

CUSTOMER OR

THE BEDROCK OF SUCCESSFUL CUSTOMER-SUPPLIER RELATIONS

THE LOYALTY FACTOR:
KEY FIGURES

31%

If you can increase your customers' loyalty, you can have a 31% greater share of the money they spend for life services, products, etc.*

14%

A more loyal company is 14% more likely to retain or repurchase from a supplier.*

5%

Raising customer retention rates by 5% can increase the value of an average customer by 25-100%!**

50%

There is a 50% improvement in new product acceptance and penetration in loyal customers vs. just satisfied customers.*

23%

Fully engaged customers deliver a 23% premium over the average customer in terms of their total spend for all like and similar products and services, profitability, revenue and relationship growth.***

* Source: Corporate Executive Board, The Chapman Group

** Source: Harvard Business Review

*** Source: Sales Research Group LLC

IENTATION

TODAY, BEING A CUSTOMER-ORIENTED COMPANY IS NOT ABOUT FOLLOWING A CLEVER MARKETING TREND. It is a question of survival. Customer Orientation is the only way to ensure mutually successful, profitable and sustainable customer-supplier relations. _____

It used to be that quality products, competitive prices and on-time deliveries were enough to satisfy customers. But today, faced with an increasingly competitive global landscape, more demanding customers and tendencies to commoditize, supplier differentiation is critical. Differentiation is no longer achieved through the product/price/delivery equation, but by being willing to transition from a product manufacturer to an organization that is fully committed to and all about the customer.



Dennis J. Chapman Sr.,
President and CEO,
The Chapman Group



Wolfgang Ulaga,
Associate Professor
of Management, HEC School
of Management in Paris

_____ "BEING THE VOICE OF THE CUSTOMER AND PLACING THE CUSTOMER AT THE CENTER OF THE COMPANY'S UNIVERSE IS EXPRESSING THE BELIEF THAT TOGETHER, IN PARTNERSHIP, YOU WILL BOTH SUCCEED." _____

CUSTOMER-CENTRICITY STARTS AT THE TOP

Dennis J. Chapman Sr., President and CEO of The Chapman Group, a consulting firm, explains the philosophy behind this approach: *"Being the voice of the customer and placing the customer at the center of the company's universe is expressing the belief that together, in partnership, you will both succeed."* Leadership and employee behavior is a key indicator of a true client-centric culture. *"It has to start in the CEO's office,"* Mr. Chapman adds. *"If it does, employees will be a pure reflection of*

that office." Customer Orientation is a set of practices that must be integral to a company's culture and a core pillar of its value system.

GETTING INSIDE THE CUSTOMER'S BUSINESS MODEL

Wolfgang Ulaga, Associate Professor and EDF Chair of Marketing at the HEC School of Management in Paris, says that a customer-centric company takes a deep dive into its customer's business model to gain an intimate understanding of how its offer impacts the customer's processes, operations and ●●●

outcome. "Customer Orientation implies acquiring and making sense of strategic insights about how a customer's business model really works," he says, "and how I, as a supplier, can help my customers impact their bottom line."

MULTIPLE INDUSTRIES HEED THE CALL

Today, pharmaceutical and chemical companies, heavy equipment manufacturers like Caterpillar, and big names in their respective markets like Hilton, DHL, IBM and Cisco all own a customer-oriented approach. Siemens has made great strides and is cited by Mr. Chapman as an exemplary customer-centric company. Mr. Ulaga explains that some companies have pushed their customer focus very far because, due to the inherent nature of their product, a commodities situation already exists that does not allow for differentiation. He is referring in particular to Air Liquide, the world leader in gases for industry, health and the environment. By necessity, Air Liquide has for many years built its

entire sales approach on deep customer insight and a superior understanding of customer applications and processes. "More often than not," Mr. Ulaga says, "Air Liquide knows what its customers may think or do before they do!"

TRANSITIONING WITH METRICS

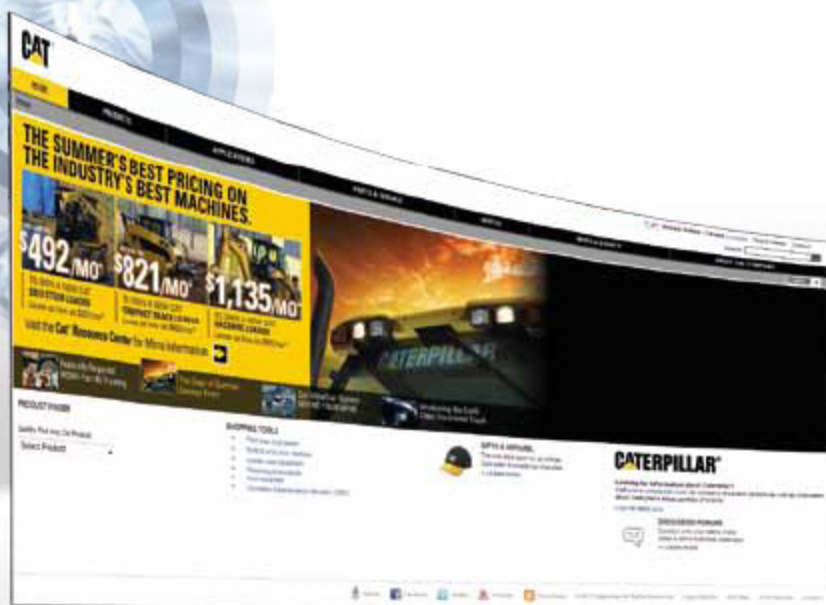
Becoming customer oriented, or "walking the walk," as Mr. Chapman puts it, involves more than having a top-led customer-centric organization: "Companies must also install metrics that use the voice of the customer to measure whether or not the supplier is creating extraordinary, memorable experiences for them." These measurements, which provide a loyalty index (see *At a Glance*), focus on evaluating the supplier's people, business and organization. Mr. Chapman calls this critical process Customer Experience Management. "Optimizing the customer experience to drive ongoing customer growth may be the single most effective business strategy for improving customer retention and profitability," he

AT A GLANCE

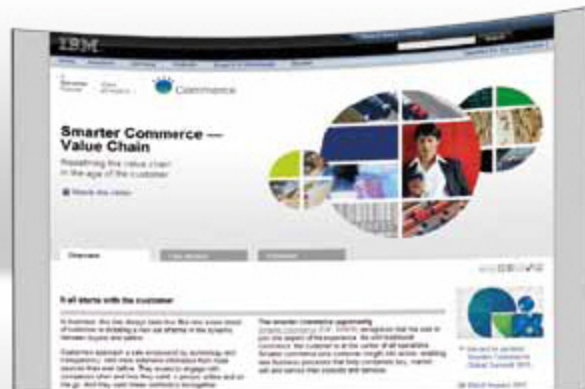
Measuring the voice of the customer with a loyalty index

A loyalty index is created by measuring key customer dependency indicators linked to the strengths and weaknesses of a supplier's people, business and organization. It tells what customers are thinking and predicts the staying power of the overall relationship. The best method for collecting this data is from multiple management levels, functions and locations at multiple times during the year. This is known as a high-wide-deep customer penetration approach. The knowledge gained allows suppliers to develop and implement strategic plans to strengthen retention and build more meaningful relationships. Loyal customers feel great about dealing with their supplier. They will proactively talk about the experience and proactively refer others to that supplier.

_____"CREATING A HIGHER DEGREE OF INTIMACY CAN TRANSLATE INTO REINFORCED LOYALTY."_____



1



2

says. "A complete and extraordinary customer experience is the key to securing customer loyalty and generating superior long-term financial performance."

TRAINING BUILDS AWARENESS AND UNDERSTANDING

Of course, transitioning from tactical supplier to customer-centric solutions provider is not without its challenges. Mindset is one. Building awareness and diffusing the meaning of Customer Orientation is another. "Customer Orientation cannot be the concern of a few functions who think about it in isolated work silos," says Mr. Ulaga. "The silos need to be broken, and anyone who comes into contact with the customer should be involved." This can be achieved through training. All front-end and back-end people with customer contact at some point along the value chain must understand how a customer's business works, what their big concerns are and how this impacts the role they play with and for that customer.

THE BENEFITS SPEAK FOR THEMSELVES

Creating a higher degree of intimacy can translate into reinforced loyalty, and loyal customers have more impact on a com-

pany than just satisfied customers. "It's the difference between feeling wowed by or just okay about a supplier," says Mr. Chapman. Being customer-centric also allows suppliers to escape the commodities trap and differentiate themselves by allowing them, through deep insight, to identify what customers really value in their offer. Researchers have found that insight gained from this approach is an essential asset for building specific core competencies, like being able to better evaluate and manage risks, to better design product and service combinations, and to better sell and deploy offers. "Customer Orientation is a fundamental asset for growing into these value-added areas and extracting more value, and therefore more money, from what suppliers do for customers," Mr. Ulaga adds. Mr. Chapman highlights another key – and perhaps less obvious – benefit: "Being a customer-centric company helps ensure the retention of one's employee base. It gives employees a real purpose and a reason to rally behind enabling their customers to have extraordinary experiences. Customer Orientation goes far beyond the buy-sell relationship – it has a tremendous impact on the employee relationship too." ■



1 – Backed by the unmatched support of a global network of Caterpillar dealers, Cat products and services deliver superior quality and long-term value, helping to accelerate the success of our customers worldwide.

2 – It all starts with customers. IBM developed a Smarter Commerce approach where the customer is at the center of an integrated value chain: buy, service, market and sell.

3 – Air Liquide works alongside its customers worldwide, locally and globally, on a day-to-day and long-term basis, investing on their behalf and providing them with regular service on a long-lasting basis, within the framework of clear contractual relationships that are in line with each party's economic interests.

VIEWPOINT



Herbert Wilmy
Executive VP Global Sourcing and Services, Member of the Executive Committee, Sonepar

"Customer Orientation has been a cornerstone of Sonepar since the beginning and is one of the reasons why the company is so strong today. Being customer oriented means having the genuine desire to understand and fulfill the needs of customers. Understanding is gained through reinforced customer intimacy – by getting inside their business, conducting surveys and studying their markets. Some people speak of customer satisfaction as though it would be the most desirable outcome, but for us satisfaction denotes being just okay with the way things are, which is simply not good enough. Customer Orientation has much more depth. It is not limited to our buying customers, but encompasses our entire organization of external and internal stakeholders. I am referring to three specific levels: the branch and its relationship with installers and industrial clients, our associates, and our suppliers. This brings me to my next point: a critical component of Customer Orientation is a basic respect for people. Respect is one of Sonepar's primary corporate values voiced back in the sixties by our founder, Henri Coisne. Today, our relationship is built on mutual respect, which translates into qualities like reliability and consistency. However, to ensure joint success, we do expect from our partners the continual development of innovative, meaningful, integrated products and services. This is a challenge that can only be achieved if Customer Orientation and intimacy is a priority, and if there is transparency and trust in the relations. If this is the case, we will each enjoy continued success in the future."



Martin Flurschuetz
Director Account Management/Market Development, Siemens One

"Siemens' success over the past 150 years is due largely to its customer-centric approach. This translates into exceptional customer intimacy, without which no company can truly prosper. Customer Orientation means knowing, down to the smallest detail, customer processes, requirements and demand areas. It means looking down the chain to understand the drivers and challenges faced in all the markets and environments where customers operate, and understanding the value creation process for their own customers. This can only be done if you are close to your customer's DNA. With in Siemens, Customer Orientation cascades from the top down through all management levels, and our top managers' behavior impacts the entire organization. To deepen and reinforce our understanding, we conduct thousands of interviews every year (25,000 in 2010). The resulting Net Promoter Scores afford us a critical visibility as to where we are going, but the real differentiator lies in what happens afterwards. Within 48 hours of voicing a major issue, our customers receive response calls in order to commonly develop solution ideas specific to the problem. Concrete follow-up actions are an essential component of customer-centricity. Another critical component is sustaining the customer interface. If a company ensures this sustainability, the customer is more likely to regard that company as being more reliable, competent and trustworthy. As far as Nexans is concerned, we congratulate them on their implementation of a highly professional key account management system and encourage them to continue on this path."