

Reinforcing your position as the supplier of choice enables you to sell in price increases more easily and retain customers against lower priced competition, especially in hard times

value segmentation. Using this and related marketing tools we have typically experienced improvements of between 5% and 20% in bottom-line profits. One beneficiary was Dow Corning, which launched its Dow Corning/Xiameter dual-branding strategy in 2002 based on a novel customer needs-and value-based segmentation. This marketing story has continued into its sixth successful and profitable growth year in 2008. Dow Corning chief marketing officer, Brian Chermide, confirmed the importance of customer segmentation in 'simplifying our view of the market such that all of our C-Executives "get it" and are able to lead their respective groups to support and implement the strategy.'

Simplifying the view of the market is particularly important in difficult times, as it can help organisations to tackle the critical issues of a downturn more easily and more quickly. Once you have identified the customer value segments you will target, then you must define your offering that delivers customer value and differentiates you from competition. Strategic marketing is all about retaining profitable customers by providing them with a positive and superior experience related to

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your brand.

Each and every customer contact opportunity must reinforce the superior value that you offer to your customers, building the belief at the customer that you are their supplier of choice. Reinforcing your position as the supplier of choice enables you to sell in price increases more easily and retain customers against lower priced competition, especially in hard times.

This demands a thorough understanding of the customer value proposition throughout the organisation, with each individual understanding their contribution to delivering the positive customer experience and with every customer contact reinforcing the positive experience of the customer value proposition to the customer.

Going beyond the basics of strategic marketing above, some other questions you must ask right now include:

Where are there opportunities to create and capture value, even in the downturn?

Which customers are the ones I want to retain, which are the most profitable and loyal?

Which parts of my offerings and specifically which products should I discontinue?

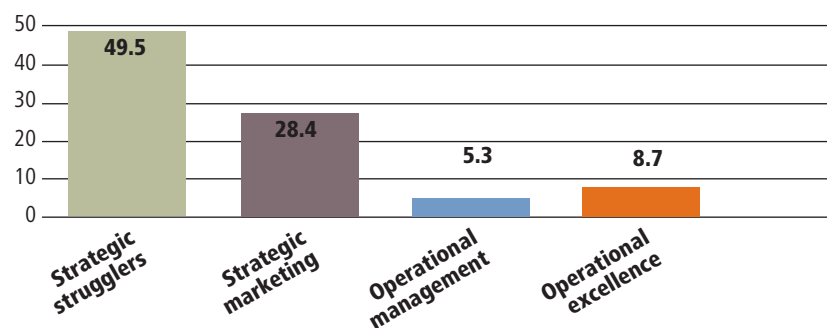
Plan for all accounts to be visited in the coming weeks to discuss the implications of the economic situation for them and to understand their current priorities and plans for survival or for opportunity exploitation. Customers will be looking to eliminate and reduce costs, improve efficiencies, replace expensive technologies; where can you contribute and help your customers to survive or even become more

competitive? Internally, review all customer and market portfolios to eliminate those with least profit, growth and volume potential, and those with high risk. Focus on those with the best profit, growth, volume potential and those with manageable risk.

Now is also the time to review the products and offerings portfolios to your target customer segments and decide which ones can be eliminated, based on their least profit, growth and volume potential. Also, be aware that there is strong evidence of a clear correlation between companies where there is a full understanding of the customer value proposition and the achievement of higher levels of profitability.

In conclusion, now is the time to be investing in strategic marketing in order to be fit, healthy and ready to exploit any opportunities identified. The investment will be rewarded by a stronger chance of survival now and an improved level of profitability for the future.

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Source: Strategic marketing benchmark study, GEMS Europe, ECMSA, Market Planning International

Fig 2: Half of companies are strategic strugglers; they need to change but don't know how to

Case example 2

Company Y operates in an undifferentiated – 'commodity' – product market where market prices are known and there are 10 equally competent competitors. Following needs and value-based customer segmentation, company Y adopts a differential pricing strategy based on well-defined product, service and intangible offering elements to four distinct customer segments with very different needs profiles. company Y achieved price differentials of between 5% and 50%, depending on customer value segment.

Result: low-priced business clearly identified and separated from customers who value special services, relationships or offerings for which they were willing to pay a premium. Despite being active in a market for an undifferentiated – 'commodity' – product, company Y has evolved a sustainable strategy with differentiated offerings to targeted segments at very different price levels, gaining multiple millions of Euros bottom-line profit as a result.