

An occasional paper by Phil Allen, President and Value Creator, GEMS Europe GmbH

March 08

When will they ever learn??

Growing Together

Two of MarketAbility's admired marketing and customer value management powerhouses - Procter & Gamble and Gillette - plan to join forces to innovate to win customers. We wish them every success and believe they will succeed where many others have failed to create new value from the combined companies. Why? Because we believe that the customer driven culture in both companies will survive and even become stronger and because we believe that the move is driven by a will to respond to changing and emerging customer needs and values.

Growing Faster than their peers

Hats off to Dow Corning Corporation, another company admired by MarketAbility for its practise of marketing and customer value management. For all of 2004, adjusted net income was \$288.8 million, 64 percent higher than the \$176.6 million reported in 2003. Adjusted net income excludes restructuring costs and certain items related to Chapter 11 from which the company emerged on June 1, 2004. These results are not only impressive in their own right, they are way ahead of most peer companies in the chemicals and plastics industry and vindicate MarketAbility's ranking Dow Corning number 1 in their CVM Best Practice ladder for the industry for the third year running.

Customer Value in Autos

Toyota has usurped GM's leading market share position in the USA. Toyota counts among the most profitable and best growing of the car producers globally. What's more they make a healthy profit. Yet another shining example of marketing and customer value excellence in practice.

Customer Value in PCs

Just fifteen years ago practically no-one had heard of Michael Dell. Now, as Chairman of the world's leading PC-producer he is a household name. Dell led his company from nowhere to the leading global position in the fast growing pc market of the last decade, leaving for dead his bigger and incumbent rivals - IBM, Compaq and HP (to name but three). IBM is now selling its PC business to Lenovo and HP made a defensive acquisition of Compaq, the success of which remains questionable.

Customer Value in Coffee

Howard Schulz, CEO of Starbuck's, claimed in a recent interview: "We are not in the coffee business, serving people. We are in the people business, serving coffee." A statement which aptly sums up the secret of Starbucks success - it's not in the product, it's the way they serve their customers. Starbucks - as with many other successful marketers - focus on understanding the needs and value drivers of their customers and then developing a TOTAL offering to fulfil those needs and deliver customer value better than their rivals. A simple recipe for big success.

Lessons in Customer Value Creation and Business Growth

The lessons to be learned from such examples as those cited above are clear and plain for all to see. None of these companies has done anything beyond the capabilities of their peers and competitors. None of them really has a much better product than their rivals. Why is it then that none of their competitors have emulated them or even beaten them to it? How can incumbent companies in a market be so blind and deaf to the needs of their customers that other companies can enter from outside and beat them in their market? Why is it that many suppliers really do NOT listen to their customers and try to respond with what the customer really values.

NO, we are not proposing that you just offer everything on the customer's wish list - wrong question. What every good marketer needs to figure out is NOT what the customer wants, nor what the customer needs BUT what the customer is WILLING to PAY FOR. This is the basis of customer value management and marketing best practice. This is what makes these companies great.