

# Creating Customer Value

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An Interactive Workshop designed  
by MarketAbility  
for EyeforChem

Marketing & Sales Conference,  
San Antonio

03-04 April 2003

led by Eric Balinski and Phil Allen

CVM: It ain't what you do.....



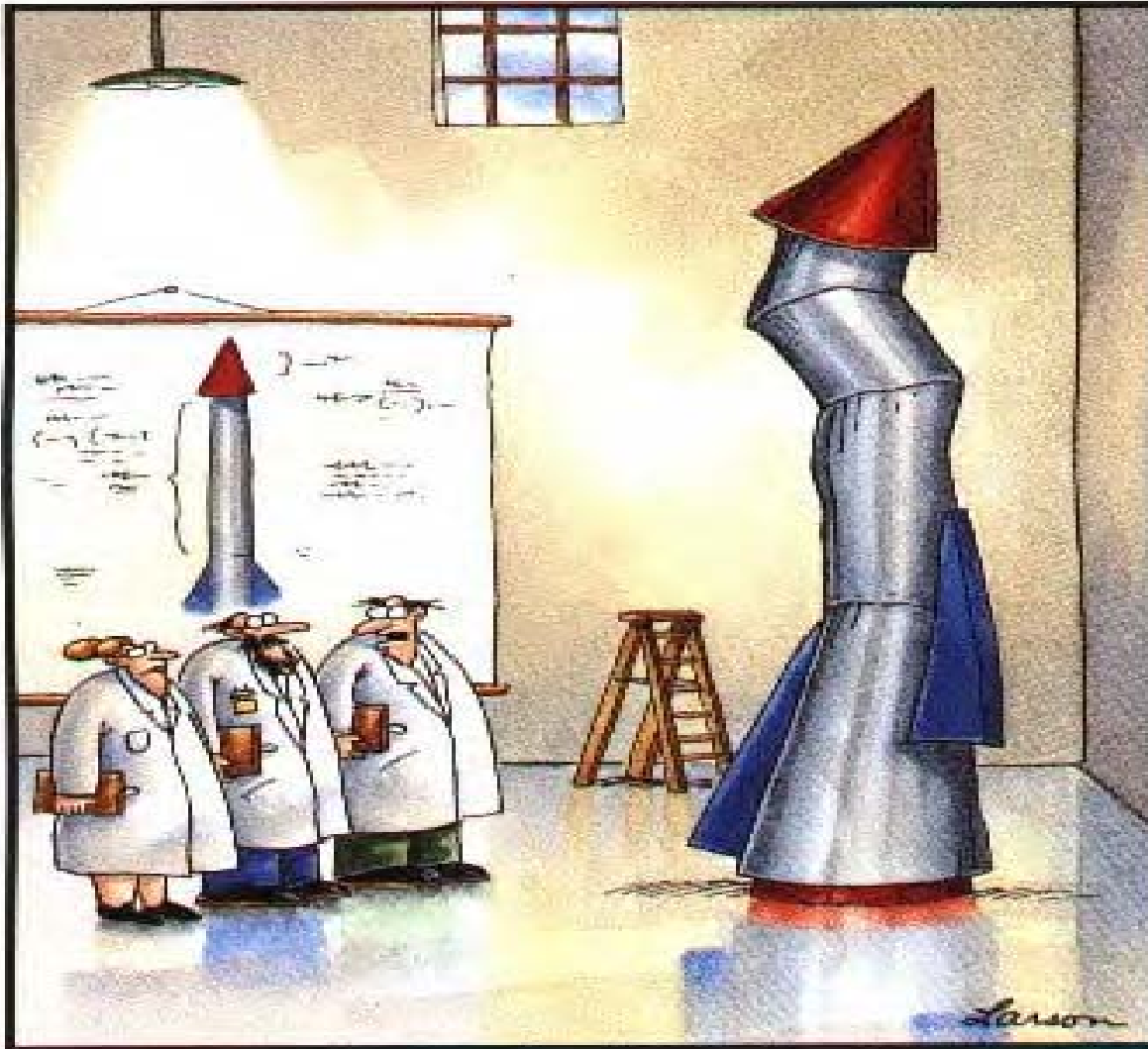
**IF YOU ALWAYS DO WHAT YOU'VE  
ALWAYS DONE,**

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

**IF YOU'RE LUCKY.**



# Market Success: It's not *rocket science*



"It's time we face reality, my friends. ...  
We're not exactly rocket scientists."

# 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

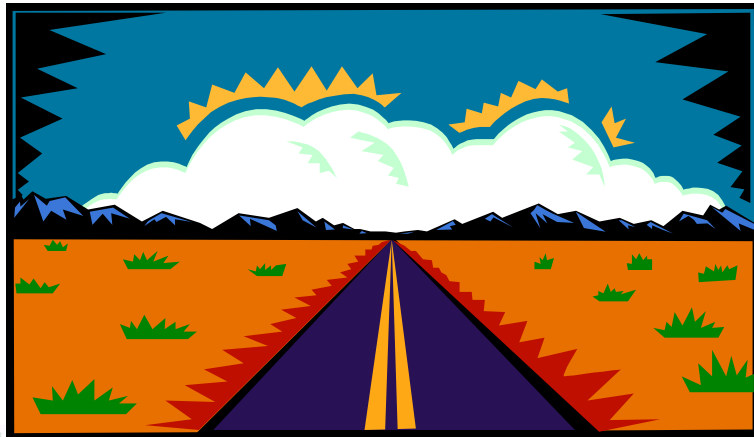
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- Customers go out of their way for it
- Customers refuse alternatives
- Customers refuse free substitutes
- Customer retention is high
- Customers repeat purchase often
  
- Price is from 1.5 to 10 TIMES the competitive product
  
- Would you like 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 what the customer is willing to pay and the cost of the services

- SUPPLY CHAIN MANAGEMENT do it better

- Making a profit from customer



# 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

# Customer Value Management

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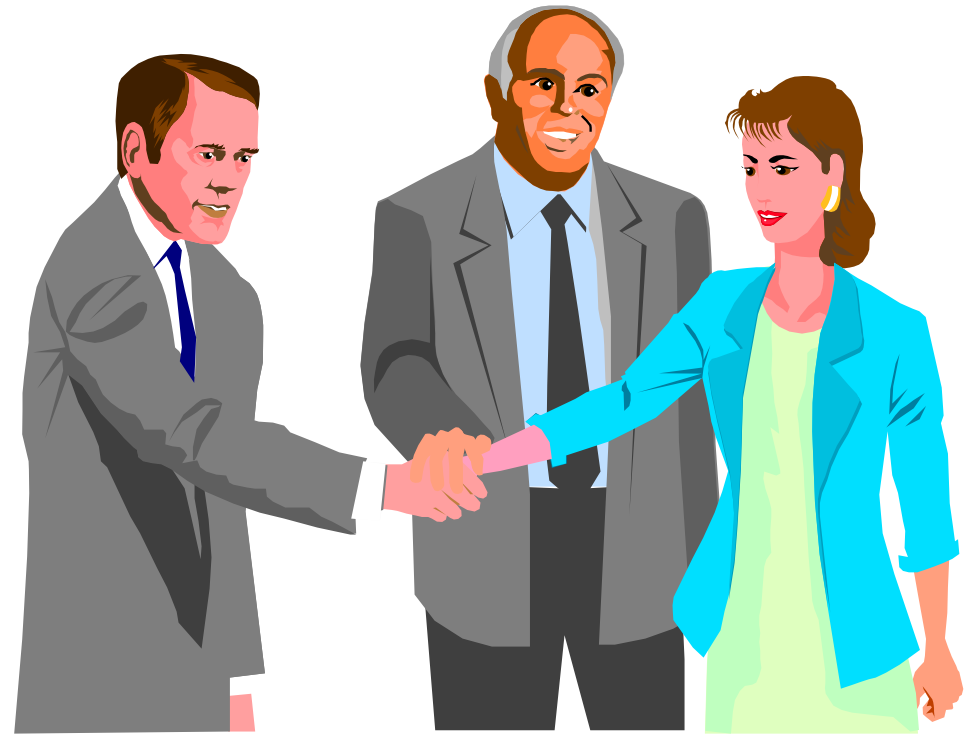
- Total Quality Management, Six Sigma, Financial Controls, Supply chain management, Managing product, place, promotion, people, process – ***all played out***
- CRM is passé as a business concept, because it does not go far enough
- Welcome to the era of

CUSTOMER VALUE MANAGEMENT

# CVM Defined

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- **CVM is the business marketing process enabling supplier and customer to create sustainable value and profitable growth 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**  
**Air Products GE Plastics Onda Nalco Atofina**  
**Borealis Rhodia DSM SABIC**  
**Crompton ChemConnect Shell Chemicals**  
**Dow Corning Huntsman Brenntag**  
**BP Chemicals Olin Wacker Akzo Nobel**  
**Formosa Great Lakes**  
**Nexus e-epoxy.com Exxon Mobil Chemicals**



# Customer Focus????

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

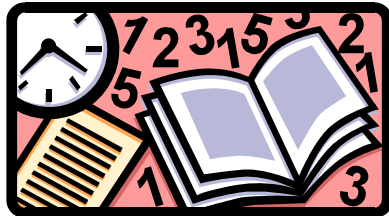


**.....ONLY 10% really practise customer focus**

# CVM: Our Study of Chemicals and Plastics

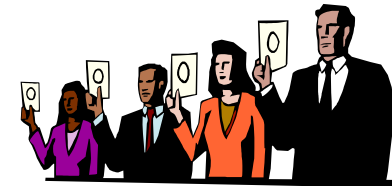


**Best practice elsewhere**

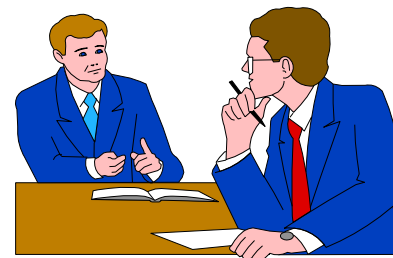


**A survey of customer surveys**

**Customer interviews**



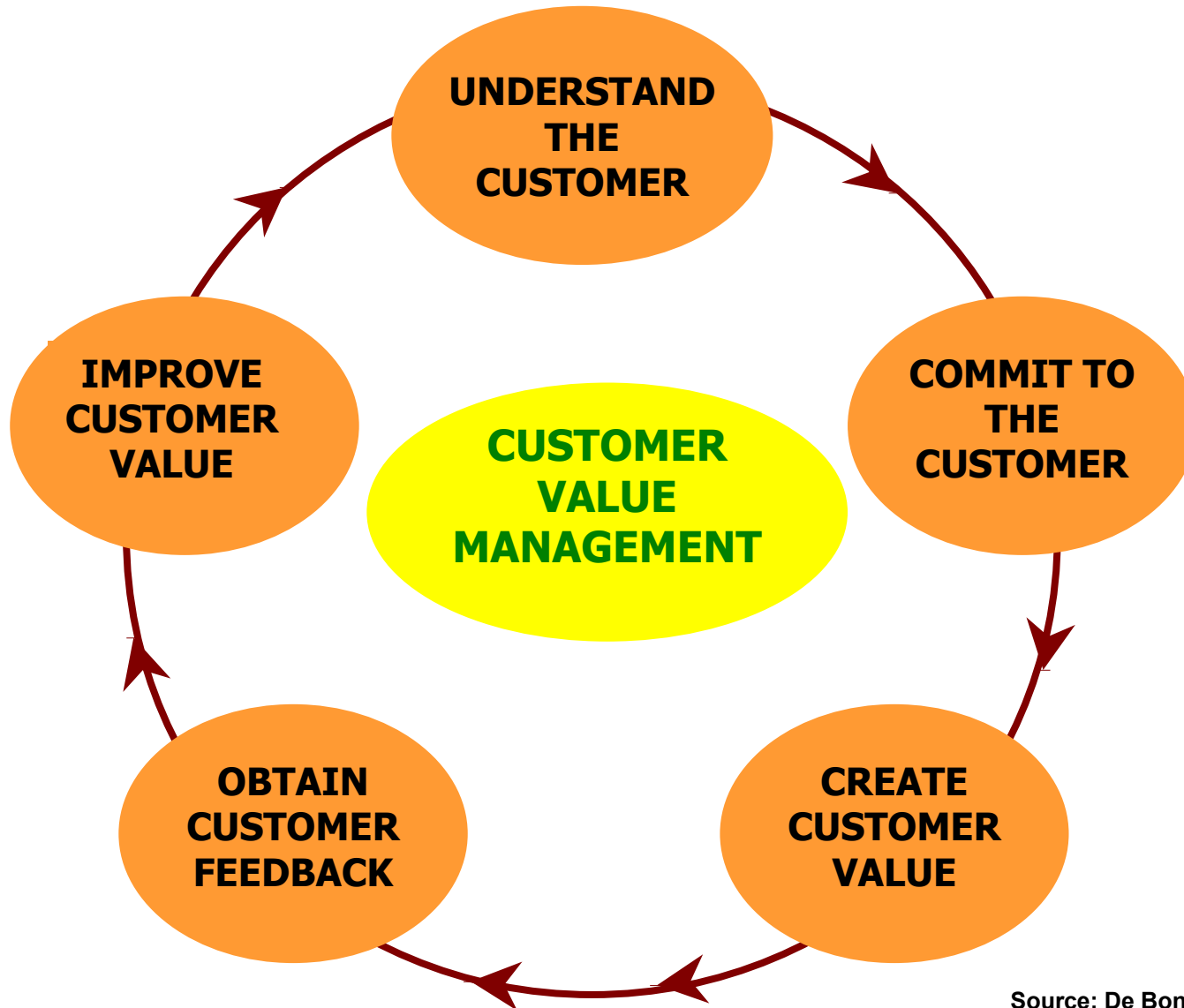
**Personal interviews**



**150 companies**



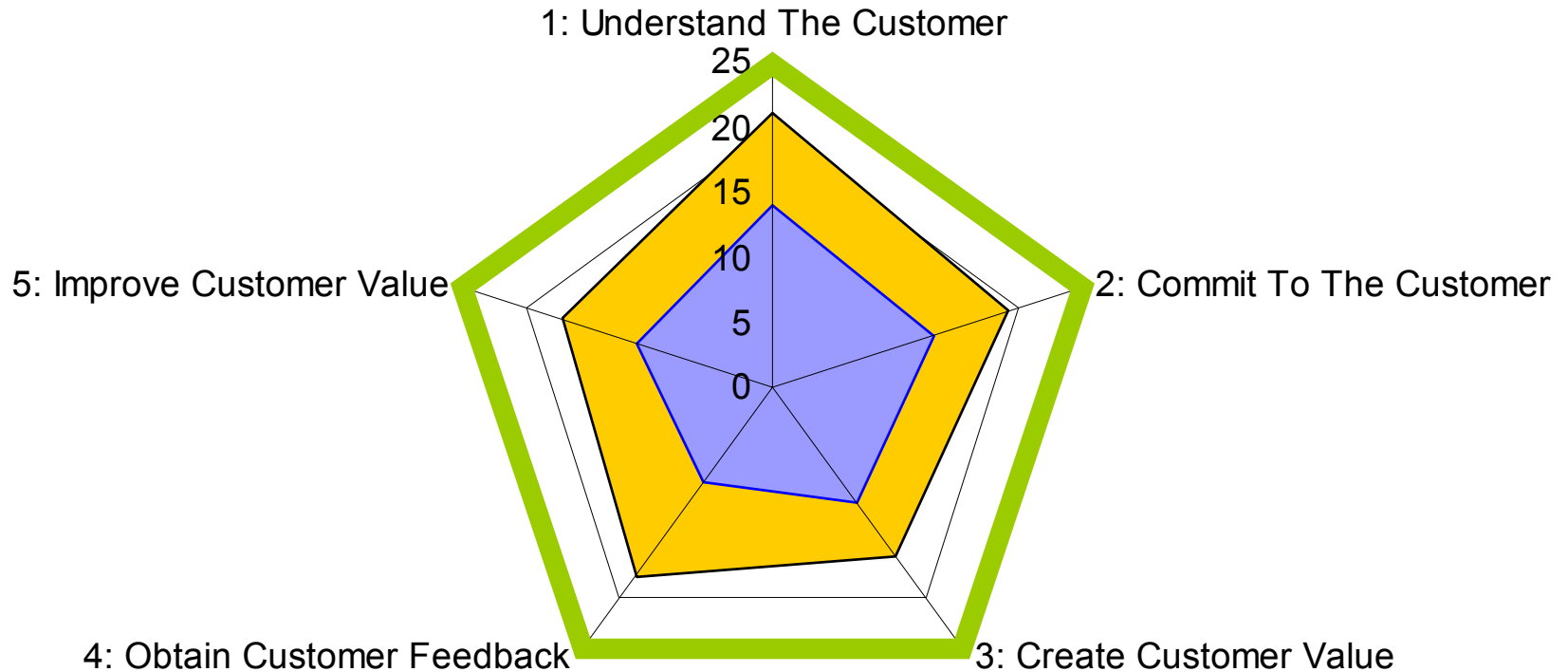
# Customer Value Management



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

# Chemicals Industry and CVM

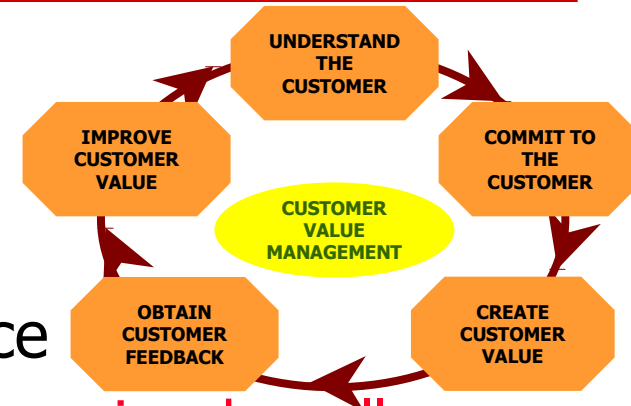
CVM: **Current** and **Best Performance** vs **Best Practice**



Source: MarketAbility

# CVM: Interactive Workshop

- Form five groups: one for each step in the model
- Take **10 minutes** per question:
- Based on your knowledge and experience
  - ✓ What does the industry or individual companies do well today?  
*(use the five-action checklists and the measuring scale)*
  - ✓ How could the industry improve?
    - ➔ Recommend five key initiatives to improve industry or individual company performance
  - ✓ What must change or be done differently to implement these initiatives?
- Prepare a (max) **5 minute feedback** to the plenum



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

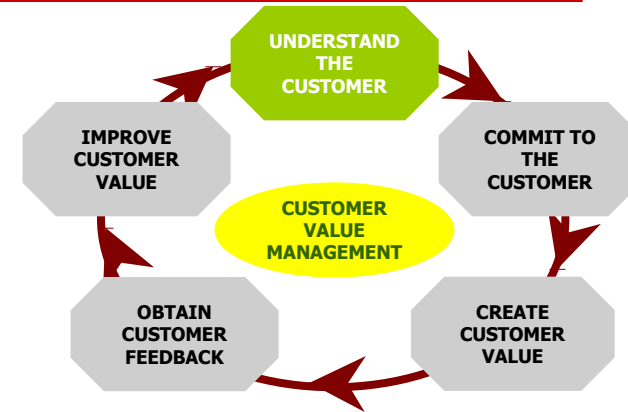
## ➤ **Dangers/Failings**

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

# Step 1: Understand the Customer Chemical Industry Performance

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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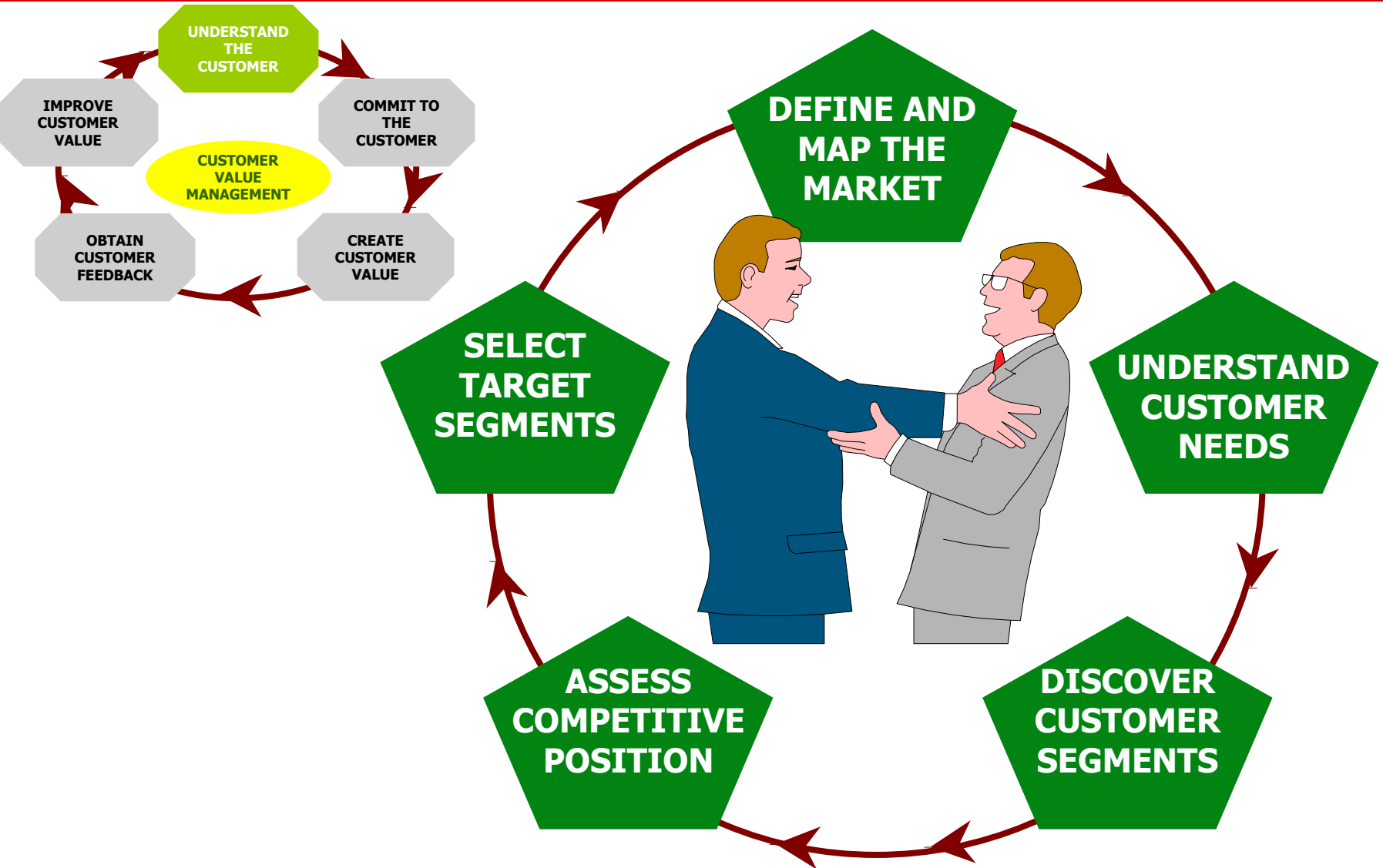
**10%**

**Regular interactive customer  
needs fulfillment 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

- Inquisitors
- 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

# Understand the Customer

- **1. Have you defined and mapped the market?** Look at your market and the value offerings in the market through the eyes of the customer. Understand customer choices and the reasons for those choices.
  - **2. Have you developed a clear understanding of your customers' value needs and expectations?** Identify the value sought by the customer value segment and quantify the value to the customer.
  - **3. Have you discovered customer value segments built around similar values?** Seek unmet needs relentlessly and segment according to customer needs.
  - **4. Do you know how customers in a customer value segment perceive and value your customer value commitment versus that of your competition?** Base your assessment of your relative competitive difference on the customers' perception and judgment of your customer value commitment and competing offerings.
  - **5. How have you targeted customer value segments?** Target only those customer value segments where you have or can build a customer-competitive advantage that the customer recognizes and values and for which the customer is willing to pay. Only serve customer value segments whose lifetime value is positive and high.
- **1. Map the market from the customer end of the value chain.** Map at all relevant levels of detail from broad product-market to customer value segment. Name the customer value segments according to benefits sought.
  - **2. Customer value set. Everything can be quantified somehow.** Exploring the unmet needs of hotel guests a tall gentleman highlighted his unmet need for a guaranteed longer bed. Asked how much this would be worth, he estimated \$10-20 per night, We explored the value further to define and map his value expectations.
    - ✓ a. When do you stay in hotels? During the week.
    - ✓ b. Why? On business, to visit customers.
    - ✓ c. What happens if you don't get a room with a longer bed? I don't sleep so well.
    - ✓ d. What is the upshot of that? I may not be 100 percent on the ball the next day.
    - ✓ e. What happens if you're not on the ball at the customer next day? I could make a mistake, even lose a contract
    - ✓ f. What are the implications for you from that mistake? It could impact my performance bonus, jeopardize my career progress, or, in an extreme case, I could lose my job.
    - ✓ g. So, what is the real value to you of the longer bed? Considering all this, maybe more like \$50- 00 per night!
  - **3. Pentadigm "generic" customer value segments can kick-start your value-based marketing for bottom-line success:** Innovators, Optimizers, Operationalizers, and Economizers. Each customer value segment buys according to a value commitment and the use of the value ratio to make a purchasing decision.

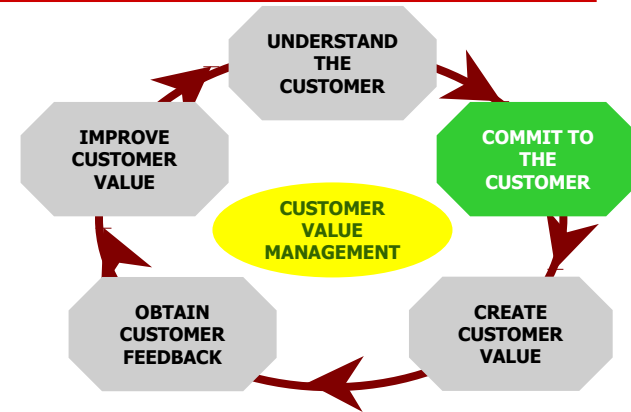
Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003

# Step 2: Commit to the Customer Chemical Industry Performance

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

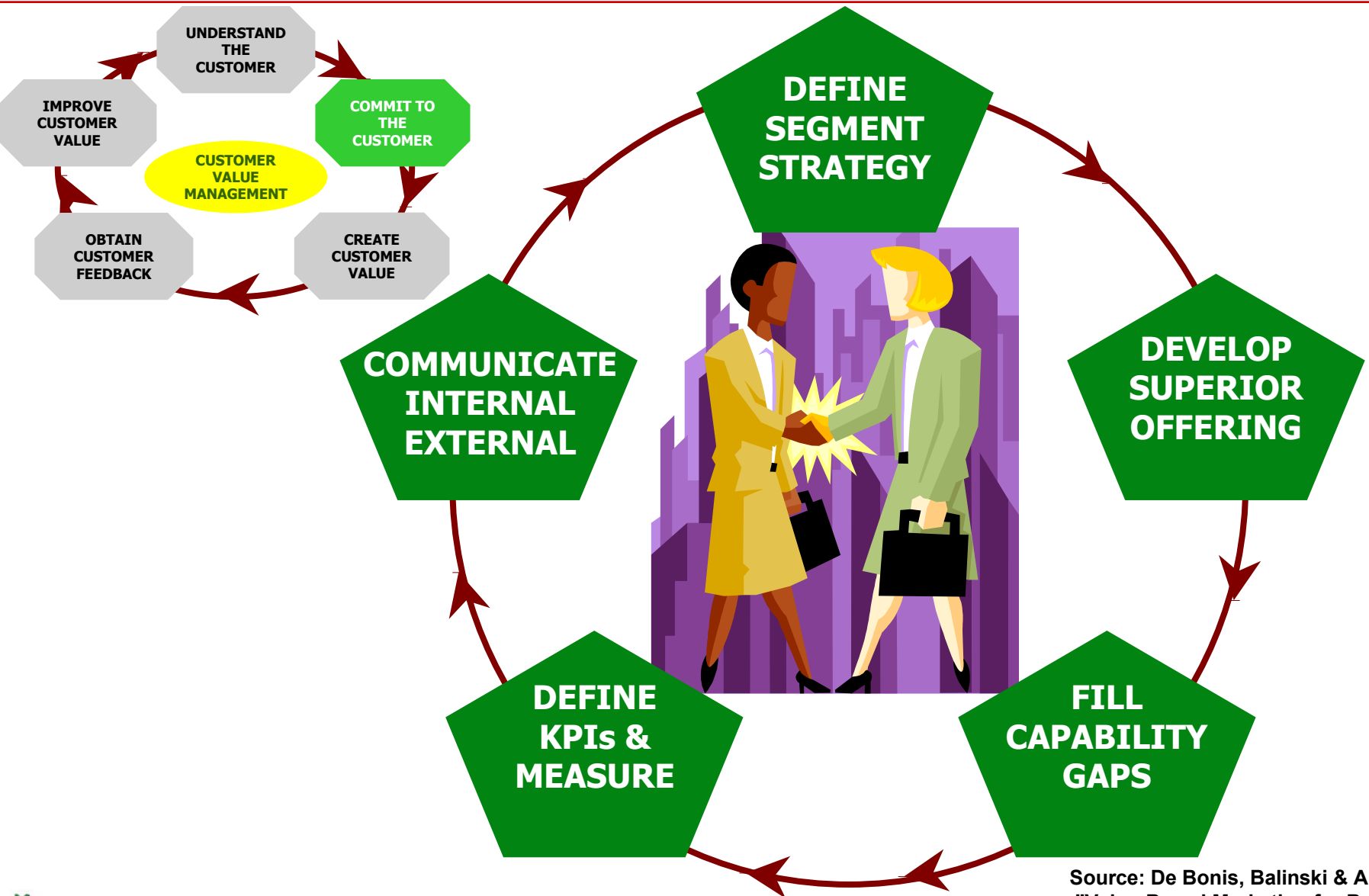
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**10%**

**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

# Commit to the Customer

- **1. Customer value segment strategies need to be considered at a macro level to ensure a balance among between growth, maintenance and harvest.**  
Objectives and strategies will change over time as the customer value set and market dynamics evolve.
  - **2. Pentadigm customer value commitments compel the customer** because they offer relevant value better than the competition and win because they embody unique elements that competitors cannot or will not offer. Pentadigm customer value commitments are written in the language of the customer.
  - **3. In Pentadigm, you may need several customer value commitments,** each targeted at a different value chain member, in order to successfully exploit a market opportunity. Form follows value.
  - **4. Pentadigm customer value commitments are well communicated** to and clearly understood by customers and internal audiences and are reinforced by strong branding strategies.
  - **5. KPIs need to reflect the customer's scorecard, not your internal metrics.**
- **For each target segment**
  - **1. Have you defined and quantified your segment strategy** based on selecting the value commitment on which you've chosen to compete?
  - **2. Have you developed superior customer value commitments for the targeted value segments?**
  - **3. Create the right organization to deliver your customer value commitments.**
  - **4. Have you enabled the clear commitment to fulfill customer value needs and expectations** by creating standards of service, business rules and exceptions. Have you communicated these to the customer value segments and internally within your own company?
  - **5. Have you defined the relevant Key Performance Indicators (KPIs)** to track and the appropriate performance measures, benchmarks?

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



# Step 3: Create Customer Value Chemical Industry Performance

**30%**

**Reactive customer service**

Supply chain management

**Non-integrated** customer service systems

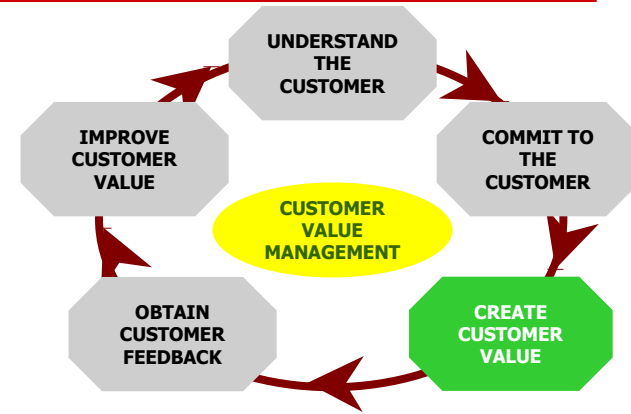
Basic ICT infrastructure

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

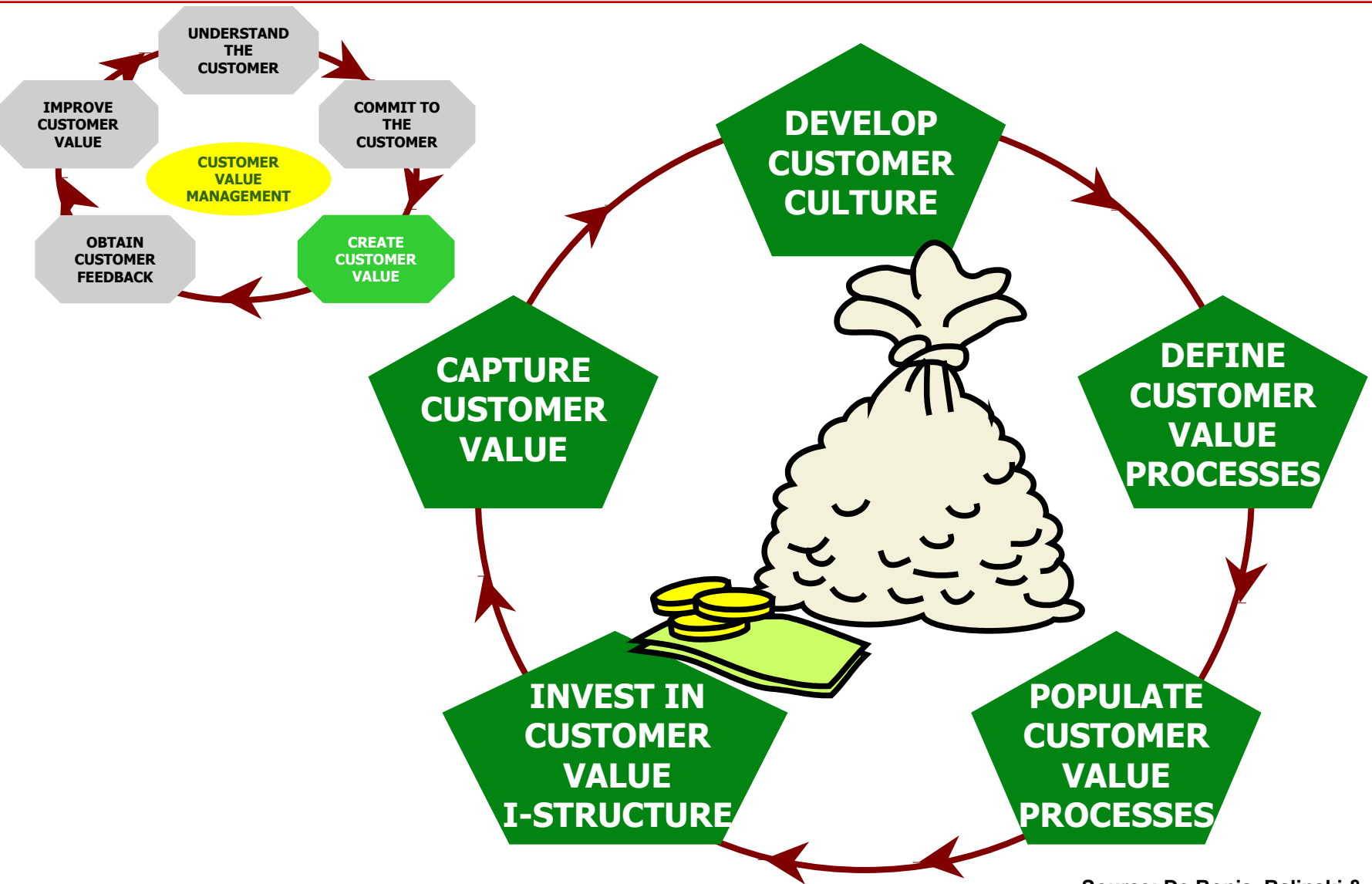
**Proactive** customer communications

**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

# Create Customer Value

- **1. Customer value processes must be identified, defined, and implemented.** This goes against the concept of focusing on core competencies and insists that the company's activities be aligned to excellence in the processes necessary to deliver superior value to the customer.
  - **2. Link staff motivation to customer value delivery through training and development programs, scorecards and compensation systems.**
  - **3. Plan customer value processes before defining, designing and investing in infrastructure.**
  - **4. Lead all customer value creation from the top.**
  - **5. Link all actions to the elements of the customer value commitment – if they don't add customer value, don't do them.** And prioritize all actions based on customer value creation, business impact, and ease and capability of implementation.
- **1. Have you developed a customer culture throughout the organization and empowered the workforce to implement it? Is it led from the top?**
  - **2. Have you planned the key customer value processes?**
  - **3. Have you populated your customer value processes by defining the requisite people skills and competencies, deploying people resources, training and developing the staff and measuring and compensating for value performance?**
  - **4. Have you invested in an infrastructure to deliver customer value by building knowledge management systems, defining a channel strategy and selecting channel partners and using e-commerce where appropriate?**
  - **5. Have you implemented a customer value orientation by planning and prioritizing your actions, defining and implementing organizational structure to support customer value and deploying resources accordingly?**

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

# Step 4: Obtain Customer Feedback Chemical Industry Performance

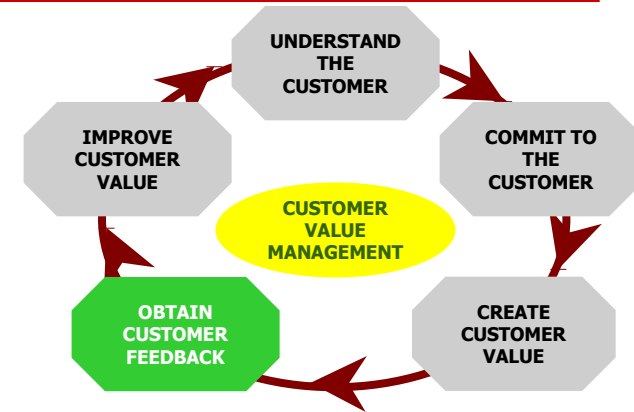
**30%**

**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%

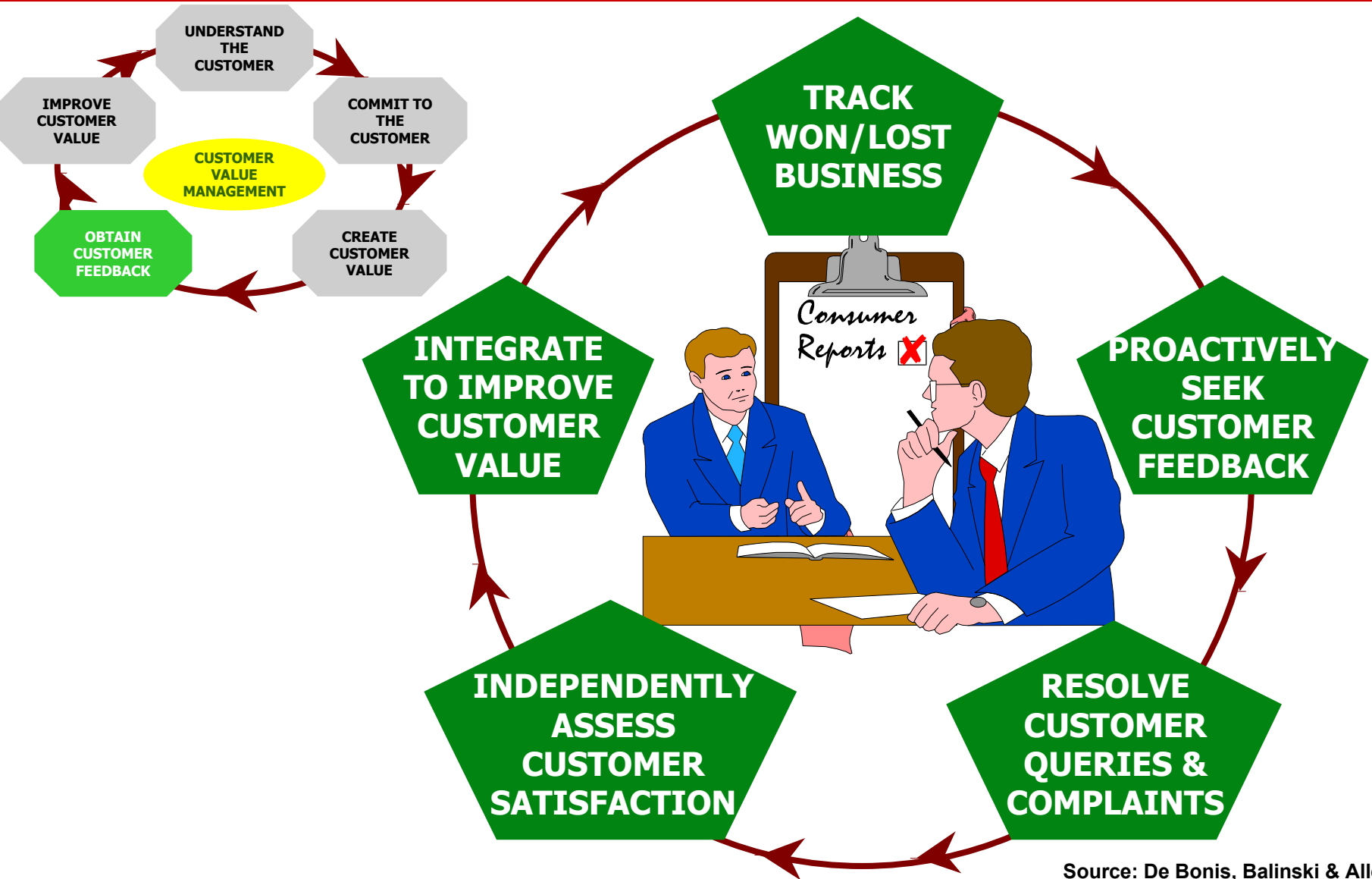
Advanced account management

**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

## ➤ 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

# Obtain Customer Feedback

- **1. Appoint someone to own and be responsible for tracking and researching won-lost business and give them the authority and teeth to do something with their findings.**
  - **2. Five simple questions should frame all conversations with customers:**
    - ✓ a. What does the customer's world look like today? How is it done today?
    - ✓ b. What does it cost? Where do the costs of your offering figure in the total cost picture?
    - ✓ c. What's wrong? What keeps the customer awake at night? How could their business be improved?
    - ✓ d. What's the value to the customer of such improvement?
    - ✓ e. What will change in the customer's world in the next three years?
  - **3. Data not shared are useless and of no value.**
  - **4. Ensure that customers have the freedom of expression to identify to you their priority issues and where you are not meeting their expectations.**
  - **5. Reinforce the positives; improve the areas of dissatisfaction and under-performance.**
  - **6. All accounts – whatever size – deserve an account manager.**
- **1. Are you tracking and analyzing won-lost business?**
  - **2. Are you proactively seeking customer feedback** by identifying all customer interfaces and developing appropriate feedback systems and tracking measures?
  - **3. Are you prepared to manage and efficiently resolve customer queries and complaints and to implement corrective actions?**
  - **4. Are you assessing customer satisfaction regularly through external research, and communicating the results internally and to your customers?**
  - **5. Are you analyzing all customer feedback, identifying the gaps in performance against customer expectations and implementing appropriate corrective actions?**

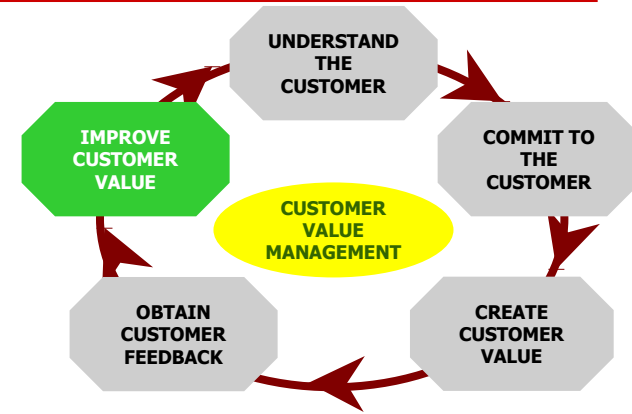
Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
Line Success", McGraw Hill, 2003

# Step 5: Improve Customer Value Chemical Industry Performance

**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%

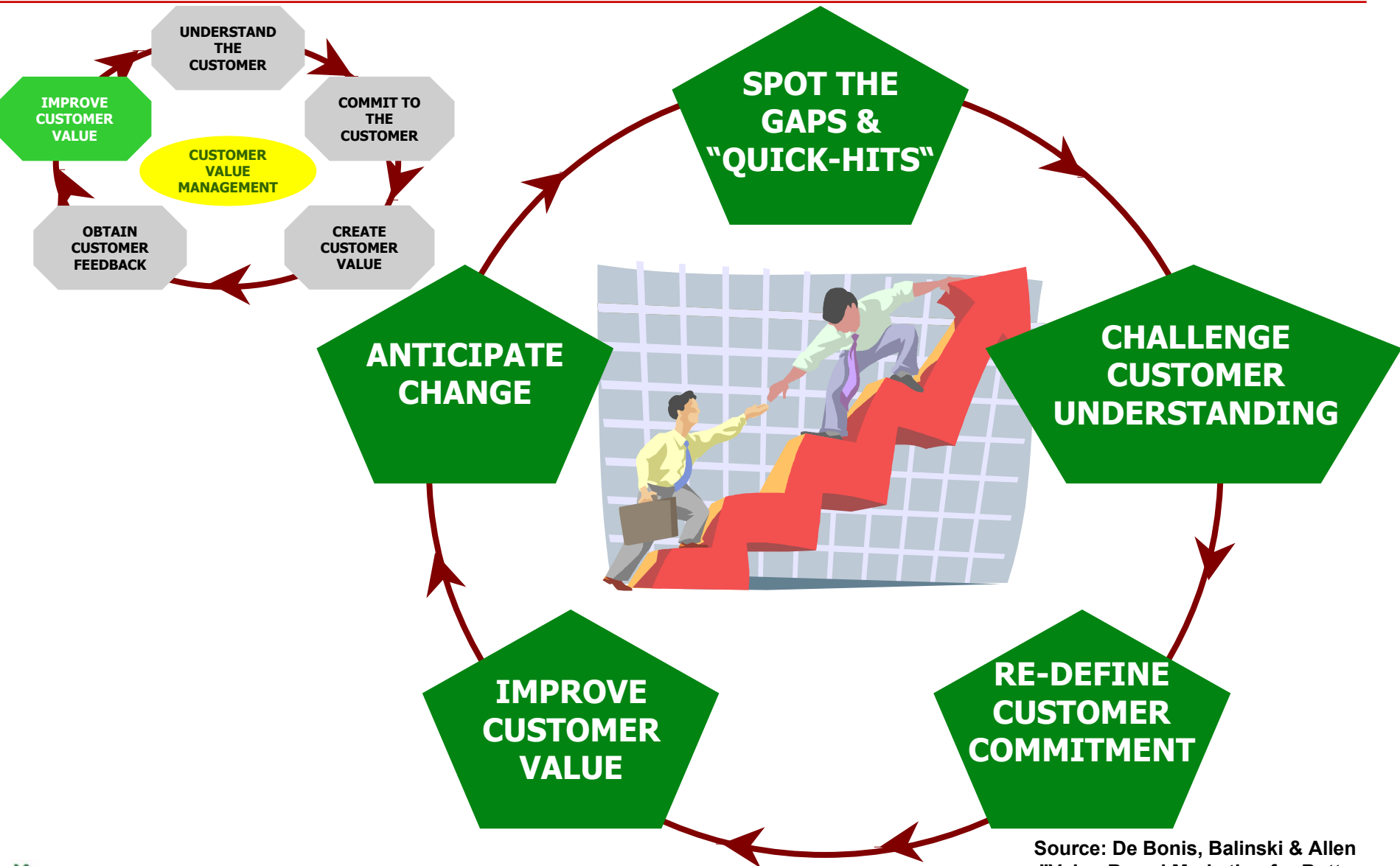
Pro-active challenging of other steps

Pro-active change to offering

**Continuous improvement process**

**6-Sigma applied to marketing**

# Best Practice: Improve Customer Value



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

# Best Practice: Improve Customer Value

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## ➤ People and Skills

- Focusers
- Challengers
- Visionaries
- Change agents

## ➤ Tools

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

## ➤ LOOK OUT FOR

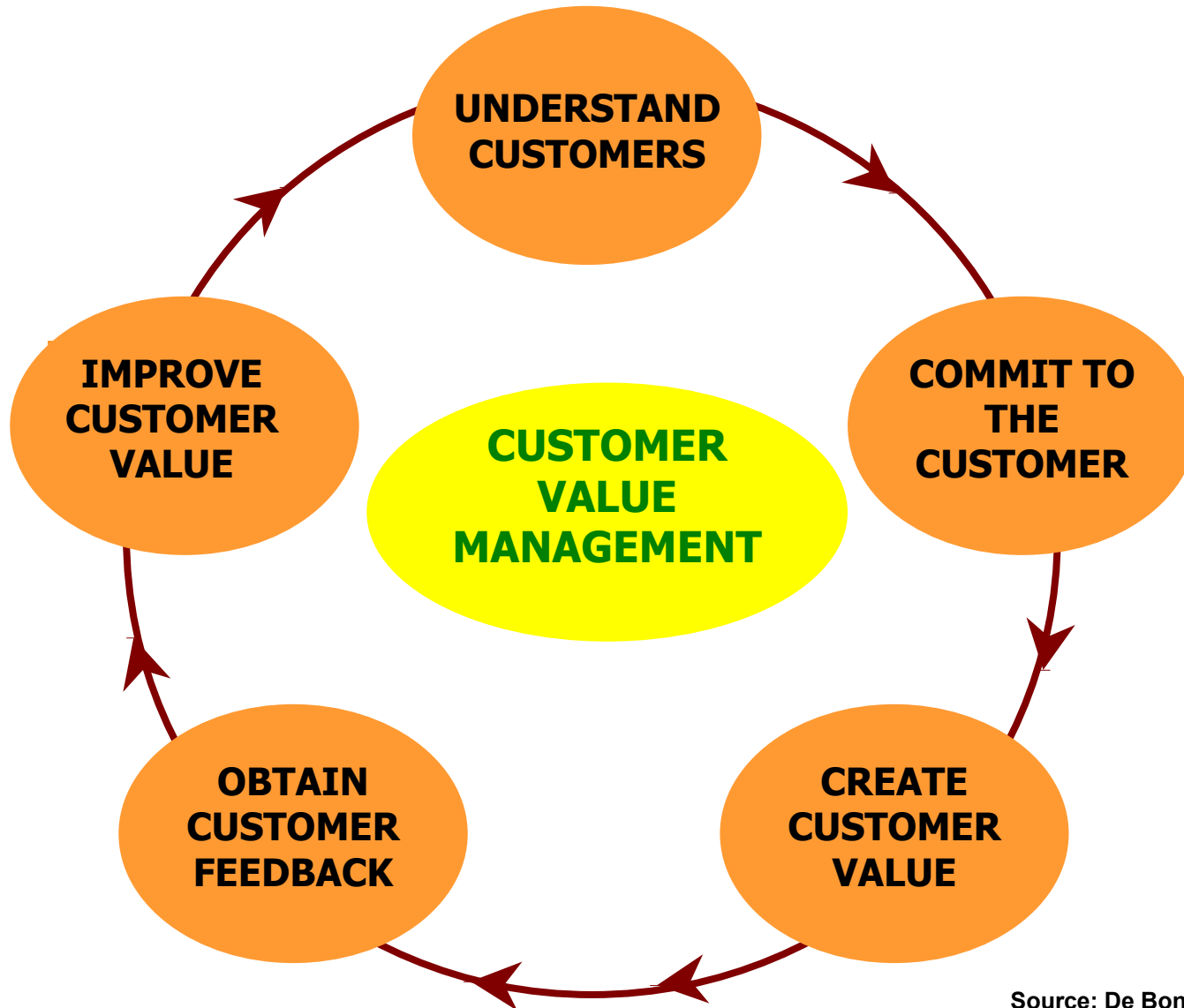
- Thinking that today's offering is good enough for tomorrow
- Unwillingness to change
- Not changing quickly enough
- Losing customers

# Improve Customer Value

- **1. The value-based marketing environment is dynamic and constantly changing, and the Pentadigm marketer needs to anticipate those changes to stay ahead.**
  - **2. Constantly update, review and challenge your customer understanding, customer value commitment, customer value creation, and customer feedback.**
  - **3. Use tools appropriately and sparingly to improve your decision making.** Avoid "box filling," shooting from the hip and paralysis by analysis.
  - **4. Judge the quality of your knowledge and balance the level of quality against the risk of the decisions.**
  - **5. "Good results without good planning come from good luck, not good management."** -- David Jaquith, President of Vega Industries, Inc.
- **1. Are you measuring and reporting the KPIs, identifying the performance gaps, and defining the necessary improvements?**
  - **2. Are you challenging your understanding of the customer with improved customer research that improves your customer knowledge,** sharing customer data and critically reviewing your market segmentation?
  - **3. Do you regularly re-define your commitment to customers** by updating, and enriching your customer value commitments, service standards and KPIs in line with changing customer value needs and expectations?
  - **4. Are you consistently working to improve your customer-focused culture** by refining your customer value processes, their population and the infrastructure to support them?
  - **5. Do you anticipate change by working to identify future trends and changes,** creating and analyzing business scenarios, developing contingency plans and managing change effectively?

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

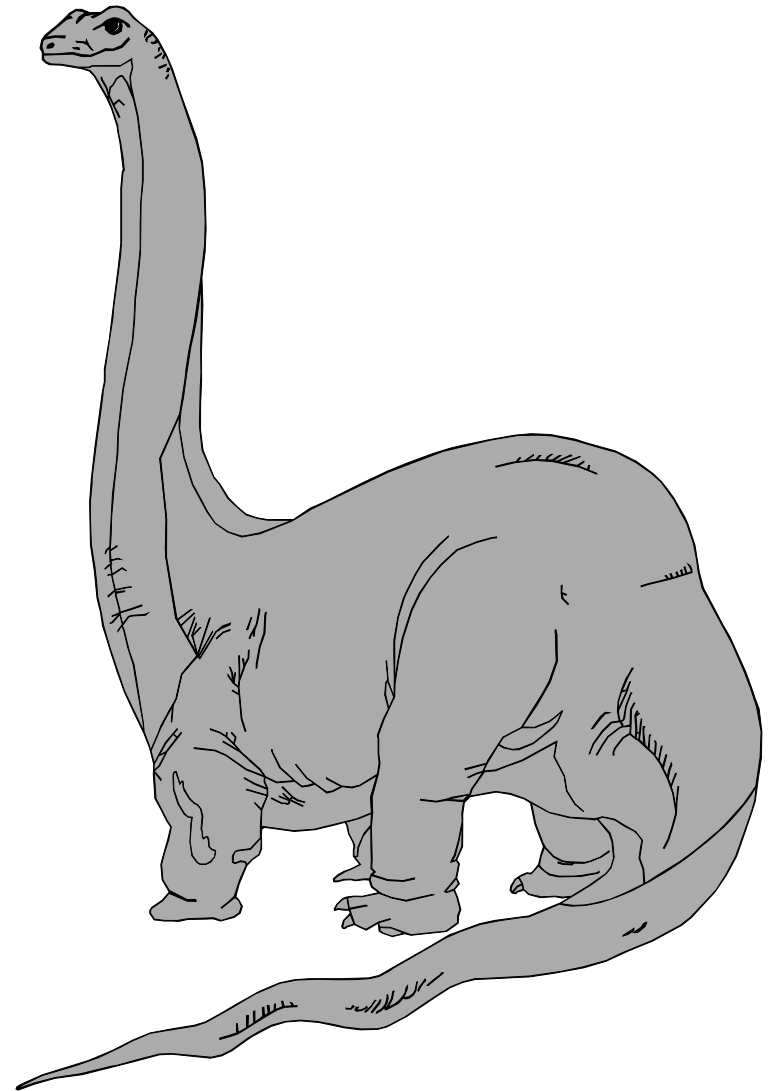
# Customer Value Management



Source: De Bonis, Balinski & Allen  
"Value-Based Marketing for Bottom  
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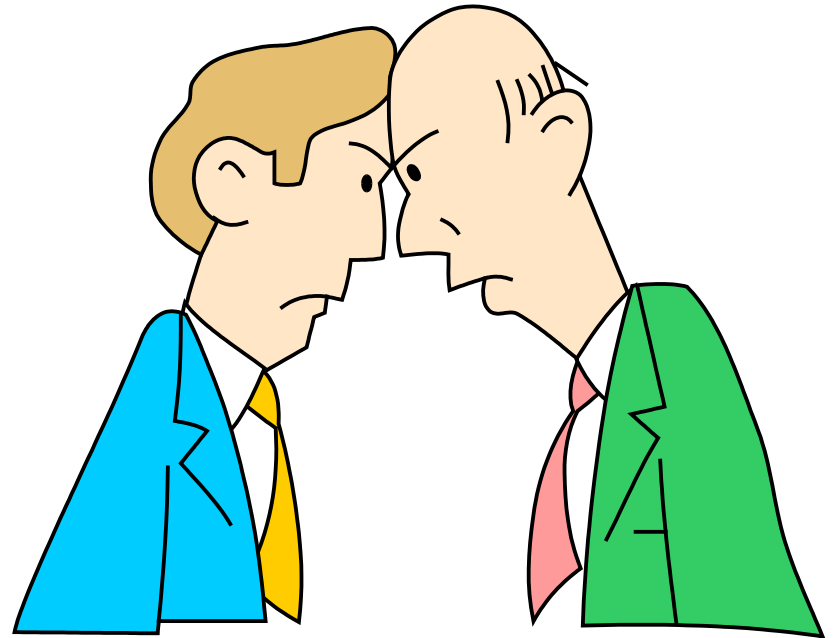
# Non-Starter (20%): will die out

- **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**



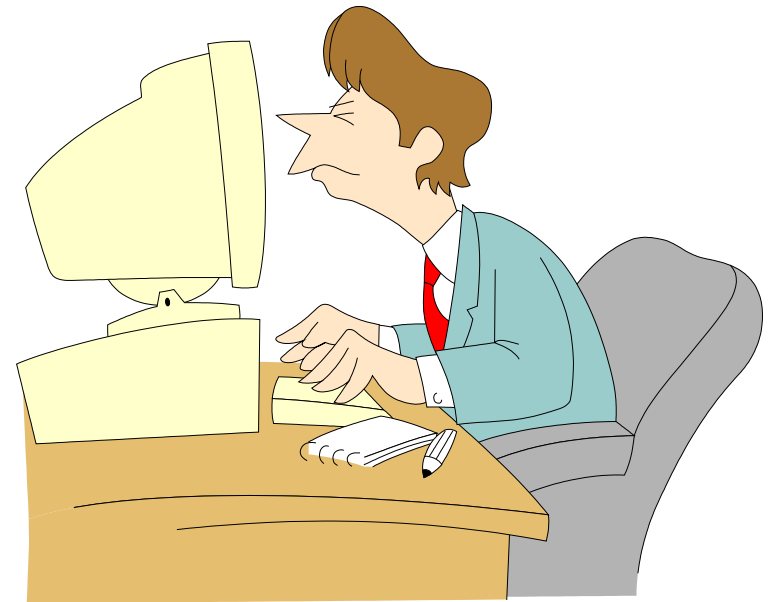
# Laggard (40%): will lose

- 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 fulfillment 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 Equistar Elemica Lyondell  
Mitsubishi Elementis Ondeo Nalco  
Air Products GE Plastics Atofina  
Borealis Rhodia DSM SABIC  
Crompton ChemConnect Shell Chemicals  
Dow Corning Huntsman Brenntag  
BP Chemicals Olin Wacker Akzo Nobel  
Formosa Great Lakes  
Nexus e-epoxy.com Exxon Mobil Chemicals

# Who really focuses on the CUSTOMER?

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**BASF**   **Ciba**   **UCB**

**Lonza**

**Avecia**

**GE Plastics**

**Ondeo Nalco**

**Shell Chemicals**

**Dow Corning/  
Xiameter**

**e-epoxy.com**



# 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**

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

Differentiate  
around  
**Customer**  
Value

# IMPROVE is the only route to SUSTAIN



Obtain  
**Customer**  
Feedback



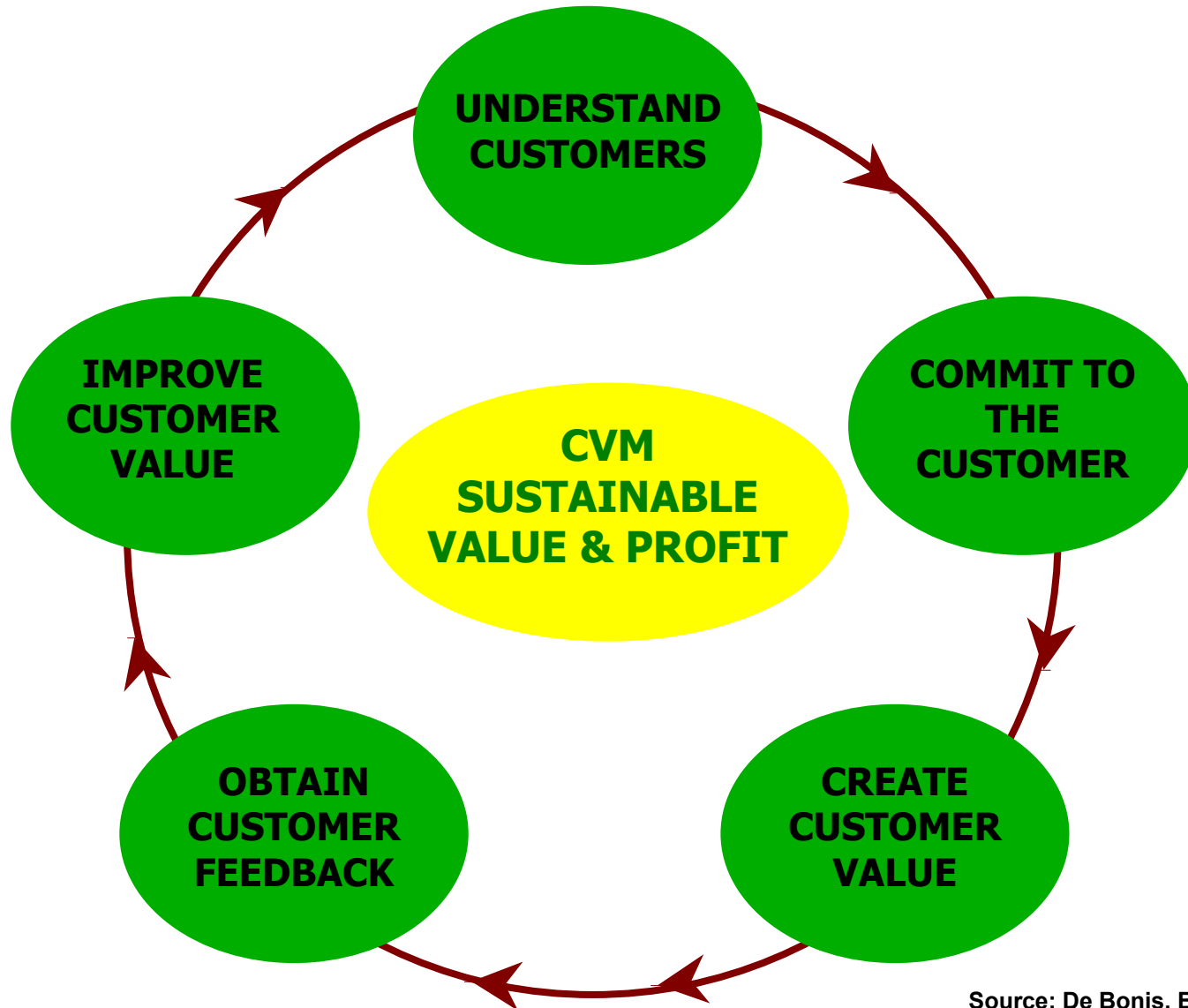
Implement  
Value  
for the  
**Customer**



Improve  
**Customer**  
Value



# The final key is LINKING them



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

# Managing Business with Pentadigm

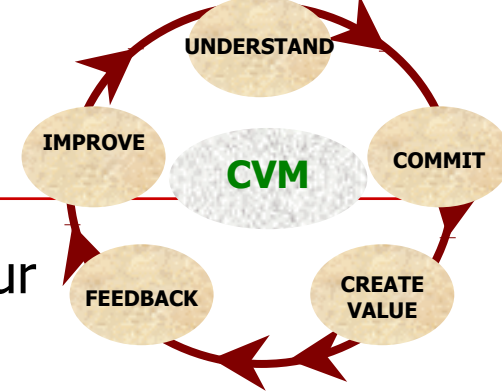
- **1. Pentadigm demands that the business strategy be driven by customer value** and that new customer value segments shouldn't be targeted unless the company can meet or exceed the new value expectations and do so profitably
  - **2. In addition, Pentadigm demands a mind set focused on the understanding of customers** and the creative application of developing differentiated customer value commitments to create value for chosen customers.
  - **3. Pentadigm marketers have been to the optician, they have had their customer value specs fitted,** and they use them daily to help them receive signals from customers.
  - **4. Pentadigm marketers use a combination of models and tools to understand their customers and their customers' value set.**
  - **5. Pentadigm marketers name customer value segments according to the values sought by customers in that segment,** describe customer value commitments in the language of the customer, dialog regularly with their customers to understand what is important to those customers and what is changing in their value set, and lead change in their market offerings--they don't wait for change to overtake them.
- **Pentadigm demands a certain discipline.**
  - A discipline **to understand the customer and the value set of the customer that drives their needs, their buying decisions, and buying behavior.**
  - A discipline **to build a customer value commitments for the customers in direct response to that value set that drives their buying decisions and behavior.**
  - A discipline **to design and develop your organization, your people resources, and other infrastructure based on your customer value commitments** to ensure the relevance of these elements to the creation of customer value.
  - A discipline **to regularly and rigorously obtain feedback from your customers about your customer value commitments and customer value creation.**
  - A discipline **to measure your performance using the customer's scorecard** rather than your own.
  - A discipline **to never rest on your laurels,** to always be looking for ways to improve your understanding of the customer value segments' needs and expectations and your customer value commitments.
  - A discipline **to plan rigorously around the changing needs and values of customers** and to manage and transform your business, business model, and your organization based on the changing needs and values of your chosen target customers.

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



# CVM: Diagnostic



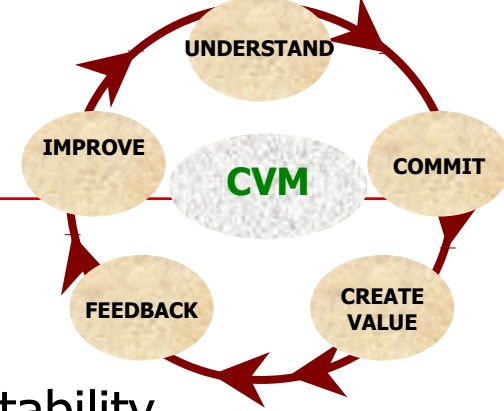
- An objective, comprehensive, in-depth analysis of your CVM processes and practices
- A detailed examination of your practice on the five steps

## ✓ 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 prioritize 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
- Prioritized and timed action plan

## ➤ Leading to:

- Improved Profitability
  - ✓ 2% of marketing spend
  - ✓ 5% of sales force 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*

# Pentadigm at your service: contact us for more information

 AMERICAN MARKETING ASSOCIATION

## Value Based Marketing for Bottom-Line Success

# 5 Steps to Creating Customer Value

J. Nicholas Debonis, Eric Balinski, Phil Allen

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# Pentadigm at your fingertips:

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

