

Customer Value Management

Customer Segmentation, Differentiation, Value Creation and Capture

by

Phil Allen

President and Value Creator

GEMS International GmbH & MarketAbility

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What is CVM?

What is CVM?

How does a project run?

What is Customer Value Management?

- A unique approach to marketing and business management
- Driven by a real focus on...
 - What do customers **need and value**?
 - What drives customer **buying decisions**?
 - What are customers **willing to pay for**?
- Discovering customer segments based on this focus
- Using these insights to differentiate our offerings
- Building a basis for value capture through value-based pricing
- Creating a customer-focused culture and mindset to sustain the competitive advantage

Customer Value Management: CVM – Why?

- Focus on the needs and value drivers of your customers
- Change the mindset of your organisation to focus on customer need and value
- Improve the value and profitability of your business
- Increase the differentiation against your competition
- Set prices based on customer value
- Increase customer loyalty and retention
- Discover new business models
- Discover new business opportunities
- Invent new products, services and solutions

Customer Value Creation and Capture: Key Questions to ask every day!

- How do you **CREATE** value for your customers?
- How do you **QUANTIFY** value for your customers?
- How do you **DIFFERENTIATE** and **COMMUNICATE** the value created for your customers?
- How do you **CAPTURE** the value you have created for your customers?
- How well does your value capture **reflect** the **true customer value** created?
- How do you **KNOW** that you have captured all the value available to Your Company?

CVM – Key Steps

- Explore and quantify the Value Chain in your market
- Discover Customer Value Segments
- Select Target Customer Value Segments
- Prioritize Customers in each segment
- Develop Differentiated Offerings to Delight your Customers in each Segment
- Create Sustainable Differentiation against your competitors
- Develop Customer Value-Based Pricing Model
- Implement CVM
- Obtain Customer Feedback
- Improve Customer Value
- Continuous Improvement

SEGMENT

DIFFERENTIATE

IMPLEMENT

CVM – A Self-Correcting Continuous Improvement Process

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Self-correction #1

Self-correction #2

Self-correction #3

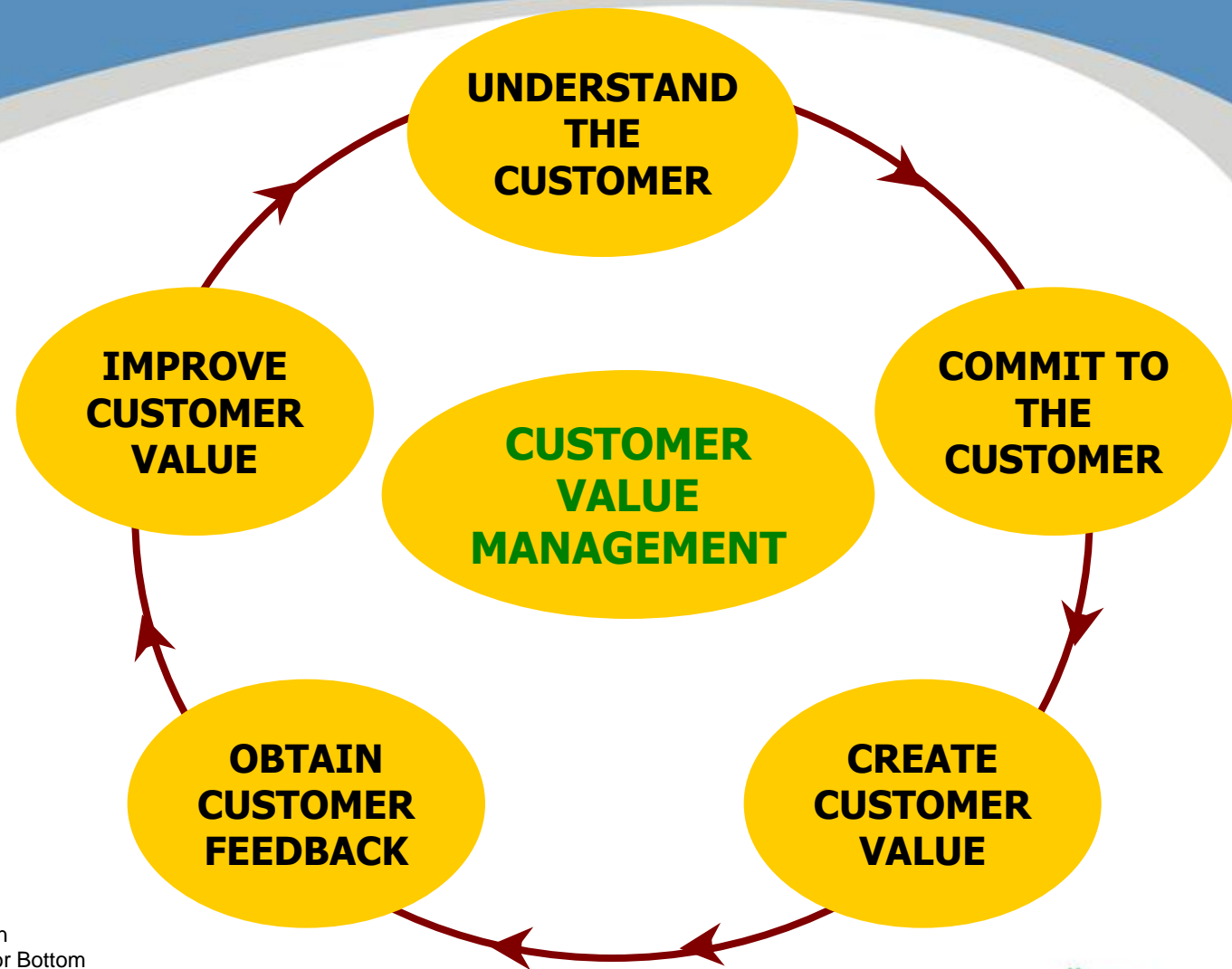
Self-correction #4

GEMS International GmbH

- **Add value to client's business** with marketing, sales and Customer Value Management excellence in strategy, process and culture
- **Deliver improved business performance** through tailored customer-driven strategy development and implementation services to global clients in business-to-business markets
- **Impart Customer Value Management, marketing and sales skills to client** through applied interactive workshops
- **Measure marketing effectiveness** with CVM Diagnostic
- A global marketing and sales excellence practice, with specialized knowledge and experience in B2B markets and industries and service industries
- **Marketing and sales excellence for sustainable, profitable growth.**



Pentadigm: 5 Steps to Customer Value



Source: De Bonis, Balinski & Allen
"Customer Value Management for Bottom
Line Success", McGraw Hill, 2003

GEMS/MarketAbility for Results - I

- At the insistence of our practitioner, client's business pursued a **value-based pricing strategy** and gained a price of \$1.32/lb instead of \$0.96/lb on a large volume
GEMS/MarketAbility added value \$3,500,000 p.a.
- Following a VBM workshop, client's business manager used the newly created **Customer Value Proposition** at a key account to save the business he had been told (by the customer) he would lose
GEMS/MarketAbility added value \$ several million p.a
- Based on new **customer segmentation insights** from a customer survey, client operating in a commodity chemicals market with >10 competitors achieved sustainable market share gains and **price differentials** in higher value segments
GEMS/MarketAbility added value Euro > 1 million p.a.
- Using the **Customer Value Management model**, GEMS/MarketAbility client re-segmented their customer base, developed new customer offerings and introduced new business models. New offerings increased customer retention to > 97%. New business models attracted significant new business from accounts previously dealing with competitors.
GEMS/MarketAbility added value US\$ > 5 million p.a.

GEMS/MarketAbility for Results - II

- Using the newly developed **Market Plan** from a series of VBM workshops client's business (B2B market) retained accounts against lower priced competition and focused on target segments to grow business.
GEMS/MarketAbility added value € > 1 million p.a.
- Using the **Dynamic Segmentation Model**, client (broad based multi-national chemicals supplier) segmented over 40,000 customers as a basis for developing new market participation, differentiation, branding and pricing strategies.
GEMS/MarketAbility added value € several million p.a.
- Using the **Customer Value Management** model, a business division of a major oil company recovered their loss-making business to come back on to a profitable target basis - *"We made plan in the quarter for the first time in about 2 years this last quarter – Major drive being the new marketing and sales initiatives we deployed (as a result of your workshops) which have added quite a few \$ to the bottom line. Thanks again for your help to start us getting our heads around our customers needs and what we need to do next"* Global Brand Manager, MarketAbility/GEMS Client, 5th April 2005.
GEMS/MarketAbility added value US\$ > several millions p.a.

GEMS/MarketAbility for Results - III

- Coached by our expert practitioner, Key Account Manager at a major chemicals company client –developed a strategy and approach to avoid an e-bid (estimated to threaten a 20% price drop) at a global key account, resulting in client retaining the business with a share increase from 40-60% at a 5% price premium and extending the contract from 1 year to 3 years. Total value: € 5.1 millions. *"In the six years I have managed this account, we have never been so positively received and praised."* Global Key Account Manager, July 2004

GEMS/MarketAbility added value € > 2 million p.a.

- It is well known that GEMS/MarketAbility was instrumental in discovering the novel **customer value segmentation** that enabled Dow Corning to develop their Dow Corning/Xiameter **dual-branding strategy**, enabling them to serve price-buying customers and value-seeking customers profitably with the appropriate value offerings. Dow Corning has achieved above market profitable growth each year since launching in 2002.

GEMS/MarketAbility added value US\$ > several millions p.a.

Phil Allen

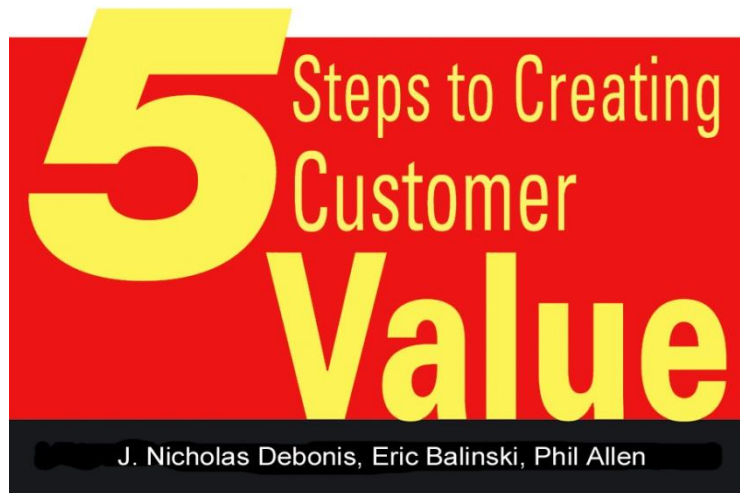


- Phil Allen, a career marketer, graduated in International Marketing in 1975.
- During his 35+-year career, he has developed his marketing expertise with hands-on experience in sales, market research and marketing in multi-national corporations including Albright & Wilson Ltd, Bayer AG, English China Clays, Hilti AG and The Dow Chemical Company. His responsibilities have ranged from national to continental and global roles.
- In 1997, Phil founded his own marketing excellence practice, GEMS/MarketAbility - creating value for clients by helping them to apply marketing excellence to their businesses through practical training and consulting.
- Phil also runs popular marketing workshops and E-Trainings specialising in B2B markets for a variety of organisations and is a consultant and trainer at Cranfield Market Planning Centre, Management Centre Europe and ECMA.
- Clients praise Phil for his pragmatic, down-to-earth approach to marketing. "Phil has a talent for converting the marketing concepts into practical, actionable business strategies and plans, leading to improved results."
- Phil is co-author of the book "Customer Value Management for Bottom-Line Success", De Bonis, Balinski & Allen, published by McGraw Hill 2003
- A fluent German speaker, Phil lives near Zürich, Switzerland and works around the World.

How to do it: Read the book, call us

 AMERICAN MARKETING ASSOCIATION

Value Based Marketing for Bottom-Line Success



- **Further information from**
- Phil Allen, GEMS International GmbH

Tel: +41 7 9423 1390

Email: phil.allen@gems-europe.com

URL: www.gems-europe.com

URL: www.pentadigm.com

URL: www.marketability.org