

Total Customer Management

Sustainable Profitable Growth

ECMRG

Fall Meeting, Leverkusen, September 2004

developed and delivered by

MarketAbility

A **PENTADIGM** Practice



**IF YOU ALWAYS DO WHAT YOU'VE
ALWAYS DONE,**

**YOU'LL ALWAYS GET WHAT YOU'VE
ALWAYS GOT.....**

IF YOU'RE LUCKY.



ECMRG Members Survey: KAM

- Most companies operate Key Account Management
- Basis for key account selection tends to be size of current or potential sales and/or profit
- Tends to be a mutual relationship, strategic
- Most Key Account Managers are business unit level, a few operate corporate (cross-business) KAMs
- Various levels of activity, business responsibility, relationship management
- Main change: be more forward-looking
- Need to eliminate conflicts between KAM and BU's, increase KAM P&L responsibility
- KAM is good, needs more focus, need to have a clear concept, balance resources, win/win
- Most of you think your company is customer-focused

MarketAbility CVM Benchmarking Study

➤ Top Chemicals CVM Performers

- Dow Corning
- UCB Adhesives
- Ciba Speciality Chemicals
- BASF (selected businesses)
- Eastman Chemical (selected businesses)

➤ Top CVM Performers

- Nestle
- Nike
- Intel
- Gillette
- Coca Cola
- American Express
- IBM
- Toyota
- P&G
- BMW
- Unilever
- Nokia

Key Account Management

- The subject I was asked to come and talk to you about
- I do not believe in Key Account Management
- I think it is a fallacy
- All accounts must be managed
- Are any accounts not KEY?

Management

- The “highly paid helps” of an organisation
- A subject studied in Business Schools
- A process for mastering and controlling

Account

- Something you open at a bank to keep money in
- A company you sell something to
- A story
- But always an object
- Rather than a person

Key

- Something you use to open doors
- The solution to a puzzle or problem
- Important
- Which accounts do you have that are not important?
- Which accounts do you have that are not KEY?

Total Customer Management

- What I would like to offer you as an alternative

- Management
 - ✓ A philosophy, approach and culture

- Customer
 - ✓ The individuals, who as members of the value chain directly or indirectly purchase or influence the purchase of your products and services

- Total
 - ✓ All customers are important

The New World of TCM

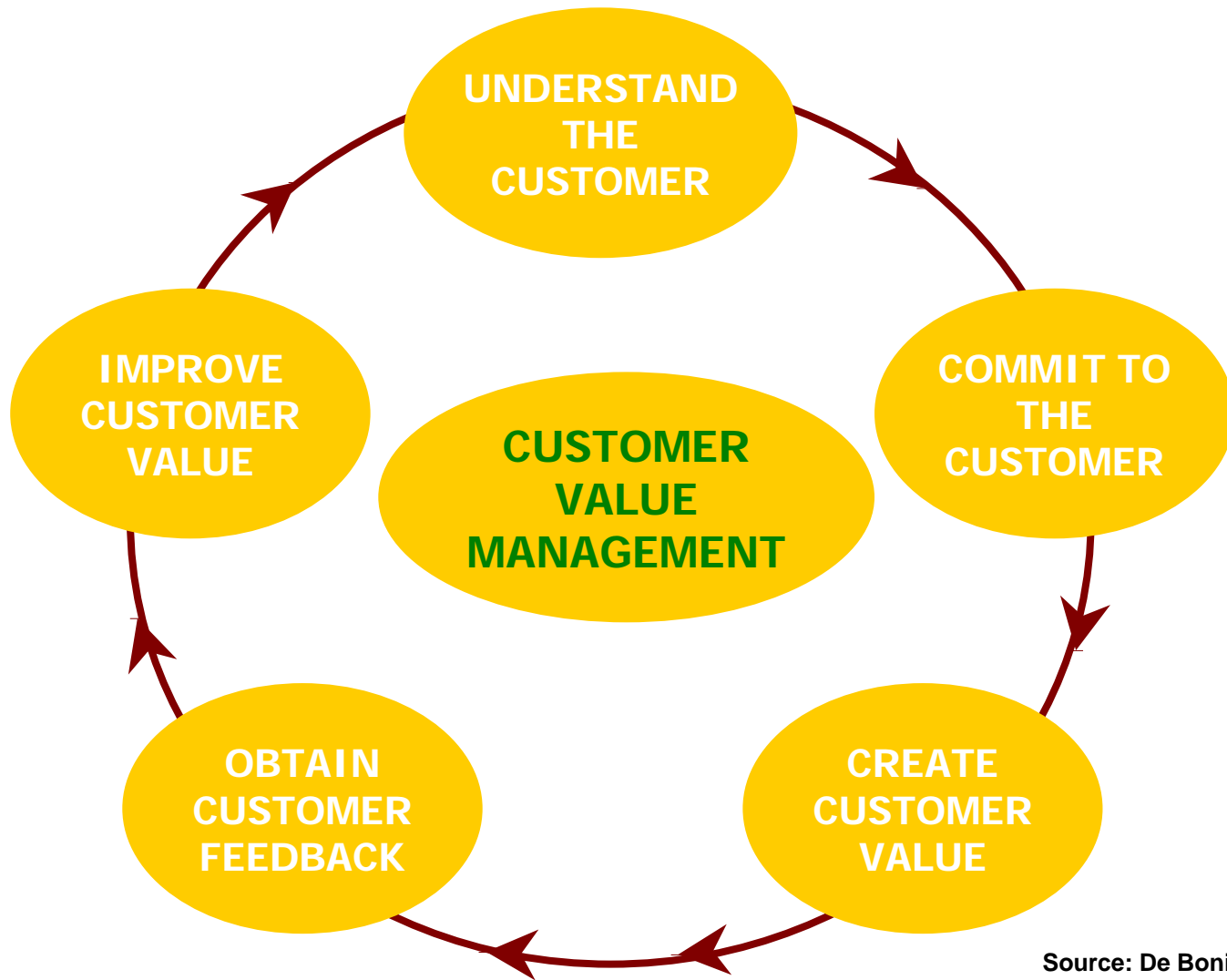
➤ Old world KAM

- Sales oriented
- Company oriented
- Product oriented
- Sell product benefits
- Fight the competition
- Selective
- Elitist
- Annual sales volume & revenue
- Own company success

➤ The New World of TCM

- Customer oriented
- People oriented
- Customer value oriented
- Fulfil customer needs
- Differentiate the offer
- All encompassing
- All customers are important
- Customer Lifetime Value
- Customer success

Sales Oriented to Customer Oriented



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

Company Oriented to People Oriented

➤ Three levels of customer need and value

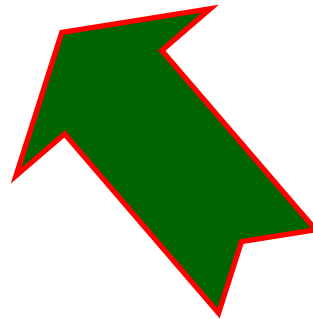
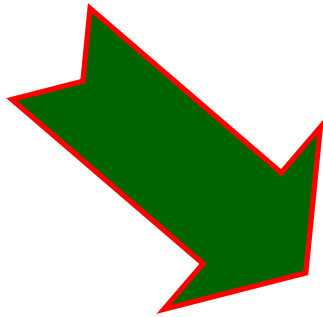
- ✓ **Corporate** what are the needs and value drivers of the customer company in achieving its goals

- ✓ **Department** what are the needs and value drivers within the department of the customer company
 - technical department seeks innovation
 - production department seeks efficiency
 - purchasing seeks lowest priced materials

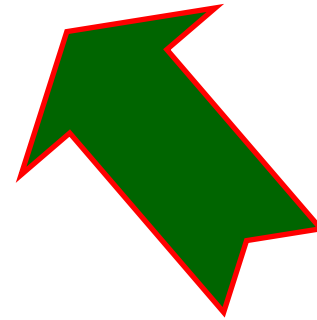
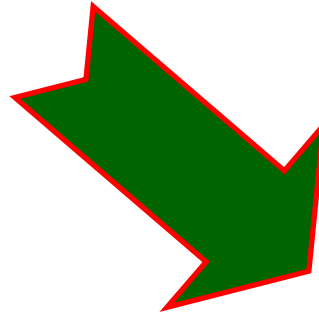
- ✓ **Personal** what are the personal needs and value drivers of the individual(s) with whom you are dealing

Product Oriented to Customer Value Oriented

FEATURES of an offering



BENEFITS of an offering



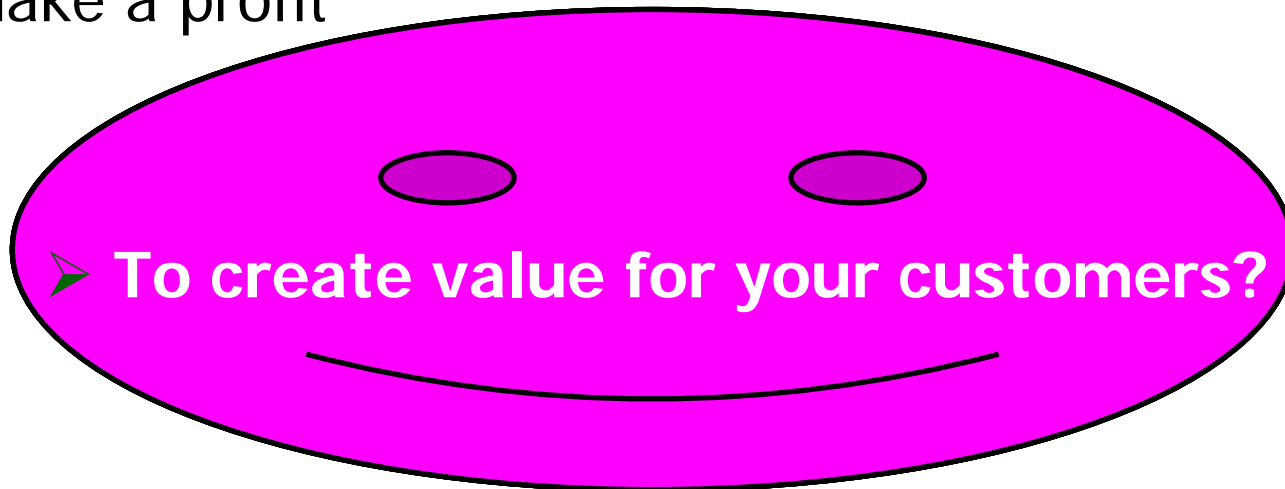
VALUE to the CUSTOMER

Customer Value

- How do you CREATE value for your customers?
- How do you QUANTIFY value for your customers?
- How do you COMMUNICATE the value to your customers?
- How do you CAPTURE the value you have created for your customers?
- How well does your value capture reflect the TRUE customer value created?

Why are you in business?

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



➤ To create value for your customers?

Create and CAPTURE Customer Value

- **Create value for your customers**
- with products supplied and services provided
- to provide employment
- **Capture the value created for your customers**
- to make a profit and
- to create value for stakeholders

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 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

7 P's – But only one captures value

- 6 P's cost
- PRODUCT
- PLACE
- PROMOTION
- PEOPLE
- PROCESS
- PHYSICAL EVIDENCE

- 1 P captures value

➤ **PRICE**

- 1% on price can produce 10+% on margin

- 1% off costs produces <5% on margin

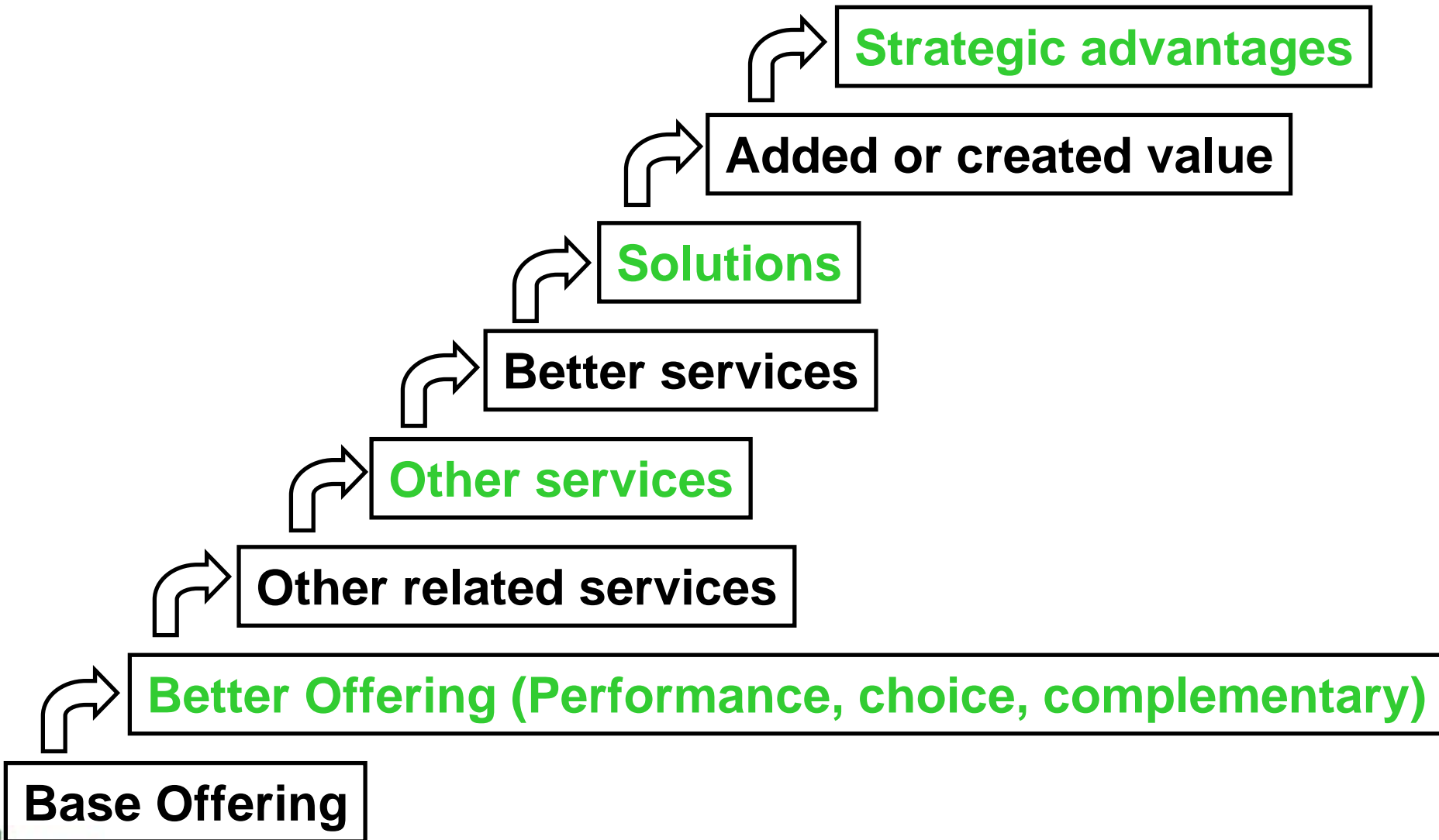
SO – HOW MUCH TIME DO YOU ALLOCATE TO EACH P?

HOW MUCH TIME SHOULD YOU ALLOCATE TO EACH P?

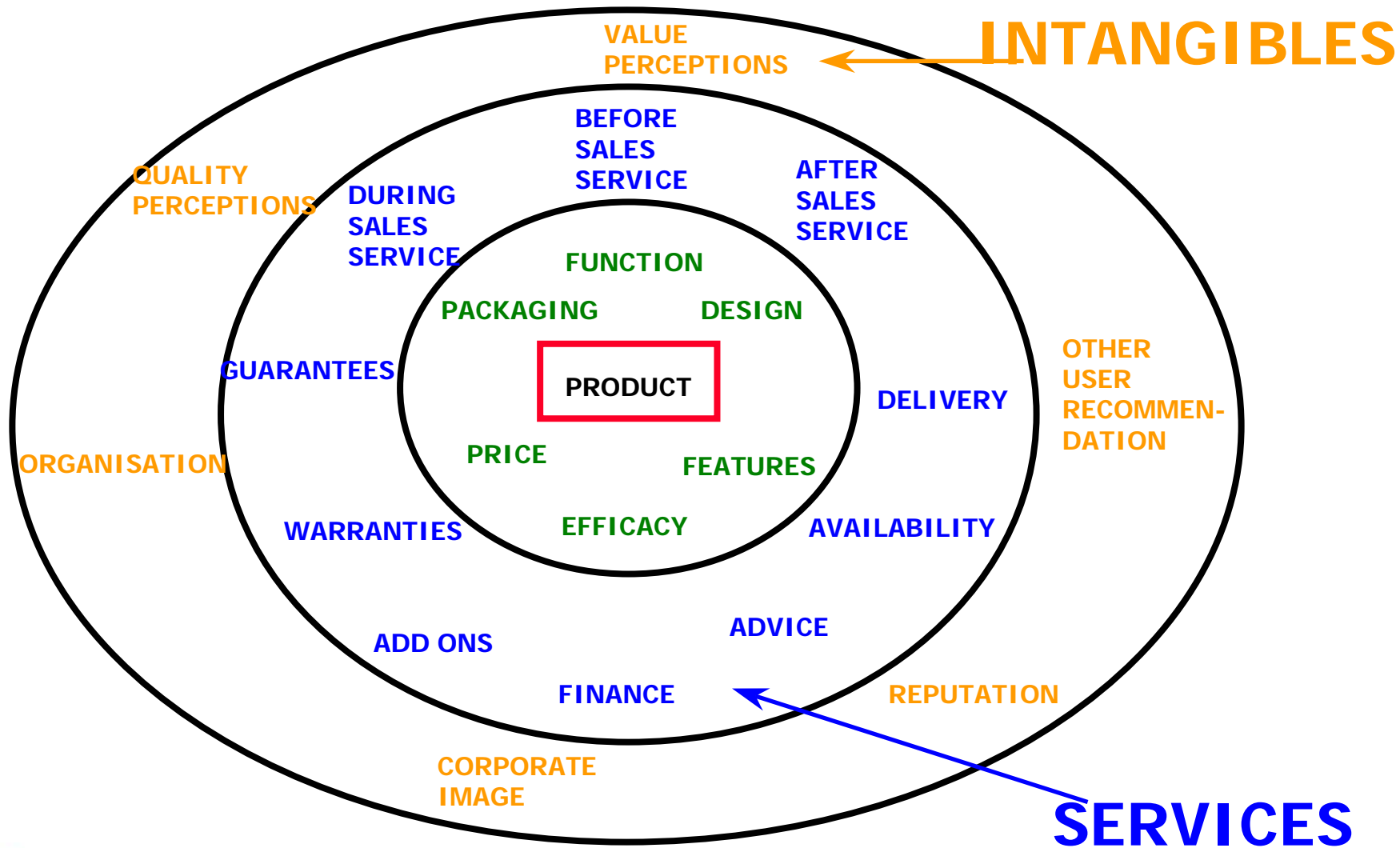
Sell Product Benefits to Fulfil Customer Needs

- How is it done today?
 - ✓ *Describe the customer's business and operations*
 - ✓ *Especially in the context of our business with them*
- What does it cost?
 - ✓ *Develop a cost model of the customer's business and operations*
 - ✓ *Where do the costs of our offering fit, how significant are they?*
- What wrong with how it's done today?
 - ✓ *What are the problems, challenges and unmet needs of the customer?*
- What's the value of improvement?
 - ✓ *What would be the value to the customer of solving/fulfilling these?*
- What will change in the next 3-5 years?

Fight Competition to Differentiate Offer



Customer Value Differentiators



Selective to ALL Encompassing

Losing Customers Costs Money

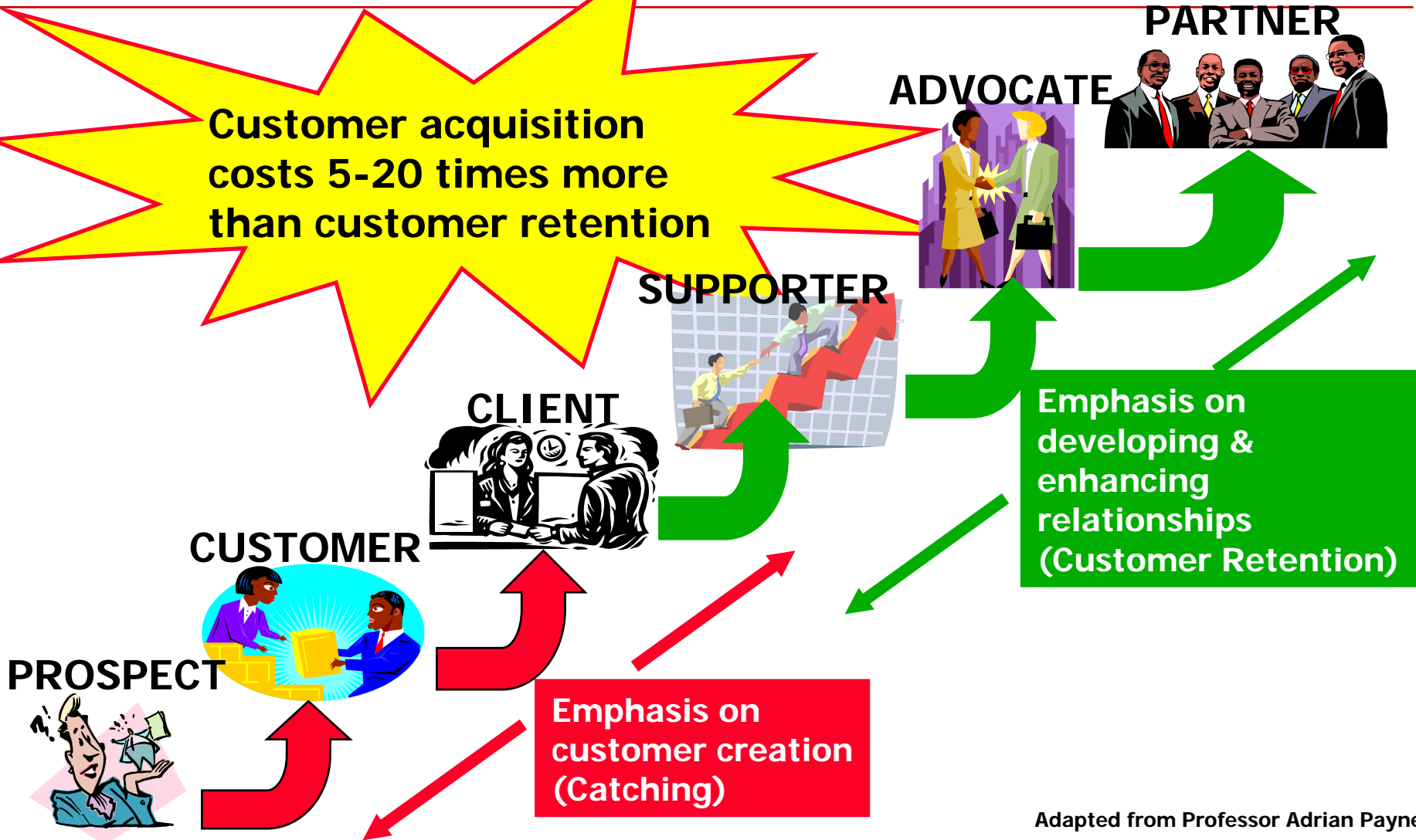
- Find potential new customers
- Understand customer needs
- Develop Offering
- Qualify offering
- Refine offering
- Produce offering
- Qualify customer
- Credit check customer
- Open account
- Receive order
- Deliver against order
- Issue invoice
- Collect payment



**Customer acquisition
costs 5-20 times more
than customer retention**

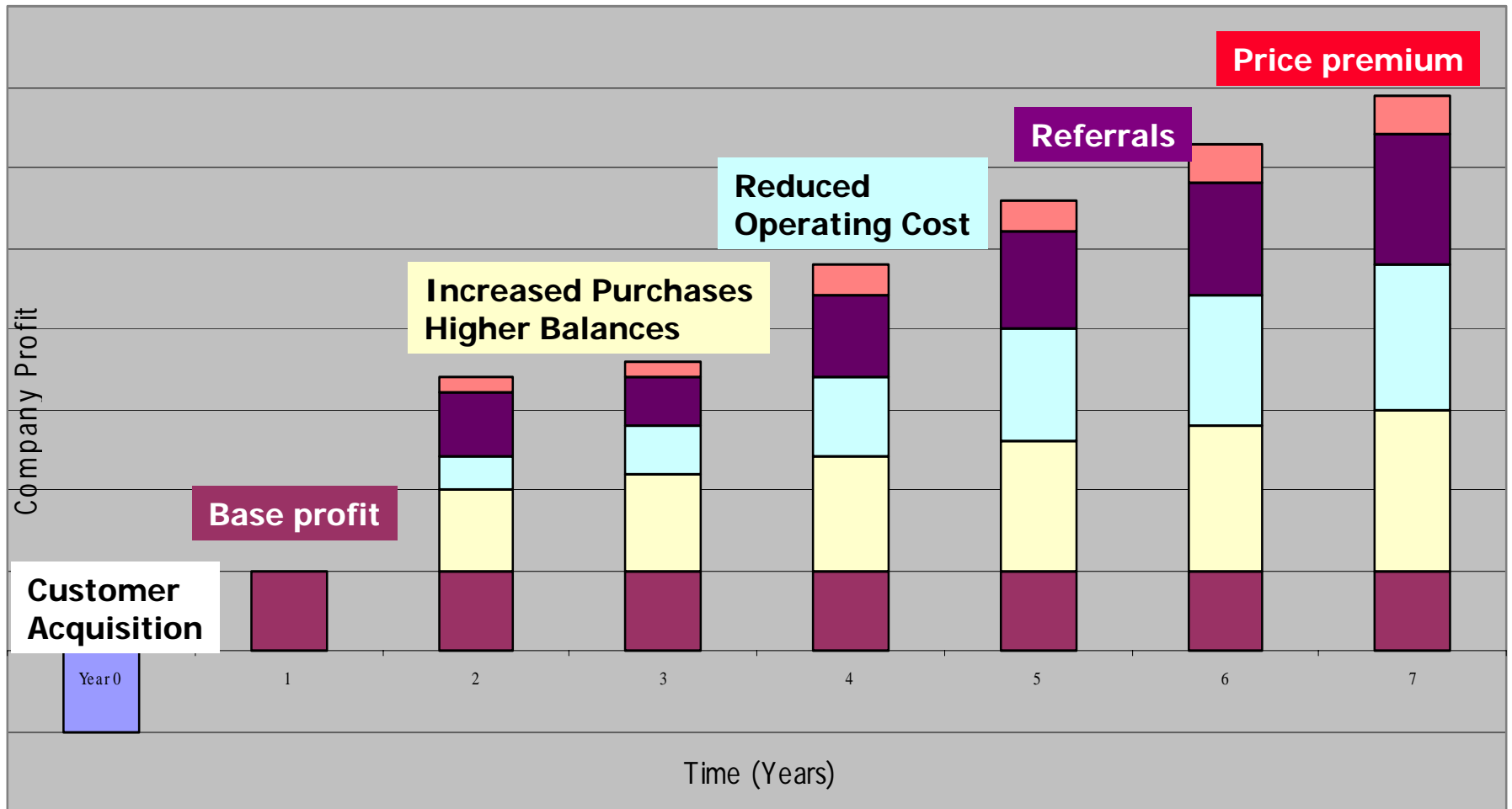
Elitist to All Customers are Important

Customer acquisition costs 5-20 times more than customer retention



Adapted from Professor Adrian Payne

Annual Sales to Customer Lifetime Value



Source: "Zero Defections: Quality Comes to Services" by Frederick F. Reichheld and W. Earl Sasser, Jr.
Harvard Business Review September - October, 1990

Own success to Customer Success



Segment
around
Customer
Value



Create
Value
for the
Customer

Value
driven by
and created
to fulfil
customer need

Differentiate
around
Customer
Value

Own success to Customer Success



Obtain
Customer
Feedback



Implement
Value
for the
Customer

Value
driven by
and created
to fulfil
customer need

Improve
Customer
Value

The Dynamics of Value

Trade-off: all of the below against one another

+

Intangibles: brand, recognition, acceptance, esteem

+

Risk analysis: social, environmental, economic, business, project, personal

+

Opportunity costs: speed, time utilisation etc

+

Cost of alternatives/substitutes

+

Availability of alternatives/substitutes

+

Urgency of need fulfilment

+

Basic value of need fulfilment

Customer Loyalty: Built on Relationship

Reasonably satisfied customers often defect to the competition. You are satisfied with Amazon, but you buy books from dozens of different places

What we are talking about is:

LOYALTY

Satisfaction is just a passive state
"I will stay with you until something better comes along"

Loyalty is a positive intention to stay

Adding Value for A Chemical Company

Identify Customer	Target Customer	Understand Customer	Differentiate Offer	Implement Offer
Pyramid	MarketAbility Matrix	Moments of Truth	Customer Commitment	Action Plans
Value Chain Analysis	Decision Mapping	Corporate, Departmental, Personal Needs	Won /lost Business Analysis	Prioritise Actions
Personality Types	DMU	Quantification Tool	Build and Manage Relationship	Effective Communication
Customer Value Segments	Sales/ Profit Potential	Account Plans	Account Management	Measure results
	Customer Margin			Implementation Plans

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KAM Discussion Topics

- KAM Models, activity, level of authority
- KAM strategic vs operational
- Internal support and conflict
- Allocating and managing resources
- Measuring impact and success

Phil Allen

- Phil Allen, career marketer and International Marketing graduate.
- He built his marketing expertise over 25 years of hands-on experience in sales, market research and marketing at national, continental and global levels in multi-nationals including Albright & Wilson Ltd, Bayer AG, English China Clays, Hilti AG and The Dow Chemical Company.
- Phil is co-author of "Value-based Marketing for Bottom-Line Success", De Bonis, Balinski & Allen, published by McGraw Hill for the American Marketing Association in December 2002 (ISBN: 0-07-139656-X)
- In 1997, Phil founded the marketing excellence practice, MarketAbility - creating value for clients by helping them to apply value-based marketing and Customer Value Management to their businesses.
- Clients praise Phil for his pragmatic, down-to-earth approach to marketing. "Phil has a talent for converting the marketing concepts into practical, actionable business strategies and plans."
- A fluent German speaker, Phil lives near Zürich, Switzerland and works around the World.
- Contact: +41 79 423 1390 or phil.allen@marketability.org

MarketAbility

- **Add value to client's business** with marketing excellence and customer value management in strategy, process and culture
- **Deliver improved business performance** through tailored customer-driven strategy development and implementation services to global clients in business-to-business markets
- **Impart advanced marketing and customer value skills to client** through applied interactive workshops
- **Measure marketing effectiveness** with CVM Diagnostic
- **Practical marketing for value growth. We do.... while others only talk**

MarketAbility for Results

- 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

- Using the Customer Value Management model, MarketAbility client re-segmented their customer base, developed new customer offerings and introduced new business models. New offerings increased customer retention to > 97%. New business models attracted significant new business from accounts previously dealing with competitors.

MarketAbility added value US\$ > 3 million

