  
**Nexus Formosa Great Lakes**  
**e-epoxy.com Exxon Mobil Chemicals**



# Customer Focus????

**65% of chemicals companies CLAIM to be customer focused.....**

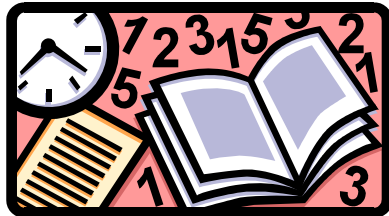


**.....ONLY 10% really practise customer focus**

# CVM: Our Study of Chemicals and Plastics

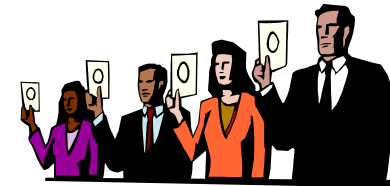


**Best practice elsewhere**

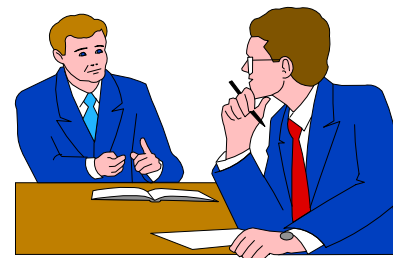


**A survey of customer surveys**

**Customer interviews**



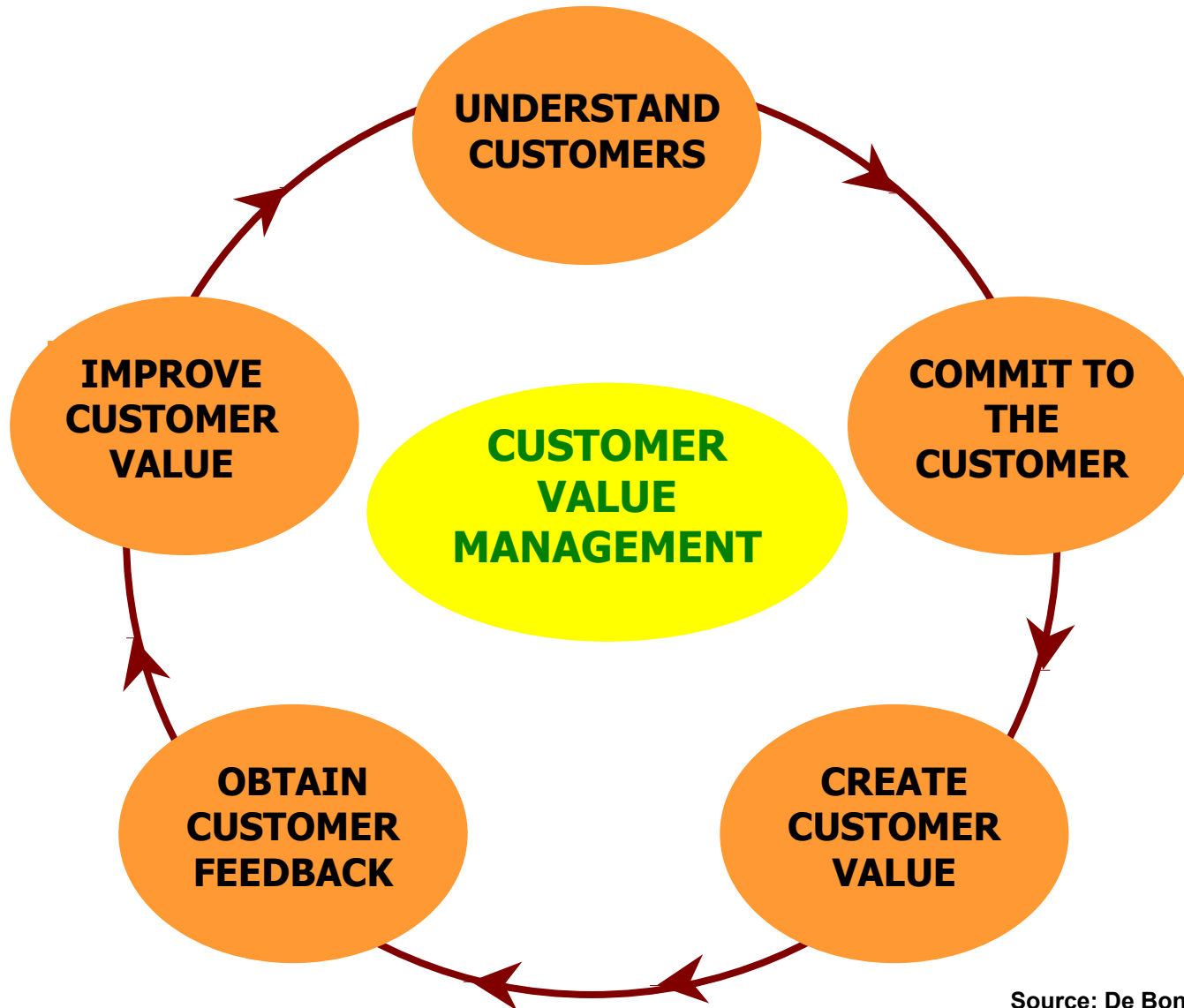
**Personal interviews**



**150 companies**



# Customer Value Management



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003



# What you will see: 5 Steps of CVM

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## ➤ FINDINGS

- Results of MarketAbility survey

- Performance of chemicals and plastics producers on the five steps in the CVM model

## ➤ RECOMMENDATIONS

- Description of CVM best practice
- What chemicals and plastics companies **MUST** do to improve their CVM performance



# What you will see: 5 Steps of CVM

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## ➤ **People and Skills**

- What is important in your people and skills to be successful in each step

## ➤ **Tools**

- Some tools that can help you in each step

## ➤ **Dangers/Failings**

- What to look out for
- The biggest failures and shortcomings we have found preventing effective implementation



# Step 1: Understand the Customer Chemical Industry Performance

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30%

Periodic customer satisfaction research

Attempting customer segmentation (not always using needs-based)

40%

Ad hoc customer research

**Limited customer segmentation**

Segments built around products or geography

20%

**No customer research**

**No customer segmentation**



# Step 1: Understand the Customer Chemical Industry Performance

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**10%**

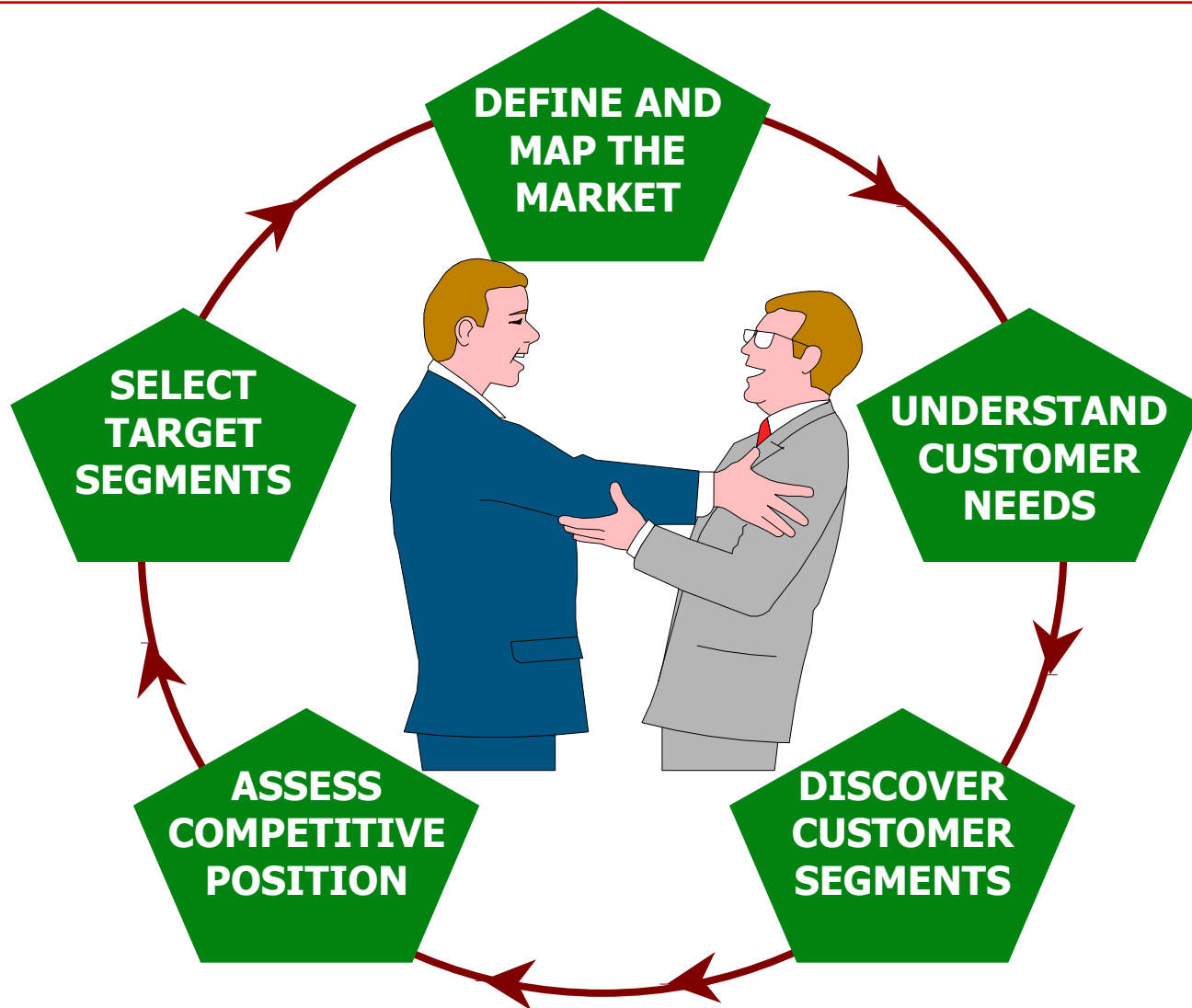
**Regular interactive customer needs fulfilment dialogue**

Customer-focused business strategies

**Clearly defined customer segments** (usually needs-based)



# Best Practice: Understand the Customer



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003



# Best Practice: Understand the Customer

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## ➤ People and Skills

- Analysts
- Quantifiers

## ➤ Tools

- Market Mapping
- Value chain analysis
- Product-market life-cycle
- Needs-based customer segmentation
- Competition, SWOT analysis
- Target segment tracer
- Directional policy matrix

## ➤ LOOK OUT FOR

- Build your customer understanding around their needs, benefits sought and value
- Failing to hear what the customer REALLY values
- Failing to accurately quantify the value to the customer
- Trying to be everything to everybody



# Step 2: Commit to the Customer Chemical Industry Performance

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30%

Limited set of business models for  
different segments

Basic value propositions

40%

**No clearly defined and delineated  
offerings per segment**

20%

**No differentiated offerings  
for different customer groups**

**Confused** offerings to customers,  
poorly communicated



# Step 2: Commit to the Customer Chemical Industry Performance

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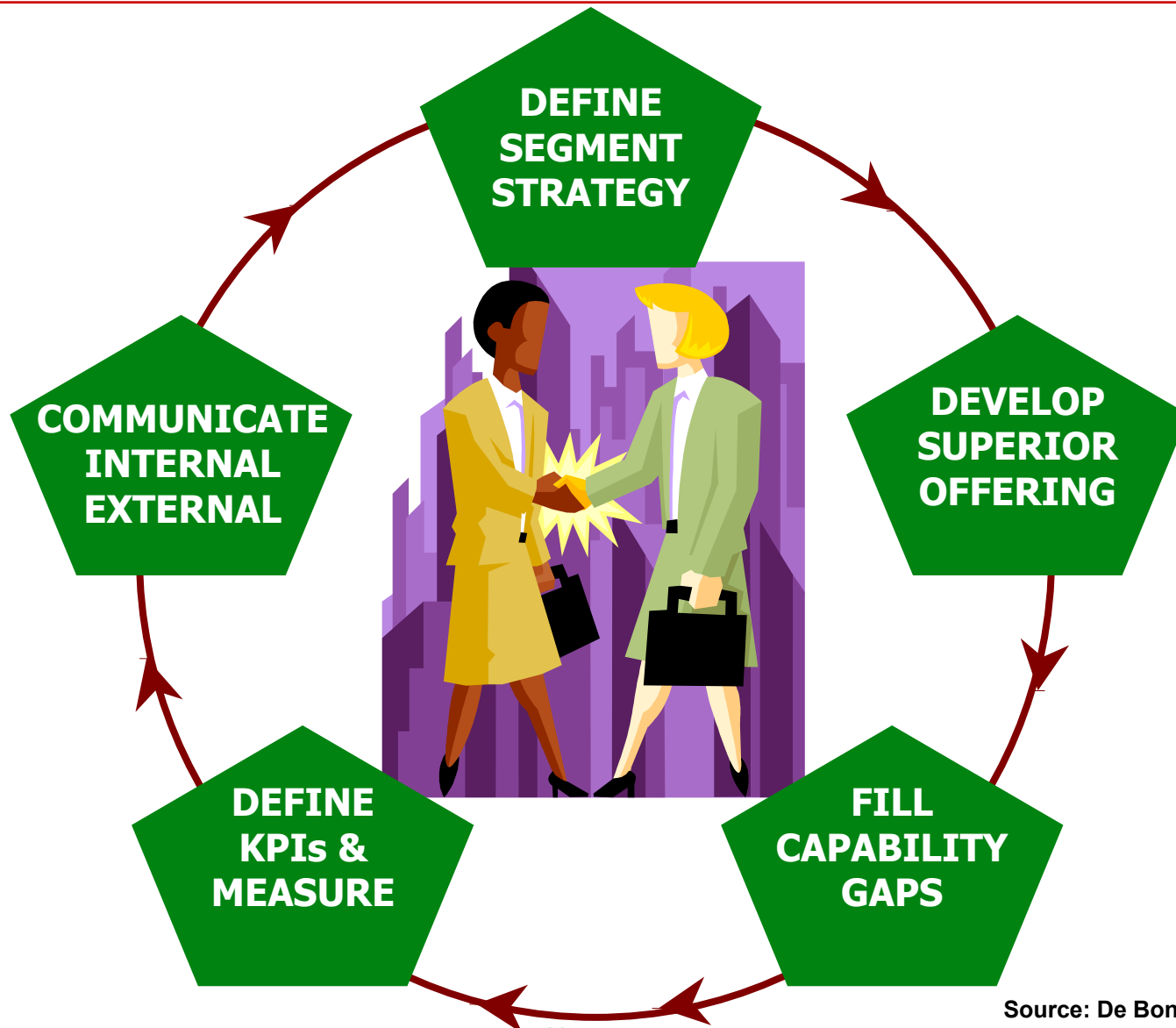
**10%**

**Clearly defined customer  
segments** (usually needs-based)

**Differentiated offerings for each  
segment**



# Best Practice: Commit to the Customer



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003



# Best Practice: Commit to the Customer

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## ➤ People and Skills

- Creators
- Inventors
- Communicators

## ➤ Tools

- Ansoff matrix
- Product-market life-cycle
- Value chain analysis
- Customer Value Proposition
- Communications mix

## ➤ LOOK OUT FOR

- Create a REAL and UNIQUE offering
- Being product-focused in the offering
- Be sure that the offering delivers REAL value to the customer, that they are willing to pay for
- Be sure you can make money from the offering



# Step 3: Create Customer Value

## Chemical Industry Performance

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**30%**

**Reactive customer service**

Supply chain management

**Non-integrated** customer service systems

Basic ICT infrastructure

Basic e-Commerce system

**20%**

Poor to non-existent customer service

**Inconsistent or undeveloped ICT infrastructure**

**40%**

**Poor to non-existent customer service**

**Non-aligned computer systems**

Inconsistent ICT infrastructure



# Step 3: Create Customer Value

## Chemical Industry Performance

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**10%**

**Proactive** customer service

**Proactive** customer communications

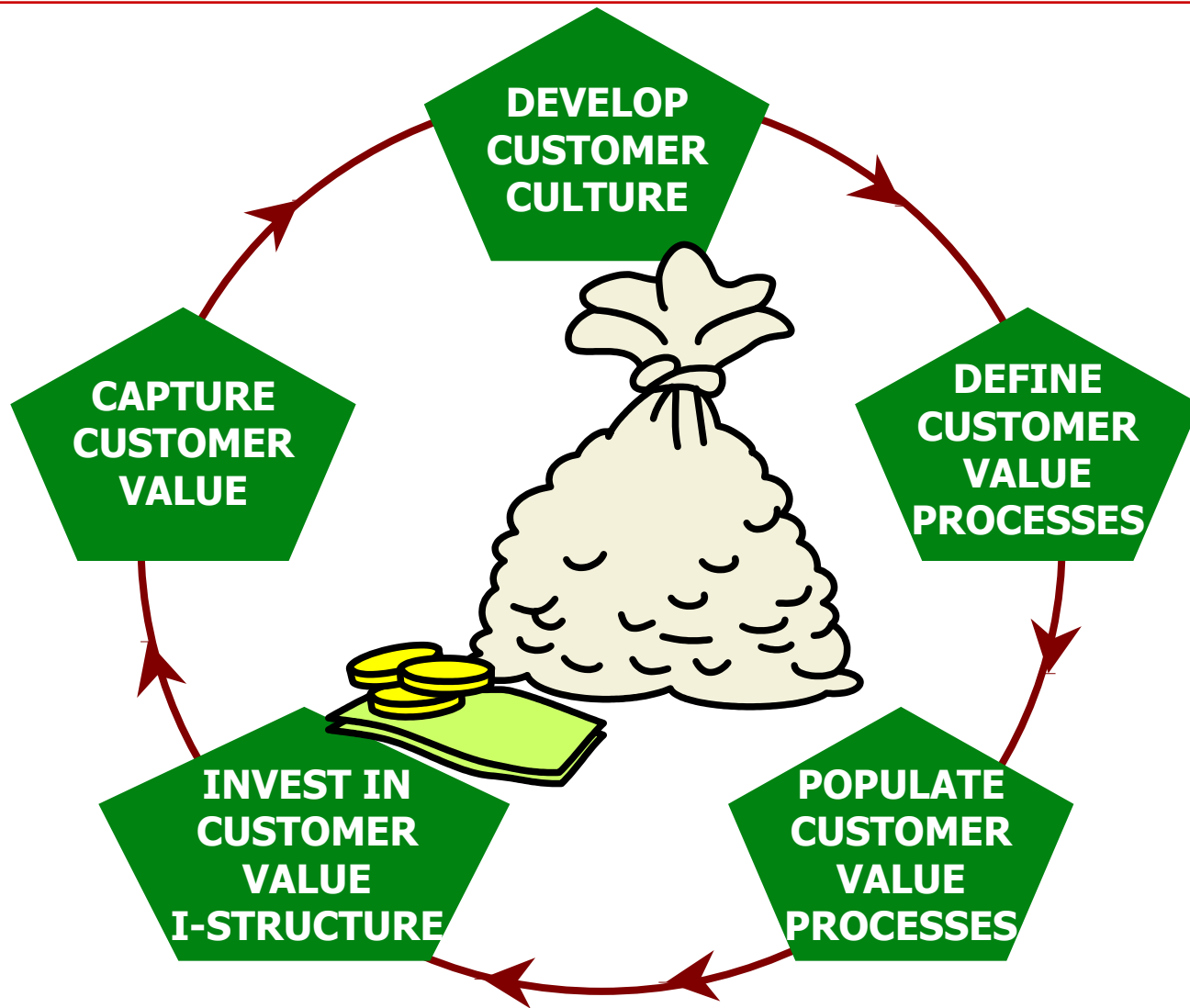
**Integrated** customer service systems

**Advanced** ICT & e-business systems

Advanced **value chain management**



# Best Practice : Create Customer Value



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003



# Best Practice: Create Customer Value

## ➤ People and Skills

- Customer focus
- Process focus
- Infrastructure builders
- Servicers
- Negotiators

## ➤ Tools

- Value chain analysis
- Pricing mix
- Databases
- Customer Relationship Management
- Key account management
- E-Commerce
- Action planning and prioritization

## ➤ LOOK OUT FOR

- Different segments need different business models
- Design processes and infrastructure to meet the needs of the target segments and populate them accordingly
- Build skills and competences to deliver and implement
- ONLY do what delivers value to the customer and to your business
- No link from customer value to action plan



# Step 4: Obtain Customer Feedback Chemical Industry Performance

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**30%**

**Limited** customer communications

Customer contacts mainly through  
sales department

**Basic** account management

Ad hoc customer satisfaction research

**40%**

Basic sales contacts to customer

**No account management**

**20%**

Limited customer interfaces

**No account management**



# Step 4: Obtain Customer Feedback

## Chemical Industry Performance

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10%

Advanced account management

**Comprehensive account  
management**

Multi-functional, multi-level account  
contacts

Regular customer satisfaction research



# Best Practice: Obtain Customer Feedback



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003



# Best Practice: Obtain Customer Feedback

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## ➤ People and Skills

- Listeners
- Interactors
- Analysts
- Open-minded
- Service and solution providers

## ➤ Tools

- Won-lost business analysis
- Value chain analysis
- Customer satisfaction research
- Customer service models
- Key account management
- The 5 Key Customer Questions

## ➤ LOOK OUT FOR

- Actively LISTEN to the customer
- Establish a customer loyalty DIALOGUE
- Constantly seek unmet and poorly met needs – they are the next opportunities
- Complacency: 90%+ still does not guarantee loyalty
- Taking customer loss as inevitable



# Step 5: Improve Customer Value Chemical Industry Performance

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**30%**

Reactive change to offering

**Limited improvement process**

**40%**

Reactive change to offering

**No improvement process**

**20%**

No change process

**No improvement process**



# Step 5: Improve Customer Value Chemical Industry Performance

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10%

Pro-active challenging of other steps

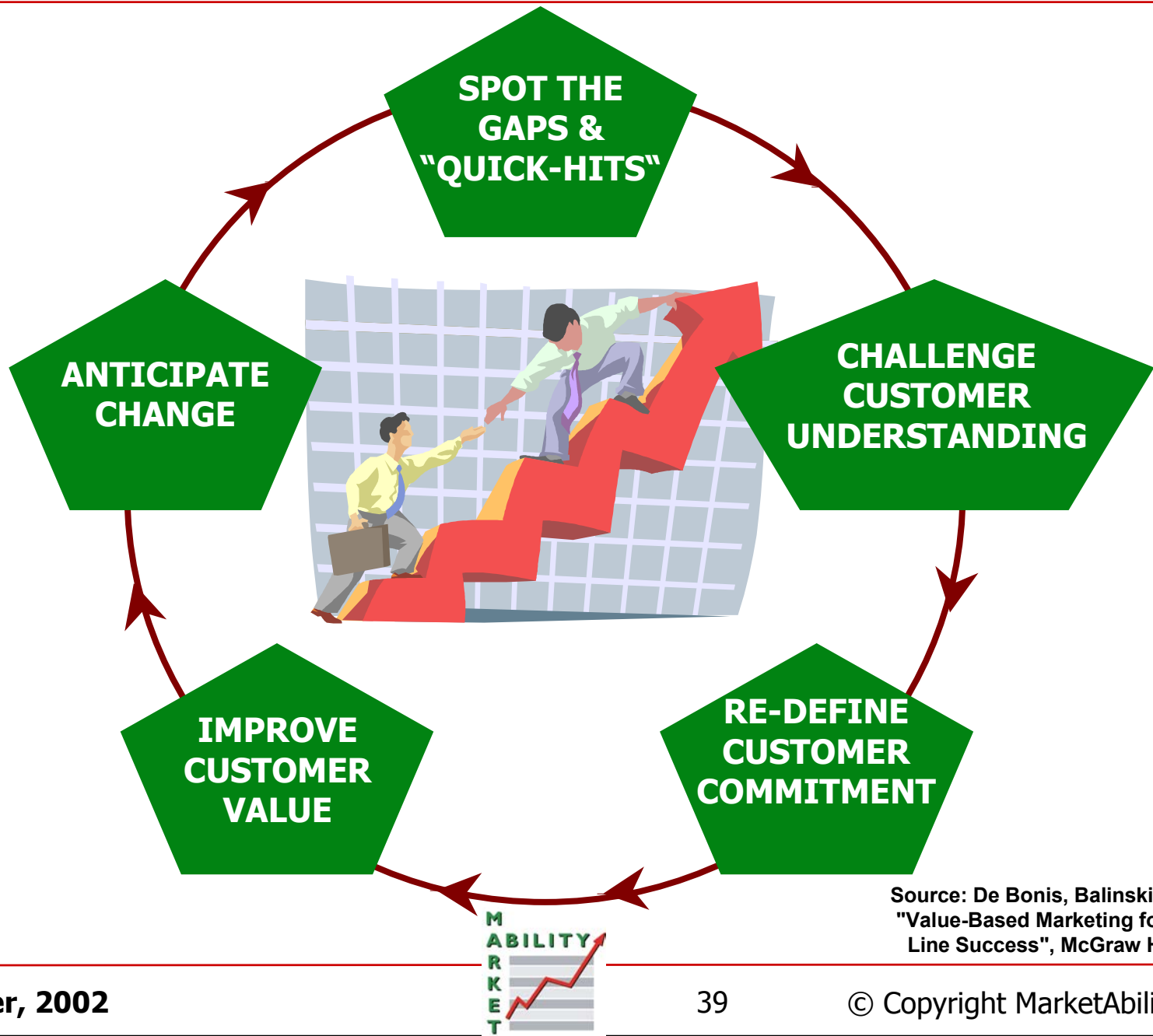
Pro-active change to offering

**Continuous improvement process**

**6-Sigma applied to marketing**



# Best Practice: Improve Customer Value



# Best Practice: Improve Customer Value

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## ➤ **People and Skills**

- Focusers
- Challengers
- Visionaries
- Change agents

## ➤ **Tools**

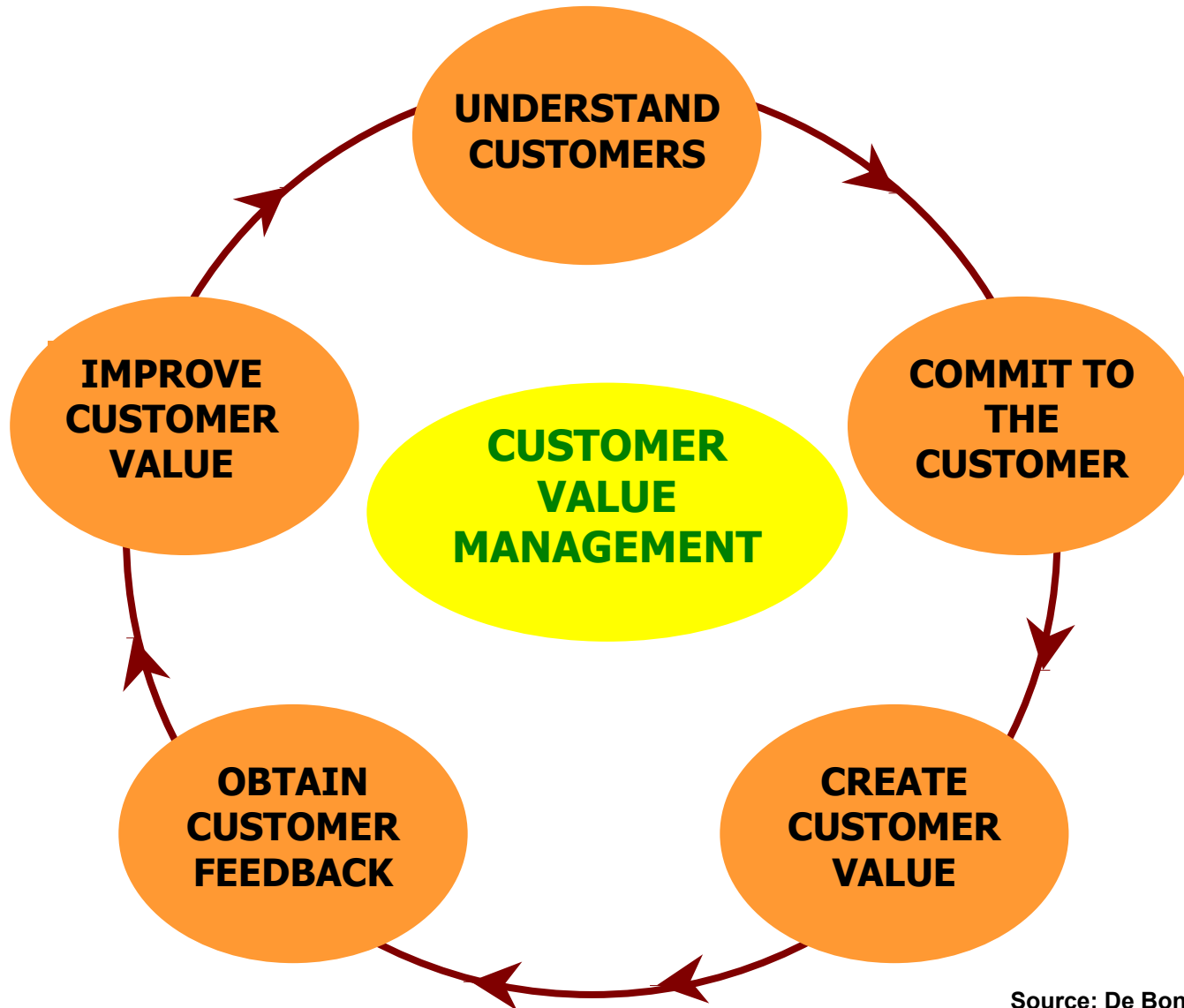
- Prioritisation tools
- Value chain analysis
- Scenario analysis and planning
- Gap analysis
- Market planning

## ➤ **LOOK OUT FOR**

- Thinking that today's offering is good enough for tomorrow
- Unwillingness to change
- Not changing quickly enough
- Losing customers



# Customer Value Management

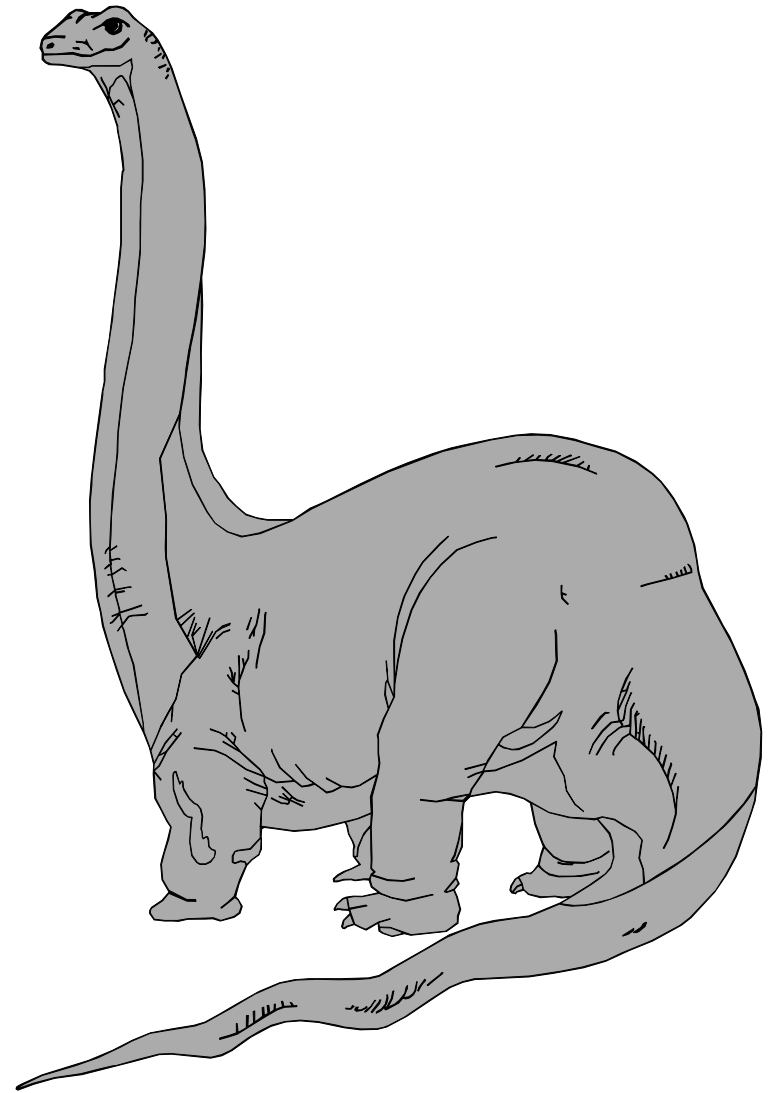


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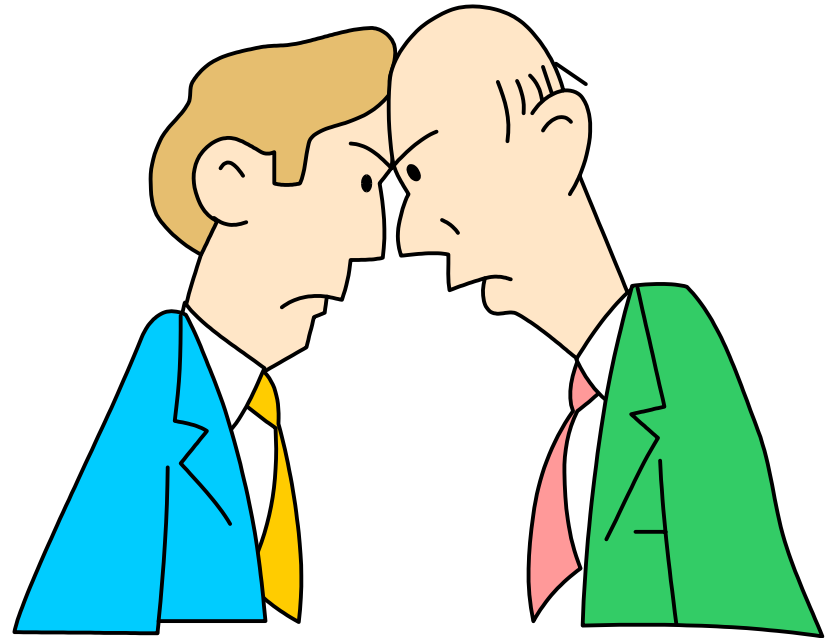
# Non-Starter (20%): will die out

- **No customer research**
- **No customer segmentation**
- **No differentiated offerings for different customer groups**
- **Confused** offerings to customers, poorly communicated
- Poor to non-existent customer service
- **Inconsistent or undeveloped ICT infrastructure**
- Limited customer interfaces
- **No account management**



# Laggard (40%): will lose

- Ad hoc customer research
- **Limited customer segmentation**
- Segments built around products or geography
- **No clearly defined and delineated offerings per segment**
- **Poor to non-existent customer service**
- **Non-aligned computer systems**
- Inconsistent ICT infrastructure
- Basic sales contacts to customer
- **No account management**



# Follower (30%): will under-perform

- Periodic customer satisfaction research
- Attempting customer segmentation (not always using needs-based)
- Limited set of business models for different segments
- Basic value propositions
- **Reactive customer service**
- Supply chain management
- **Non-integrated** customer service systems
- Basic ICT infrastructure
- Basic e-Commerce system
- **Limited** customer communications
- Customer contacts mainly through sales department
- **Basic** account management



# Leader (10%): will grow, will win



- **Regular interactive customer needs fulfilment dialogue**
- Customer-focused business strategies
- **Clearly defined customer segments** (usually needs-based)
- **Differentiated offerings for each segment**
- **Proactive** customer service
- **Proactive** customer communications
- **Integrated** customer service systems
- **Advanced** ICT infrastructure

- Advanced e-business systems
- Advanced **value chain management**
- Advanced account management
- **Comprehensive account management**
- Multi-functional, multi-level account contacts



# Who really focuses on the CUSTOMER?

Vopak BASF Ciba UCB  
Bayer Rohm & Haas Solutia Dow Chemical  
Vantico Degussa Nova Chemicals Praxair  
ICI Eastman Solvay Clariant Avecia  
Du Pont Lonza Equistar Elemica Lyondell  
Mitsubishi Elementis Onda Nalco  
Air Products GE Plastics Atofina  
Borealis Rhodia DSM SABIC  
Crompton ChemConnect Shell Chemicals  
Dow Corning Huntsman Brenntag  
BP Chemicals Olin Wacker Akzo Nobel  
Nexus Formosa Great Lakes  
e-epoxy.com Exxon Mobil Chemicals



# Who really focuses on the CUSTOMER?

**Vopak**    **BASF**    **Ciba**    **UCB**  
**Bayer**    **Rohm & Haas**    **Solutia**    **Dow Chemical**  
**Vantico**    **Degussa**    **Nova Chemicals**    **Praxair**  
**ICI**    **Eastman**    **Solvay**    **Clariant**  
**Du Pont**    **Lonza**    **Equistar**    **Elemica**  
**Mitsubishi**    **Elementis**    **Ondeo Nalco**    **Lyondell**  
**Air Products**    **GE Plastics**    **Atofina**  
**Borealis**    **Rhodia**    **DSM**    **SABIC**  
**Crompton**    **ChemConnect**    **Shell Chemicals**  
**Dow Corning**    **Huntsman**    **Brenntag**  
**BP Chemicals**    **Olin**    **Wacker**    **Akzo Nobel**  
**Nexus**    **Formosa**    **Great Lakes**  
**e-epoxy.com**    **Exxon Mobil Chemicals**



# What do they do differently?

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- **These guys have followed the model that we believe represents good CVM practice:-**
  - ✓ they **researched** the needs of their customers
  - ✓ they **committed** to deliver to those needs
  - ✓ they have **created** a model which serves the needs of their target customers better than competing offerings (evidenced by new business won and repeat business)
  - ✓ they are constantly seeking **feedback** from their customers to continuously improve their offering
  - ✓ and – most importantly – they have made a **profit!**”



# **CUSTOMER** is the only route to **VALUE**



Segment  
around  
**Customer**  
Value



Create  
Value  
for the  
**Customer**



Differentiate  
around  
**Customer**  
Value

# IMPROVE is the only route to SUSTAIN



Obtain  
**Customer**  
Feedback



Implement  
Value  
for the  
**Customer**

Value  
driven by  
and created  
to fulfil  
**customer** need

Improve  
**Customer**  
Value



# The final key is LINKING them

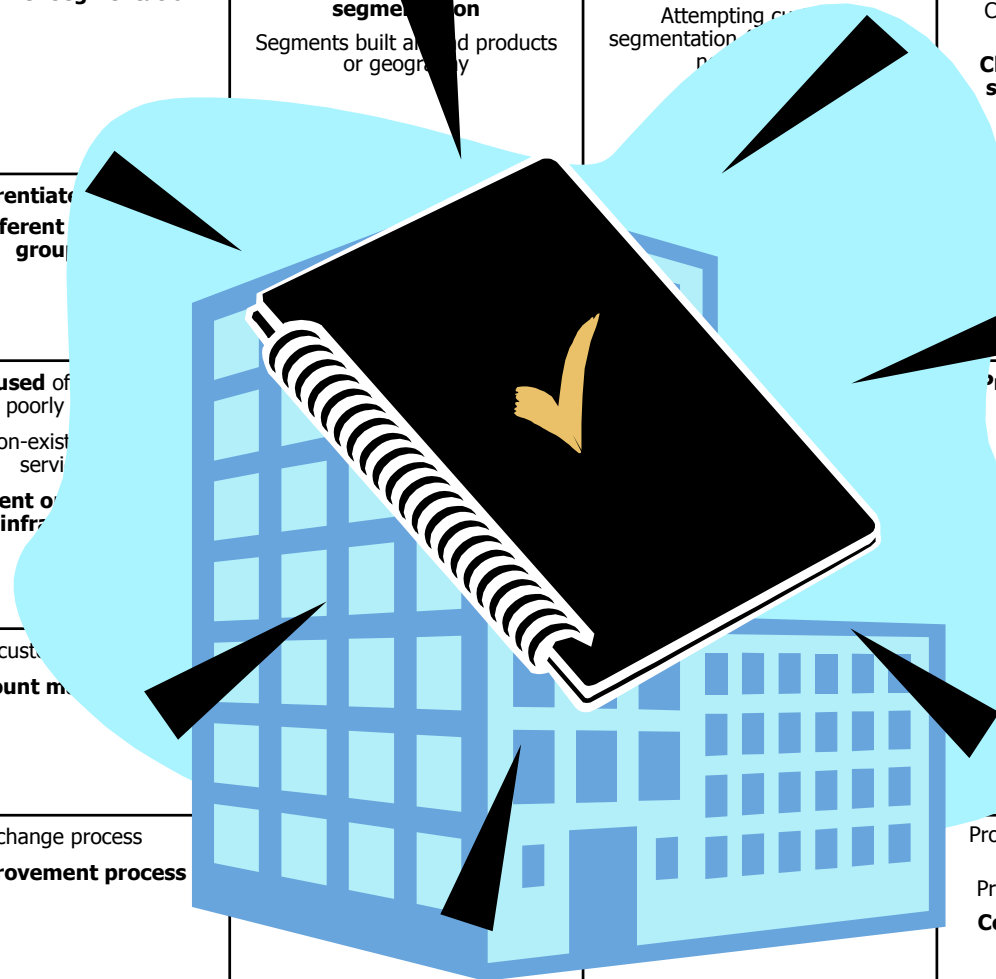


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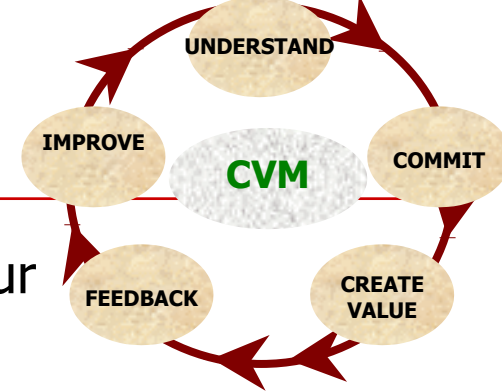


# CVM Diagnostic

STEP	Non-Starters	Laggards	Followers	Leaders
<b>UNDERSTAND THE CUSTOMER</b>	<p>No customer research</p> <p>No customer segmentation</p>	<p>Ad hoc customer research</p> <p><b>Limited customer segmentation</b></p> <p>Segments built around products or geography</p>	<p>Periodic customer satisfaction research</p> <p>Attempting customer segmentation</p>	<p><b>Regular interactive customer needs fulfilment dialogue</b></p> <p>Customer-focused business strategies</p> <p><b>Clearly defined customer segments</b> (usually needs-based)</p>
<b>COMMIT TO THE CUSTOMER</b>	<p>No differentiation for different groups</p>			<p><b>Clearly defined customer segments</b> (usually needs-based)</p> <p><b>Differentiated offerings for each segment</b></p>
<b>CREATE CUSTOMER VALUE</b>	<p>Confused of customers, poorly served</p> <p>Poor to non-existent service</p> <p><b>Inconsistent ICT infrastructure</b></p>			<p><b>Proactive customer service</b></p> <p><b>Proactive customer communications</b></p> <p><b>Integrated customer service systems</b></p> <p><b>ICT &amp; e-business systems</b></p> <p><b>Value chain management</b></p>
<b>OBTAIN CUSTOMER FEEDBACK</b>	<p>Limited customer feedback</p> <p><b>No account management</b></p>			<p><b>Account management</b></p> <p><b>Proactive account management</b></p> <p>Personal, multi-level customer contacts</p>
<b>IMPROVE CUSTOMER VALUE</b>	<p>No change process</p> <p><b>No improvement process</b></p>			<p>Pro-active challenging of other steps</p> <p>Pro-active change to offering</p> <p><b>Continuous improvement process</b></p> <p><b>6-Sigma applied to marketing</b></p>



# CVM: Diagnostic



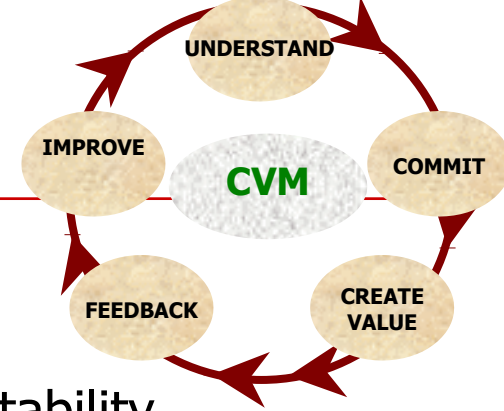
- An objective, comprehensive, in-depth analysis of your CVM processes and practices
- A detailed examination of your practice on the five steps

## ✓ Approach

## ✓ Implementation

- Based on internal appraisal from customer-facing staff to the CEO
- Including direct customer feedback
- A report of diagnostic findings, identifying areas of strength and areas for improvement
- Benchmarked against our best practice database from within and outside your industry sector
- Followed by a workshop to prioritise and plan to transform your CVM to best practice
- Additional coaching, mentoring and training as needed

# CVM: Diagnostic Benefits



## ➤ Direct

- Identify areas of best practice to reinforce
- Identify opportunities to improve to best practice
- Quantify the gaps in performance
- Prioritize initiatives for implementation and impact
- Prioritised and timed action plan

## ➤ Leading to:

- Improved Profitability
  - ✓ 2% of marketing spend
  - ✓ 5% of salesforce spend
- Revenue Protection
  - ✓ Customer retention
- Revenue Extension
  - ✓ Additional share of wallet
- Revenue Development
  - ✓ Cross-selling
  - ✓ Exploiting additional opportunities at the customer
- Cost effectiveness of customer interfaces

# CVM for Results

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- At the insistence of our practitioner, client's business pursued a market-based pricing strategy and gained a price of \$1.32/lb instead of \$0.96/lb on a large volume  
**MarketAbility added value \$2,500,000**
- Following a CVM workshop, client's business manager used the newly created Customer Commitment at a key account to save the business he had been told (by the customer) he would lose  
**MarketAbility added value \$ several million**
- Using the newly developed Market Plan from a series of CVM workshops client's business retained accounts against lower priced competition and focused on target segments to grow business  
**MarketAbility added value Euro > 1 million**



# Don't just SAY it.....DO it

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## “Life is 10% how we take it



## 90% how we make it”

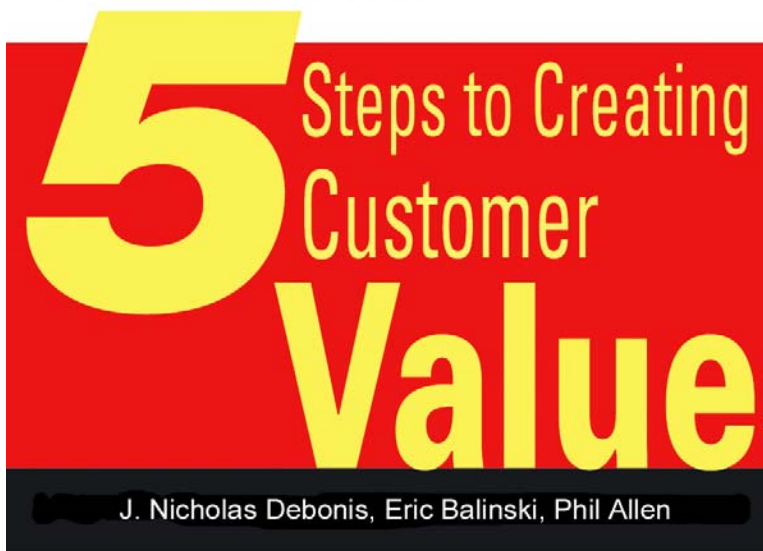
*Anonymous*



# How to do it: Read the book, call us

 AMERICAN MARKETING ASSOCIATION

## Value Based Marketing for Bottom-Line Success



- **Further information from**
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Email: [info@marketability.org](mailto:info@marketability.org)  
URL: [www.marketability.org](http://www.marketability.org)  
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