

# How to commit to your customer

In his first article in this series Phil Allen introduced the concept of **Customer Value Management**, describing a best practice five-step model. Here, he explains how to take one of the crucial five steps, to commit to your customer.



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In last month's article, I explored the first step of the five step model, Understand Your Customers. In this article, I would like to explore in more detail the second step in this five-step model: **Commit to the Customer**.

I mentioned previously the dangers inherent in believing that customers are seeking value based solely around product features and attributes. To succeed in today's highly competitive marketplace, suppliers to the construction industry must look beyond the product.

Today most companies have already implemented quality programmes, ISO 9000 – 9003 and beyond and many have also introduced six sigma approaches to their manufacturing, supply chain, marketing and sales. This means that you and your competitors can all do the basics pretty well, which means that – from the customer's point of view – all the offerings which are presented look pretty much the same. It is actually difficult for the customer to really differentiate one product offering from another. So, how can they reach a meaningful decision between the offers on the table?

It is your job to make it easy for the purchaser and/or other members of the purchasing decision-making unit (DMU) to make that decision. To achieve that you must make your offering distinctive – it must get the attention of the target audience it must provide a compelling argument for them to choose and prefer your offering, differentiated – it must stand out over and above the competing offerings and offer something unique and superior in order to justify and reinforce their preference of your offering, sustainable – it must be an offering

you can deliver regularly and reliably within the capabilities and competences of your organisation for the long term and it must be profitable for you.

All of these words are easily said, but how easy are they to live up to?

## Consider these four sticky black liquids

### Sticky Black Liquid 1:

- 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 do you think this business is?

### Sticky Black Liquid 2:

- 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 do you think this business is?

**Sticky Black Liquid 3:**

- 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 do you think this business is?

**Sticky Black Liquid 4:**

- 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 do you think this business is?

I'll leave you, the reader, to decide which one of these is bitumen for roads, which is oil for motor vehicles, which is coca-cola and which is Starbuck's coffee.

My purpose is quoting these four sticky black liquids is to reinforce my point that the most successful of these four cases are successful expressly because they DO NOT attempt to market solely the physical product. They market all manner of items associated with the product, ranging from something as simple as convenient pack-sizes to such complex and intangible items as taste, brand image and ambience.

"Our success is clear to see in the number of new accounts we have generated, representing 70 percent of our sales in the first year. Also we have achieved EBITDA break-even within 12 months of launch."

John Everett, Global Leader of e-epoxy.com

So what has this got to do with creating value from construction products? Well, they may not all be sticky and they may not all be black and they may not all be liquid, but many of the products produced and supplied to the construction industry are undifferentiated; some would say "commodities" – a word I do not like to use, as it is already an admission of defeat, an excuse to not look beyond the product for other customer needs and values, against which your offering CAN be differentiated.

To be more successful in value creation, we must start with the customer (as I outlined in the last article). Now we come to the point, where we must respond to what we have discovered by defining, developing and creating a value commitment to the customer.

This simple model framework (figure 1) can help you to develop your superior and differentiated customer value commitment (with an example of e-epoxy.com, Dow Chemical's low cost e-business offering to bulk purchasers of epoxy products):

According to John Everett, Global Leader of e-epoxy.com, "Our success is clear to see in the number of new accounts we have generated, representing 70 percent of our sales in the first year. Also we have achieved EBITDA break-even within 12 months of launch."

Figure 1

HEADING	EXPLANATION	EXAMPLE: e-epoxy.com
Customer Value Segment	who specifically are you targeting with this customer value commitments?	purchasers of bulk and full truck loads of epoxy.
Customer Value	what is the specific value in your offer that addresses the value set of the target audience?	convenient and easy purchase; transparent pricing.
Superior Value	what elements of value do you offer that are relevant to the target audience, better than competing offerings and which you have quantified the impact to customers (often expressed as a superlative)?	Cost competitive price; easiest to do business with.
Profitable for the Supplier	how are you going to make a profit from this customer value commitments?	low cost to serve; adherence to clear business rules; no confusion.
Banner Headline	a good acid-test is to be able to express your customer value commitments in a few chosen words. Imagine you have just met the customer in the elevator and you have 30 seconds to convince him or her of your compelling customer value commitments	fastest and cheapest bulk epoxy; no nonsense.

Figure 2

HEADING	Example	Example	Example
Customer Value Segment	Floor Joist Installer	Home Builder	Home Owner
Customer Value	Spans longer distances; Lightweight ; Easy to install	Happy homeowners; Quality floor support	Silent floors Quality floor support
Superior Value	Easiest floor joist to install; Fewer joists per floor	No call-backs;	No squeaks
Profitable for the Supplier	Premium price More sales	Premium price More sales	Premium price More sales
Banner Headline	Fewer joists for better floors	No call-backs to repair squeaky floors	Squeaky floors eliminated

The evidence speaks for itself. The reason for the success of this Dow business model lies in the differentiated offering based around convenience, cost competitiveness and the less tangible elements of "ease of doing business", "no confusion", "no nonsense".

In the last article, we examined the value chain for the Trus Joist MacMillan I-beam, identifying the homeowner, house builder and floor joist installer as three key target audiences for the successful marketing of the I-beam.

Let's consider that example (figure 2) in terms of Trus Joist Macmillan's customer value commitments for each of these target audiences.

This example highlights the second key point to be noted in this step: You may need to have several customer value commitments targeted at different levels of the value chain in order to succeed in a market-place.

Clearly, in order to succeed in the market with your customer value commitment, it must be in line with your segment strategy, your organization must have or must be able to develop the skills and competencies to create and deliver the customer value commitment.

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Effective communications can also mean strong branding, something which is often neglected by industrial product marketers. Although this is not an unknown concept in the construction industry, which is served by a few very strong brands: Caterpillar, JCB, Hilti, Pilkington to name but a few. But communications and branding alone is not enough, there must be a strong and profitable customer value commitment associated with the brand.

In summary, then, to be successful in

the second step towards creating sustainable business growth and profitability:

Your 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.

Your customer value commitments must compel the customer because they offer relevant value superior to that of the competitors' offerings and will win because they contain unique elements that competitors cannot or will not offer. Your customer value commitments must be written in the language of the customer.

You may need several customer value commitments, each targeted at a different value chain member, in order to successfully exploit a market opportunity.

Your customer value commitments must be well communicated to and clearly understood by customers and internal audiences and should be reinforced by strong branding strategies.

KPIs need to reflect the customer's scorecard, not your internal metrics.