



# e-briefing

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## Ordering software helps to speed up response times

Aspen Technology has unveiled a novel piece of software that allows chemical manufacturers to speed up their customer response times when an order is placed. The US-based software provider is marketing the product globally, and early customers, including a major European chemical producer, will be live by the end of 2001.

When a customer places an order, the software, called Capable-to-Promise, instantly analyses the manufacturer's ability to fulfil the request. Currently, producers go through cumbersome manual processes, involving checking stock levels and production plans, before they can tell the customer if the order can be fulfilled.

Capable-to-Promise will give faster order commitment, Aspen Technology claims. Mary Palermo,



**Mary Palermo: The software gives decision support capability**

Aspen's co-chief operating officer, said: 'The ability for manufacturers to have visibility into inventory as well as available manufacturing capacity, coupled with a powerful analytical decision support capa-

bility, is a compelling value proposition.'

The solution is currently being rolled out by several chemical and food processing companies across the US, Europe and Asia, and is compatible with popular ERP systems. Aspen Technology says the technology is specifically designed for the chemicals and oil industry, where 'different grades of products, raw materials, by-products and transferral times all muddy the picture.' It is designed for a Microsoft Windows environment and will take a number of months to install and pilot test.

In a separate move, Aspen Technology says it has completed a production control project at BASF's steam cracker in Antwerp, Belgium. The DMCplus technology project was completed in 44 weeks.

## Processing extended

Following a successful pilot project between Degussa and Elemica to enable complete order processing via Elemica's network, Degussa is now expanding this to its other business units and external business partners.

Degussa began Elemica-facilitated order processing by linking its methacrylates and C<sub>4</sub>-chemistry business units in a pilot project.

Degussa said that by enabling automatic order processing around the clock, Elemica reduced process costs and

enhanced efficiency and speed.

The business units now involved in the link-up include bleaching and water chemicals, and fine chemicals. Degussa added that the e-commerce application delivered cost benefits for all participants and enabled fundamental improvements to be made in logistics and commercial processes.

The e-marketplace, Elemica, has a number of industry investors including BASF, Bayer, Ciba Speciality Chemicals, Dow, DSM and Degussa.

### OPINION

#### Phil Allen, MarketAbility

Many chemicals and plastics companies are too focused on costs to see real value-creating opportunities in their customers. The changes over the last decade – downsizing, rightsizing, supply chain optimisation, e-business – were all motivated primarily by the desire to cut costs.

What happened to creating stakeholder value through creating customer value? Fine words, but in this industry they are empty words.

Our recent study into customer relationship management surveyed websites and literature of more than 150 leading chemicals and plastics firms. All the words are there: 'increasing stakeholder value, improving customer service, making the world a better place'. But peel away the paper on which the words are written and you discover many hidden cracks. The industry fails to put words into action: 65% say they focus on the customer, less than 20% really do it. Working with firms on their strategy development and implementation, I witness this too frequently.

The latest rush to e-business is a classic misguided initiative – again driven more by cost than customer focus. The few who succeed are the ones who entered e-business to serve customers better and to provide customers with previously unavailable services.

e-epoxy.com deserves praise for its customer-oriented approach from the outset, and its creativity in developing the business model.

### BRIEF

Cerestar, a leading producer of starch and its derivatives, has launched a new website at [www.cerestarpharma.com](http://www.cerestarpharma.com) dedicated to the pharmaceutical industry. The site has been developed to provide customers with access to information on the pharmaceutical applications of starch along with a detailed product portfolio. Cerestar says that products available for use in the pharmaceutical sector are listed in a single place for easy access.

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# Earning more money from customers

**Phil Allen, marketing excellence practitioner and value creator at MarketAbility, discusses customer relationship management in the chemicals and plastics industry**

**R**ecently, Accenture reported that this industry gives away hundreds of millions of margin dollars by underperforming in the marketplace. I am sorry to report that a study of customer relationship management (CRM) practice in the industry conducted by my own company MarketAbility, during the first half of this year, serves only to confirm and partially explain this sad picture.

The headline finding was that the chemicals and plastics industry must treat its customers better. Focus is on shareholders and shareholder value, rather than customers and customer value.

We identified four types of company performer in CRM:

- Non-starters 20%
- Laggards 40%
- Followers 30%
- Leaders 10%

There is some very good and advanced CRM practice in the industry, but in many companies it is fragmented and inconsistent. In some it is non-existent.

We analysed our research with Think Tools and identified the following key drivers of CRM performance:

■ **Customer intelligence:** absolutely vital issue across an industry performing poorly on really understanding customer needs and behaviour. The little customer intelligence held is badly organised and poorly communicated.

■ **Customer segmentation and classification:** overridingly the most critical issue in CRM for this industry. Many companies practice no customer segmentation, relying on outdated product and industry sector perspectives.

■ **Value Propositions:** offerings to customers are often poorly defined, not differentiated from one another, do not fulfil customers' needs and are poorly communicated internally and to the customer.

■ **Infrastructure:** a driver on which

■ CHEMICALS AND PLASTICS COMPANIES: CUSTOMER RELATIONSHIP MANAGEMENT BEHAVIOURS				
Item	Non-starters	Laggards	Followers	Leaders
Customer intelligence	No customer research	Ad hoc customer research	Periodic customer satisfaction research	Regular interactive customer needs fulfilment dialogue
Business strategy	Asset driven	Product driven	Product driven	Customer-focused business strategies
Customer segmentation	None	Limited market segmentation	Partial customer segmentation	Clearly defined customer segments
Value propositions	No defined offerings per segment	No clear offerings per segment	Basic offering per segment	Differentiated value propositions per segment
Customer service	Poor to non-existent	Poor to non-existent	Reactive	Proactive
Customer communications	Confused offerings poorly communicated	Poor	Limited	Proactive
Customer service systems	Non-existent	Non-aligned	Non-integrated	Integrated
ICT infrastructure	Inconsistent or undeveloped	Inconsistent	Basic	Advanced
E-business systems	Non-existent	Non-existent	Basic e-commerce	Advanced e-business
Value chain management	Non-existent	Non-existent	Supply chain management	Advanced value chain management
Account management	None	None	Basic	Comprehensive
Account contacts	Limited customer interfaces	Basic sales contacts to customer	Mainly through sales department	Multi-functional, multi-level

SOURCE: MARKETABILITY

the industry scores best. The supply chain – whether managed directly or by distributors – is well developed and provides an efficient to adequate supply. These high standards reflect previous efforts to cut costs and become more efficient in basic service and supply.

■ **Information communications technology (ICT) systems:** fourth critical item in improving CRM. Acquisition, management and communication of customer intelligence and value propositions is impossible without state-of-art technology. It is essential to first have a CRM strategy before investing in systems.

■ **Customer Interface:** in many cases the industry is its own customer, and customer interface – basic contacts and trading – is in place. Beyond these basic interfaces it is poor and patchy.

■ **Measurement and Improvement:** preferring to measure

itself in its own terms, rather than using customer parameters – another area of critical improvement for better CRM. Measure when the truck arrives at the customer, not when it leaves the production unit or warehouse.

From our study we have derived a simple eight-step model to help chemicals and plastics companies to improve their CRM performance and practice.

A more detailed set of recommendations around this process will be published in our full CRM report in late October.

In conclusion, it may be worthwhile defining CRM. CRM is the marketing process, whereby supplier and customer create customer and business value through a planned and systematic exploitation of mutually beneficial opportunities.

CRM demands intimate knowledge and understanding of

customer needs (needs-based segmentation and classification). It requires multi-level, multi-functional proactive and regular dialogue with customers.

CRM is embodied in differentiated value propositions, fulfilling needs in specific segments. It is enabled by advanced and integrated computer and communications (ICT) systems.

MarketAbility's full report of this study (available late October) includes practical recommendations for chemicals and plastics companies to improve CRM practice and performance to increase the business value and profitability.

Further details can be obtained from: *MarketAbility, The Marketing Centre, Seestrasse 103, 8820 Wädenswil, Zürich, Switzerland. Tel: +41 1 783 8775. Fax: +41 1 783 8778. E-mail: info@marketability.org URL: www.marketability.org.*



# Sell-side auctions come of age

**Buyers were often the first to see the advantages of conducting their business online. Now sellers are becoming more aware of the online auction process. Paul Hodges of International eChem outlines the benefits**

Shell's successful sell-side benzene auction before the EPCA meeting is clearly a major boost to the development of e-business in the chemical industry. Not only is it one of the largest chemical auctions ever undertaken, with a likely value in excess of \$20m, it is also the largest sell-side chemical auction ever undertaken, and as such will mark a major turning point in our industry's understanding of e-business's potential.

No longer can it be claimed that 'e-business is just about e-procurement'. Instead, as we have long argued, it should now become generally accepted that in fact, electronic tools are completely neutral between buyer and seller. After all, nobody would seriously argue that the telephone, for example, is just a buyer's tool. So why should an online auction process be viewed as inherently one-sided?

The original misunderstanding probably arose because buyers were often the first to see the potential of the online process, and so in its early days had more 'success stories' of which to boast. But now the sellers can see the benefits as well. As a result, the industry as a whole is likely now to eagerly embrace its adoption.

The benefits are, in today's market, even greater and more numerous than first realised.

Firstly, with auctions, the need for travel is much reduced. This is a potentially major benefit in today's climate, when not only are companies cutting back on travel for cost reasons, but also for safety concerns. Additionally, employees are often equally glad of the opportunity to stay at home.

In an auction, companies are dealing with their normal business partners, and using their normal terms and conditions. But they are relieved of the often tedious



Participants can be sure that market conditions are truly reflected in the final price

process of final negotiation, where everybody feels duty-bound to haggle through three meetings and two lunches in order to be sure they have achieved the best price possible for their company.

Secondly, the transparency of the auction process means that all participants can be sure that market conditions are truly reflected in the final price. It removes the underlying fear that, just perhaps, your partner was stretching the truth a little when telling you that your bid or offer 'had to be improved' in order to be competitive!

As a result, it helps business partners to free up more time to

concentrate on the real issues that bind them together – quality benefits, supply chain efficiencies and other areas where there are real opportunities to save costs by creating 'win-win' situations.

For example, using CIDX's Chem eStandards and the Elemica platform, it should soon become possible for only one document to be jointly created when a purchase/sale is made – saving the cost of each company duplicating the same information for its own system, and reducing the chances of error and misunderstandings.

Thirdly, going online via an auction helps a company to build its awareness of other e-business opportunities. Price risk management, for example, is high on the agenda of many companies today as they struggle to come to terms with feedstock price volatility and uncertain end-user demand.

By going online, companies start to become aware of the benefits offered by platforms such as ChemConnect, CheMatch and EnronOnline. These allow businesses not just to trade physical product, but also to cover the financial risks via paper trading. By using these online price risk management tools, one can 'lock in' a margin on downstream sales and therefore improve the 'visibility' of earnings; something much welcomed by investors in these troubled times.

At the moment, too many companies are completely at the mercy of upstream markets, and can see expected profits 'wiped out' almost overnight by oil price changes that have until now been beyond their control. With the price risk tools now available, companies can – if this fits with their own risk profile – also trade the hedged position online as well, and potentially increase their profit by successfully forecasting changes in upstream markets.

In addition, there is another potentially important development

that could begin to benefit the industry as sellers start to go online and increase the liquidity of the main platforms – CheMatch, ChemConnect and EnronOnline. This is that companies could begin to be able to reduce their working capital by significant amounts.

It has been rightly said that stocks are the result of imperfect information. Traditionally, one has not known whether it would actually be possible to buy or sell at short notice – phone calls can be a very inefficient form of communication when everyone is tied up in meetings. As a result, companies have to hold significant stocks just to ensure they don't run out of key raw materials and shut down a major plant.

But when a company has sufficient liquidity online, this risk starts to disappear. For example, crude oil can always be bought or sold on the major exchanges – even in the difficult days of September, the markets remained open. As a result, oil companies have been able to reduce their stocks to levels more aligned with their underlying demand. This significant cost saving falls straight through to the bottom line.

Now, this opportunity starts to beckon for chemical companies. As we move further into the real economy, mixing the best of the online tools with the best of traditional practices, so new examples like this will continue to occur. They will help us drive down costs, avoid needless time spent over price arguments, and run our businesses more efficiently.

Hats off to Shell then, for showing that sell-side auctions can be just as successful as on the buy-side! They have blazed a trail in this area, from which the whole industry can benefit.

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# people and places

## Need for security

The attacks in the US have raised the need for increased Internet security, according to Douglas Alexander, UK e-commerce minister. Speaking at the Information security solutions European conference, he stressed the importance of collective responsibility in dealing with any threat posed to the whole of the electronic information system.

He added that in the light of the tragic events in the US, a new and intense focus had been placed on how security and the protection of both people and assets was approached.

## Analytical website

UK-based independent analytical laboratory LGC, has relaunched its website for analysts, lab managers and academics. LGC hopes the new site at [www.vam.co.uk](http://www.vam.co.uk) will act as a source of information on the quality of analytical measurements. It forms part of the government's Valid Analytical Measurement programme. It now boasts a new section called Buyer's Guide to Analytical Science, designed for use by anyone who may need to commission analytical services such as councils, insurance companies or the police.

## Multilingual portal

Air Products and Chemicals has added multilingual capabilities to its APDirect extranet portal. The company says that customers in North America and Europe can now select one of eight languages. In addition, the enhancement includes the ability to route APDirect portal-generated e-mails to appropriate international web service centres.

## ■ CHEMCONNECT NAMES VICE PRESIDENTS

ChemConnect, a global e-commerce solution provider for buyers and sellers of chemicals and plastics, has named Eric Paulsen as vice president of trading services. At ChemConnect, Paulsen will further develop liquidity and market breadth for transactions on the commodities floor where 3.5m tonne of product have been traded this year.

Paulsen is a 25-year industry veteran with experience in chemicals, plastics, energy, and financial markets. John Robinson, ChemConnect chief executive officer, said: 'Eric's expertise will help ensure that the products and services on our commodities trading exchange continue to support our members as they meet their business challenges.'

Paulsen was director at Enron Capital and Trade Resources, a division of Enron Corporation, where he helped spearhead the development of a financial price risk man-

agement business for petrochemicals and plastics.

Following Enron, Paulsen was a founding principle of the investment, consulting and capital advisory firm Plassein Partners, where he managed mergers, acquisitions and consolidation transactions for a wide range of industries, including plastics processing. He was instrumental in the formation of Plassein International Corporation, a privately-held speciality packaging company.

In addition, ChemConnect has named Geoff Huckleberry, vice president, product development, and Michele Hincks as vice president, marketing.

Huckleberry's experience includes 13 years developing and marketing new financial services and products for high technology firms. Hincks joined ChemConnect in 1999, and has since led the company's integrated marketing communications programme.

## ChemSynergy launches additional services

ChemSynergy, the Germany-based trading site, is expanding its site with the introduction of additional services including a closed room auction, bulletin board and study shop facilities.

The closed room auction is designed to allow buyers and sellers to deal with a small number of partners on specific transactions. The bulletin board enables registered users to advertise production capabilities or buy and sell

specific materials. Study shop facilities give users access to published studies from ChemSynergy.

'These new facilities extend our services by giving registered users greater freedom and flexibility to exactly and efficiently target their buying and selling activities,' said Hans Vieregge, vice president of ChemSynergy. 'Now users can be assured they are focusing directly on their chosen markets and achieving the best possible prices.'

## ■ DIARY

### OCTOBER

#### 30 OCTOBER MANCHESTER, UK

Data protection and confidentiality in healthcare

This one-day conference will cover the implications of the UK's Data Protection Act. It will also take a look at issues of consent and confidentiality within the healthcare sector.

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### NOVEMBER

#### 12-13 NOVEMBER AMSTERDAM, NETHERLANDS

4th ECN e-business in chemicals conference

The motto of this conference is:

'Realising value through integration and e-logistics'. The organisers hope it will offer practical e-business applications to provide solutions to problems which all chemical companies can identify with. Real company experiences of linking enterprise resource planning (ERP) systems and integrating the web into the supply chain will also be offered. The conference will be chaired by International e-Chem's Paul Hodges with other speakers including Ralf Taube, e-commerce manager, Europe, for Eastman Chemical; Myron Galuskin, e-business leader at Rhodia; and Stan Vlasimsky of Accenture.

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### DECEMBER

#### 11-12 DECEMBER LONDON, UK

Software quality and validation

Focused on software development for the pharmaceutical industry. The two-day conference will also cover regulatory requirements and general industry good practice.

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