

Customer Value Management: Five steps to creating customer value. Steps 4 and 5: Obtain customer feedback and improve customer value

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In my first *PharmaChem* article (September issue ¹), I challenged you to inject more customer focus into your marketing thinking. In a related article on Customer Value Management, which appears in the *PharmaChem Directory* ², I introduced the 5-Step Pentadigm Customer Value Management (CVM) Model – an integrated view of the entire business process that focuses on the value needs and value expectations of the customer, that is focused and implemented in five continuous, dynamic steps that help you create value for both you and your customers.

- Step 1 – Discover: understand the customer.
- Step 2 – Commit: commit to the customer.
- Step 3 – Create: create customer value.
- Step 4 – Assess: obtain customer feedback.
- Step 5 – Improve: measure and improve your customer value commitment.

The model sets up and reinforces the link between customer needs, supplier offering and implementation by the supplier of the offering to meet the customer needs, at the same time providing value to both parties: for the customer value received (through product, service and solutions delivering benefit) and acknowledged (through price paid); for the supplier value created and captured (through price

received exceeding costs to supply and serve and through a concentration of resources where they will have the most impact and create the most value).

In the third ³, fourth ⁴ and fifth ⁵ articles I explored, respectively, the first, the second and the third step in this five-step model. In this sixth article, I'd like to explore in more detail the fourth and fifth steps.

STEP 4 – OBTAIN CUSTOMER FEEDBACK AND STEP 5 – IMPROVE CUSTOMER VALUE

Step four is probably the most neglected and poorly managed in this five step process, with many companies failing to listen to what their customers really need and value.

This poor performance on the part of many major companies starts with a failure to track and analyse won and lost business. My recommendation – if you do not do so already – is to appoint a senior executive to examine all won and lost business. The person should have executive power and should be **independent** from the actual business process of marketing and selling, in order to provide a completely objective and unbiased view.

Why was business actually awarded to your company? How was your offer perceived by the customer to be different from and better than the offer of competitors? How strong was the difference and how much is it valued? What could be done to improve the offer even more? Why was business awarded to the competition? Which competitor won the business? How was their offer perceived by the customer to be different from and better than your offer? How strong was the difference

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1. *PharmaChem* 2003, 2 (9), 23-25
 2. *The Worldwide PharmaChem Directory*, 2003, p.21-25
 3. *PharmaChem* 2003, 2 (10), 80-83
 4. *PharmaChem* 2003, 2 (11-12), 56-60
 5. *PharmaChem* 2004, 3 (1-2), 4-5

and how much is it valued? What could you do to improve your offer and win the business in future?

A second common mistake in many companies is their failure to capitalise on the many and various contacts between their company and the customer as a channel to obtain customer feedback proactively. Any representative of the company who has regular contact with the customer either physically or by telephone should be briefed to keep their eyes and ears open and to obtain some basic feedback from their customer contacts in terms of the level of satisfaction or dissatisfaction of the customer, the reasons for it and what could be done about it. A simple set of questions provide a framework for such contacts (but only to be used as a mental checklist and not actually posed as questions to the customer):

How is it done today? e.g. how does the customer use our product in their business, what role does our product play, how critical is it to the customers' process, how do they discover, order, receive, store, use, dispose of our product?

What does it cost? e.g. how much does the cost of our product represent in their total business or operations costs, how does our product impact other costs of the customer, how critical is it to the customers' process, how does our cost compare to competing products or alternatives?

What's wrong with how is it done today? e.g. what challenges or issues does the customer face in their business either directly or indirectly related to our product and its use, what keeps the customer awake at night?

What's the value of improvement? e.g. how could this be improved, what would improvements be worth to the customer?

What's will change? e.g. what will change in the customers' world in the next three to five years and how will this impact their business and/or the use of our product?

In addition to these regular feedbacks from the customer, I would still recommend obtaining regular feedback from customers through an independently run customer satisfaction programme, as this provides an objective forum for the customer to air their views in an uninhibited way. But purchasers of such research should be wary of some common faults and failings:

- Don't assume that you can pre-define what is on the customer's mind.

- Always give the customer an open-ended and unprompted chance to express what the really important issues are for them.
- Beware of thinking that a score of 7/10 is good.
- Research indicates that customers who rate suppliers as high as 8 or even 8.5 out of ten may still be prepared to switch to alternative suppliers.
- A good score in customer satisfaction is more than 9/10.

A third common failing in many companies is their inability to manage or their ineffectiveness in managing complaints and queries. Too often complaints are left to junior staff with no empowerment, who are then often left no alternative but to elevate the problem up through a hierarchy until a sufficiently empowered person (reluctantly) offers a solution; by which time a highly frustrated customer is already buying from the competition or actively seeking an alternative supplier. Better practice is to put the management of complaints in the hands of a senior and empowered executive, who can:

- immediately apologize to the customer for the cause of the complaint;
 - reassure the customer and give a time commitment of an imminent solution or resolution;
 - delegate the solution to an appropriate individual in the company;
 - ensure that action is taken swiftly to resolve all customer complaints.
- Saving customers saves you money. Depending upon the nature of your business obtaining new customers can cost you between five and twenty TIMES what it costs you to retain an existing customer. So my advice is: don't give them a reason to seek an alternative.

Using the inputs you have obtained from these various sources of customer feedback, you are now in a position to improve the value to your customer.

There is never a good time to be complacent. There is always a competitor looking to usurp your position at a customer.

Look immediately for any "low-hanging fruit" – things that you can fix quickly and easily that will represent improved value to the customer.

Challenge your customer understanding: do you really understand what your customers need and value? Have you segmented customers and potential customers in the most meaningful and relevant way to enable you to develop valuable offerings to the customers.

Challenge your customer value commitments: are your offerings really getting the attention of the customers to whom they are targeted? Are your offerings seen by those customers to be different from and better than competing offerings? How can you improve the offering further?

Challenge your customer value creation: have you really developed the best and most appropriate marketing mix to deliver your offering most effectively and efficiently to your customers; how can you further improve the way you implement your offerings to the customer; are you getting the right price?

In closing, I'd like to offer a couple of wisdoms from others:

*Vision without action is merely a dream.
Action without vision just passes
the time. Vision with action
can change the world.*
JOEL BARKER

*To stay ahead, you must have your next
idea waiting in the wings.*
ROSABETH MOSS KANTER

About the Author

PHIL ALLEN runs the Marketing Excellence Practice, MARKETABILITY, serving a broad base of clients in the pharmaceuticals, industrial products and services, chemicals and energy and construction sectors. MARKETABILITY covers all aspects of improving business profitability through applied practical marketing and customer value management.

Phil counts more than 30 years of practical experience in marketing and sales. MARKETABILITY operates both at global and local levels around the world. In a recent profile of MARKETABILITY on *EuroNews*, Juan Senor, International Business Writer, praised MARKETABILITY for its unique and practical approach to business value creation.

Phil is the founder of the Customer Value Management Circle of Excellence (www.customer-value.com), a learning and sharing organisation for all involved and/or interested in managing customer value and building customer loyalty. He is co-author of the book, "*Value-Based Marketing for Bottom-Line Success: 5 Steps to Creating Customer Value*"; ISBN 0-07-139656-X. De Bonis, Balinski & Allen, published December 2002 by McGraw-Hill & American Marketing Association.

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