

# Customer value and

Chemical companies are lending their weight to e-business but MarketAbility's Phil Allen asks whether it is a source of value creation or cost saving.

by replacing their functions with electronic systems.

However, e-business is a valuable means of doing business with certain customers, and can deliver added value when used effectively as part of an overall business model, such as that shown in figure one.

An integrated approach to E-business is the most likely to deliver real success.

Applying a customer segmentation/classification grid can lead to a more personal service. Customers value the offering because it is tailored to their needs and is clearly communicated by the account manager, field seller, or office-based seller.

This way, plastics producers and processors can always capture value for their e-business services, instead of just seeing them as a cost saver.

Such a grid can also help staff to better understand what they should and should not offer to different customers and also to understand why there are different offerings.

Allen's company MarketAbility offers a customer value management diagnostic to customers in the plastics packaging industry, as a basis for testing how well they are performing on customer value management and how they can improve. 🟡

**"Since I started working in this industry back in the early 1970s I feel that I have been fighting a constant battle against the commodity mindset"**

**Phil Allen,  
MarketAbility**

In the last few years all the companies in the plastics value chain have been charging down the e-business trail. But has the key driver for this trend been customer value creation or cost savings?

Phil Allen, founder and CEO of MarketAbility, a global customer value management and marketing excellence practice serving the chemicals and plastics markets, condemns the trend as "the latest frantic attempt to cut yet more costs." He claims that the chemicals and plastics industry has been notoriously good at giving away the value it has created during the last 30 years.

"Since I started working in this industry back in the early 1970s I feel that I have been fighting a constant battle against the commodity mindset," says Allen.

"The chemicals and plastics industry has been one of the most inventive and creative industries in existence since the middle of the last century. It has brought the world countless valuable improvements to day-to-day life, it has contributed to extending the human life

expectancy and it has brought numerous new inventions to the world." Allen says that plastics in packaging has extended the life of packaged goods, reduced the risk of contamination, as well as the smell and taste transmission, made carrying products more convenient and improved the use of space in transit and on shelf. He adds that it has brought huge value to end consumers, food producers, packagers, shippers and retailers, but that in many cases the inventors and producers of the plastics are not capturing this value.

Allen believes the plastics industry is now applying the same mindset to e-business solutions by not driving it from a desire to improve value to the customer, but from a drive to cut costs at the manufacturer and in the supply chain. Instead of capturing value from offering customers benefits such as 24-hour on-line ordering, tracking and technical support and service and one-stop shopping, the plastics industry has focused on cutting costs by saving staff in sales, customer service, order processing and supply chain

**Figure one:  
Customer strategies according to customer segment and class**

	PRICE BUYER	PERFORMANCE VALUER	SERVICE VALUER	RELATIONSHIP VALUER
<b>KEY ACCOUNT</b>	E-business Services	R&D Partnership Program	Favoured Nation Service Program	Advanced Key Account Management
<b>LARGE CUSTOMER</b>	E-Commerce	Joint R&D Program	Tailored Service Package	Customer Service Package
<b>MEDIUM CUSTOMER</b>	Contract pricing	Product Develop Program	Preferential response and delivery	Named Contacts Program
<b>SMALL CUSTOMER</b>	Spot pricing	Distributor Product Offer	Distributor Service Offer	Distributor Key Account
<b>INACTIVE CUSTOMER</b>	Explore reasons for inactivity; develop potentials, de-emphasise non-potentials			
<b>PROSPECT</b>	Reactive quote Sampling	Develop meaningful offering		
<b>SUSPECT</b>	Reactive quote Sampling	Investigate customer needs		
<b>REST OF THE WORLD</b>	Reactive quote Sampling	Reactive qualification of customer		

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# e-business

## About the Author

Phil Allen runs the Marketing Excellence Practice, MarketAbility, serving a broad base of clients in the construction, chemicals and energy sectors, covering all aspects of improving business profitability through applied practical marketing, customer value management and key account management. He has more than 30 years of practical experience in marketing and sales.

MarketAbility operates both at global and local levels around the world.

Allen is the founder of the Customer Value Management Circle of Excellence ([www.customer-value.org](http://www.customer-value.org)), a learning and sharing organisation for all involved and/or interested in managing customer

value and building customer loyalty.

He is co-author, with J. Nicholas de Bonis and Eric Balinski, of the book *Value-Based Marketing for Bottom-Line Success*. [www.pentadigm.com](http://www.pentadigm.com)

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Find out more about MarketAbility at:  
[www.marketability.org](http://www.marketability.org)



Phil Allen of MarketAbility is offering special terms to readers who call before September 1 and mention this article.

## Own brand e-business

Basell determined that developing its own online facilities would be the preferred approach rather than joining the public marketplace portals that were being developed as an industry or dot.com initiative. This allowed Basell to provide easy-to-use tools that deliver exactly what its customers want. The variety of tools and channels offered by Basell today reflects the different customer value propositions, needs and interests that emerged during the pilot projects.

Basell has a robust, online suite of e-business capabilities that address the needs of customers in all market segments, including packaging. In addition to improving efficiencies and saving time for customers, these e-commerce offerings allow Basell to introduce a range of value-added services, such as:

- Basell Connect, where customers can place orders 24 hours a day, download documentation and track orders they have placed. With Basell Connect, a customer can access a wealth of data on the customer's own time – previously that data had to be provided by someone answering a request. For example, customers can obtain immediate feedback that orders have been received.
- Direct ERP to ERP connections with customers via a Value-Added Network (VAN). This tool enables direct data exchange between Basell's information systems and those of its customers. Customer's linked into the Basell ERP system have access to information that helps them manage their business more effectively. This tool also facilitates collaborative planning, resulting in reduced

inventory levels and costs within the supply chains of Basell, its converters and the end customer.

- VMI (Vendor Managed Inventory), which enables Basell to automatically monitor and replenish customers' stocks of products to maintain an agreed level of inventory.
  - Basell Marketplace, which is an on-line auction where invited customers can bid for selected quantities of certain products. With Basell Marketplace, by creating a profile of a particular customer's requirements, Basell can automatically notify the customer if a product or offer they may be interested in becomes available. This on-line auction tool provides customers with a window into real-time spot pricing and the ability to buy spot quantities without forecasting.
- Basell also has some e-business procurement via Elemica in Europe and pilot e-business projects with Omnexus in North America.

In Basell North America, 50 per cent of the PP volume is web-enabled, with strong but lower levels in Europe and International regions. Basell has had tremendous success, with very positive feedback from its customers. Basell's suite of e-offerings have helped Basell to grow its business, and the chief reason for this is that these facilities make it easier for customers to do business with Basell.

More information from Basell North America, Three Little Falls Centre, 2801 Centreville Road, Wilmington, DE 9808, USA. Tel: 1 302 996 6000. Fax: 1 302 995 6051. [www.basell.com](http://www.basell.com)

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