



THE
CHAPMAN
GROUP
Sales Effectiveness Consultants

Integrated Solutions that "Optimize Sales Effectiveness"

Managing to Strategic Customer (Supplier) Metrics

*An Outward-In Look at Measuring Organizational (SAM)
Performance Against Customer Expectations*

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BUSINESS

THE SAM ADVISOR

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Supplier Not Meeting Expectations! ***Existing Account Relationship at Risk***

Customer has facts to support their claim!

Customer Measurements – Today...

- We know the traditional tactical...
 - Price
 - Product
 - Delivery / Availability
 - Support
 - Quality
- What's now driving the relationship?
- How can we know and influence the strategic measurements?

Session Learning Points

- Key measurements and benchmarks that reflect customer expectations for suppliers including relationships, business and structural dependencies
- Developing, communicating and validating an economic value (ROI) calculator is critical to ensuring customer financial expectations are exceeded
- A "voice of the customer" index as a critical metric in knowing real customer expectations and measurements

Key Workshop Outcome

Have participants learn and be able to more effectively measure, align to and deliver on how Customers are measuring them –

Customer expectations

Known – Perceived – Futuristic?

W I I F M?

What's In It For Me!

The Star Contributor

Contributes a Key Learning Point

Contributes "above and beyond"

Contributes to their workgroup

Contributes an innovative learning extension

Contributes to a group exercise

Infamous Sayings...

- If you can't measure it, you can't manage it!
- Measure what you and your account require / expect!

Group Exercise

- Interview your neighbor - learn and be prepared to share:
 - Neighbor's Name and Role in their company
 - How are Customers measuring Supplier effectiveness?
 - One Interesting “little known” fact about your neighbor!

Customers are measuring Suppliers – do you know how you are being measured?



WOW!



How can we know?

Predictive analytics (measurements and metrics) that provide us an effectiveness “Now-Look” through the Eyes and Voice of our Customer –

Analytics that tell the future!

Know how others define and measure “Extraordinary!”

The Case Study

- How a Supplier applied the knowledge they had about Customer expectations - measurements

Case Study – Retail Industry

Expectations Strategic Supplier

- Local Resources
- Service
- Performance
- Product availability
- Location / Distribution
- Pricing / Margin
- Innovation

Current Supplier Perceptions

- Low cost
- Effective bid response
- Satisfy Buyer
- Business at risk

Focus of Customer Measurements...

Dependencies that Create a Positive Buy / Sell Relationship (Customer Loyalty)

- People / Relationships
- Business / Economic Value Proposition
- Organization / Structure

People / Relationships *Activity*

Suppliers say they want to “partner” with
their accounts –

When Partnering; how does a Customer
measure the Supplier’s “people”
(relationships)?

Business / Economic Value *Activity*

Customers say they want to engage with a supplier who can help them meet and/or exceed their needs –

What key business outcome do Customers measure that they expect from their suppliers?

Customers May Not Be Saying But Assessing Spend versus Invest

- Spend
 - Impulsive
 - Not expecting much long-term value
 - More about experience than impact
 - Dollars may be perceived as disposable
 - First to go in a “cash crunch”
- Investment
 - Analyzed and well-founded
 - Expected to provide short as well as long-term financial impact
 - Experience and outcome are being measured
 - Dollars are budgeted and earmarked as “required”
 - Last to go in “cash crunch”

Economic Drivers

- Customers buy products/services for one or more of the following economic reasons:
 - Reduces costs (Cost Reduction)
 - Assists in avoiding costs (Cost Avoidance)
 - Increases revenue (Revenue Increase)

Economic Value Proposition

The expected monies saved and/or earned from the features and benefits of your product/service as anticipated and validated by your customer.

ROI CALCULATOR WORKSHEET
Economic Impact of Implementing [Company] Products and Services

Company:

Date:

Account Manager:

Product:

This model demonstrates how utilizing [Company] products and services may have a positive financial impact on a specific customer.

Expense Reduction

Number of Distribution Facilities / Warehouses Serviced by [Company]	Average Monthly Inventory Expense per Facility	Percent Reduction in Monthly Inventory Expenses		Reduced inventory and logistics expenses
<input type="text" value="10.0"/>	<input type="text" value="\$25,000"/>	<input type="text" value="2.00%"/>	=	<input type="text" value="\$60,000.00"/>

Number of Distribution Facilities / Warehouses Serviced by [Company]	Average Monthly Logistics Expense per Facility	Percent Reduction in Monthly Logistic Expenses		Annual Saving per Year
<input type="text" value="10.0"/>	<input type="text" value="\$75,000"/>	<input type="text" value="3.00%"/>	=	<input type="text" value="\$270,000.00"/>

TOTAL EXPENSE REDUCTION =

Cost Avoidance

Number of SLA Failures per Month	Average Fine / Penalty per SLA Failure	Percent Reduction in Failures		Reduction in Service Level Agreement Failures
<input type="text" value="25.0"/>	<input type="text" value="\$5,000"/>	<input type="text" value="5.00%"/>	=	<input type="text" value="\$75,000.00"/>

TOTAL COST AVOIDANCE =

Revenue Increase

Number of Clients	Average Annual Revenue per Client	Percent Serviced by [Company]	Current Retention Rate	Increase in Client Retention due to Improved Performance	Improved Client Retention due to Improved Service
<input type="text" value="2500"/>	<input type="text" value="\$37,500.00"/>	<input type="text" value="12.00%"/>	<input type="text" value="81.00%"/>	<input type="text" value="2.00%"/>	<input type="text" value="\$225,000.00"/>

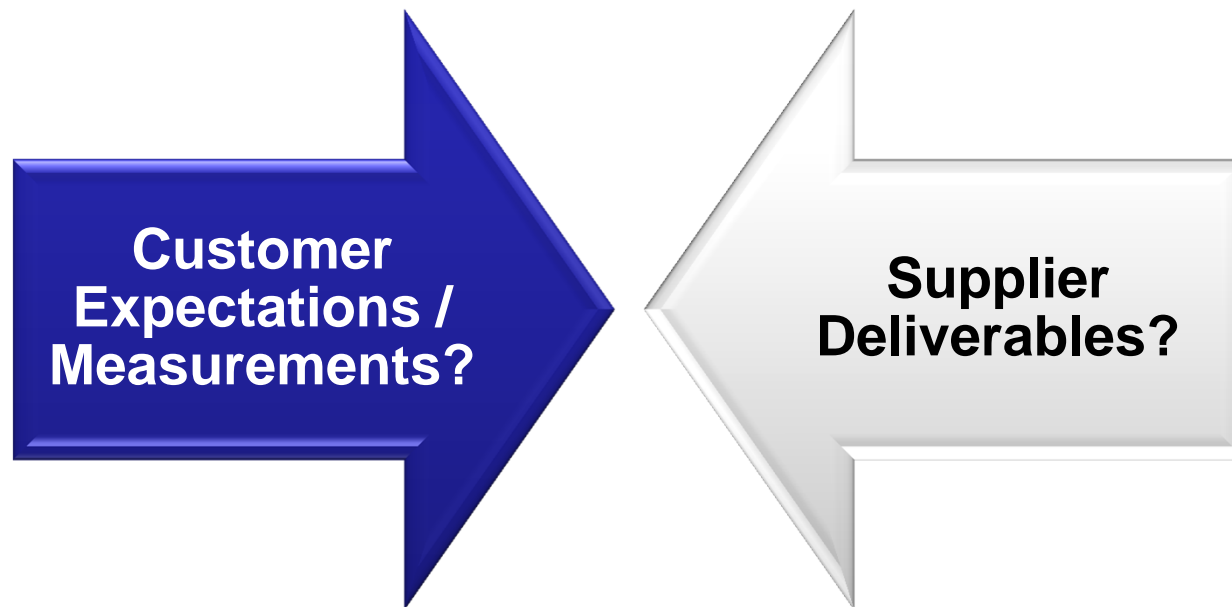
TOTAL REVENUE INCREASE =

Structural / Organization *Activity*

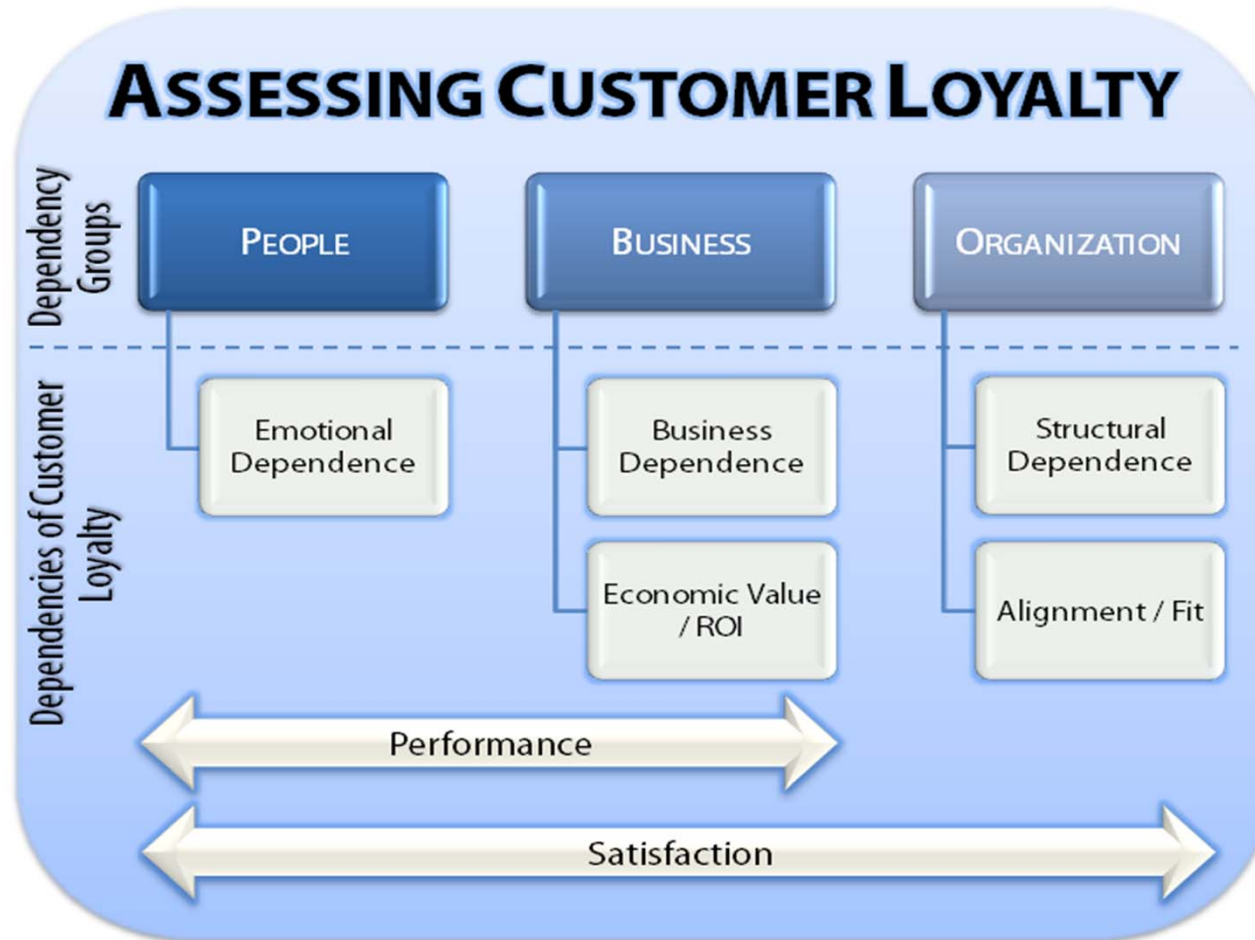
Suppliers say they want to “partner” with
their accounts –

How does an Account measure a Supplier
organization in terms of infrastructure
delivered?

How do you Know and Measure if you are Meeting and/or Exceeding Customer Expectations?



Customer Expectations



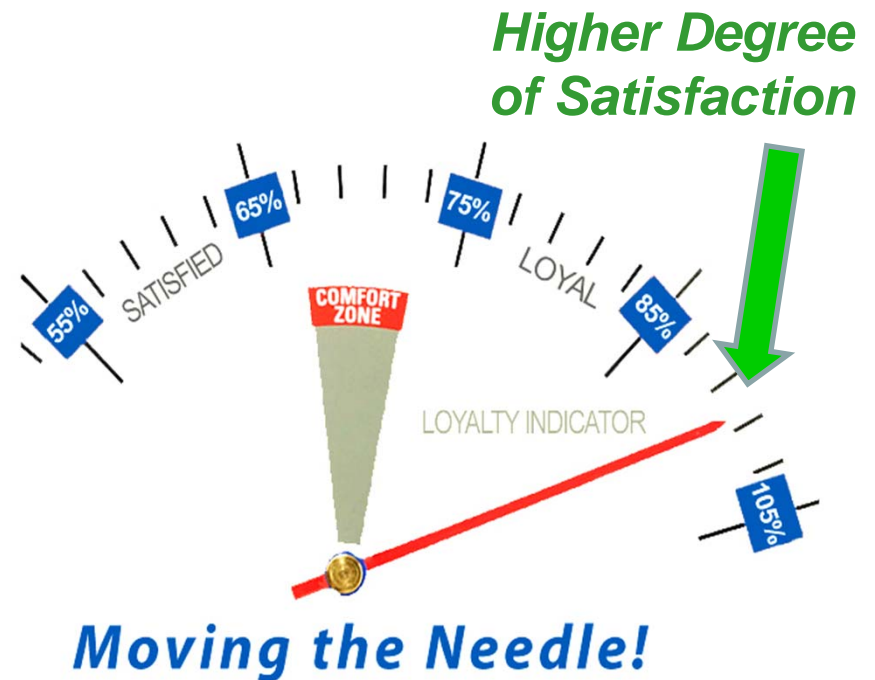
Mutual Dependencies = Loyalty Drivers

CORE Customer Dependencies / Expectations Embedded in Customer Measurements

Dependency	Definition	Measurements
1. Emotional	The psychological commitment from the customer. It is the customer's reliance on an organization for support, guidance, and decision-making .	Integrity, reliability, depth of relationship, and empathy
2. Structural	The operational foundation of the relationship, the infrastructure, which consists of organization size, and capabilities.	how your customers' businesses operate
3. Business	The positioning of the relationship within the competitive marketplace. This includes how you help customers create go-to-market solutions, grow and retain their customers.	Competitively sound and differentiated in their market
4. Performance	Measures how a product, service or people of an organization line up to expectations of the customer. Typically, performance is measured over a longer period of time and with more objective criteria	Delivery, support and service
5. Satisfaction	The reality of the situation is that at any moment in time the customer will have perspective (positive or negative) that will affect the degree of their loyalty.	Moment of time assessment
6. Economic Value	The financial benefits (hard dollars) a customer is realizing from the value of having a supplier's products or services	Reduce expenses, avoid expenses and/or increase revenue and profit
7. Alignment - Fit	Alignment and Fit in a buy/sell relationship includes factors such as.	Mission and vision, culture, collaborative practices, product needs

Start Assessing Loyalty versus a Satisfaction

“A recent study by Rath & Strong showed that 60 to 80 percent of accounts who defected had declared themselves satisfied or highly satisfied on their last satisfaction survey.”



*The single most **predictive indicator** of **future growth** is the level of attachment (dependency) that your accounts have toward you*

Do Not confuse the Two...

Satisfaction vs. Loyalty

- Account satisfaction is a measurement of a moment of time of an account's testimony to your performance
 - Process
 - Annually
 - Inputs/outputs
 - Usually by one individual
 - Often related to one event
 - Performance metrics (content)
- Loyalty is a measurement of key indicators that predict the “staying power” of the overall account relationship - a term to describe a high, if not the highest degree of satisfaction... the goal!
 - Process
 - More frequent intervals of time
 - Inputs/outputs
 - Multiple levels of functional and management contact points
 - Greater depth of content and analysis

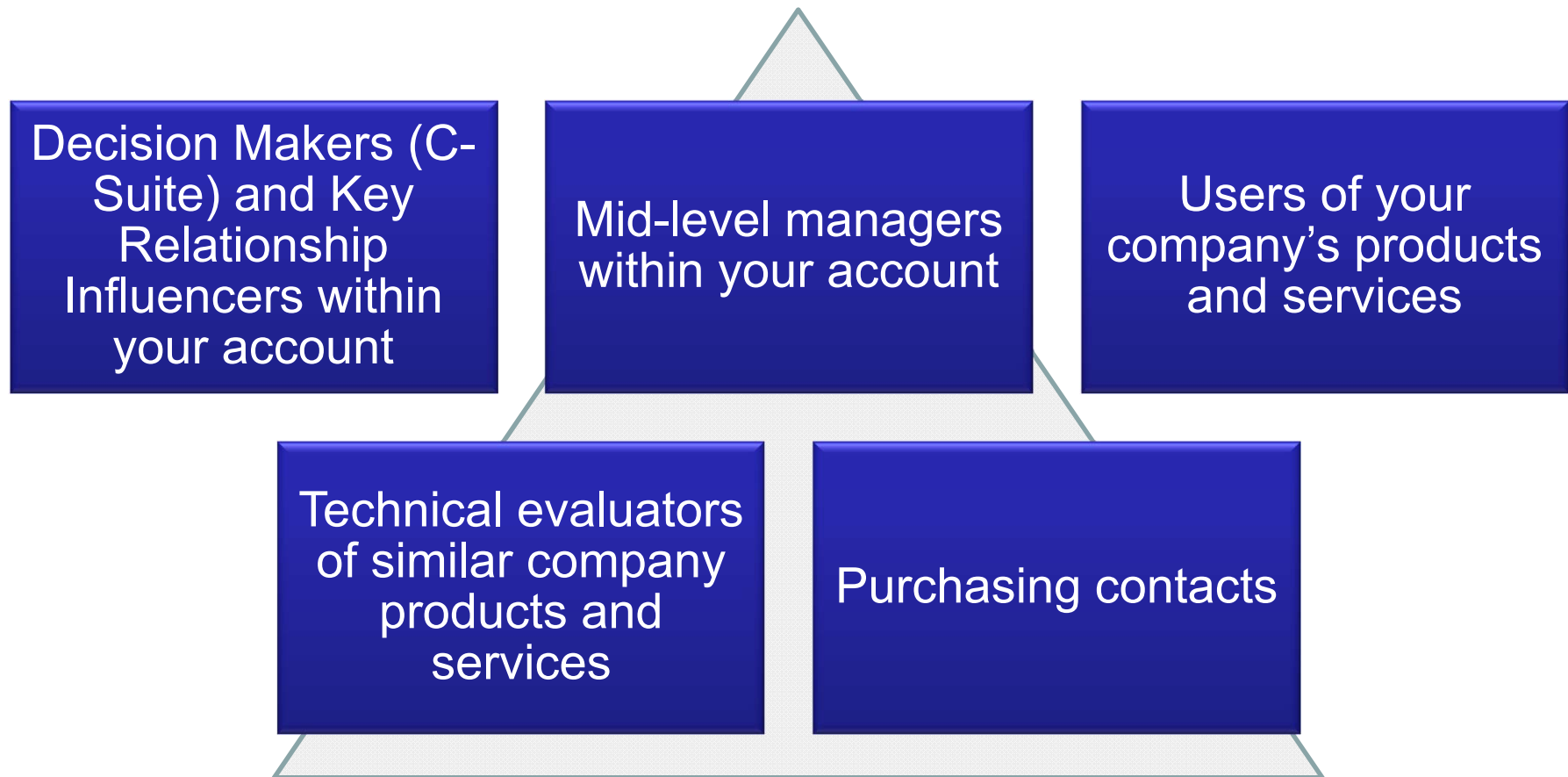
Loyalty does not occur by accident, it must be earned.

**Fully Engaged customers deliver a
23% premium over the average
customer in terms of share of
wallet, profitably, revenue, and
relationship growth**

- Sales Research Group, LLC.

What could having a Loyalty Index mean to you?

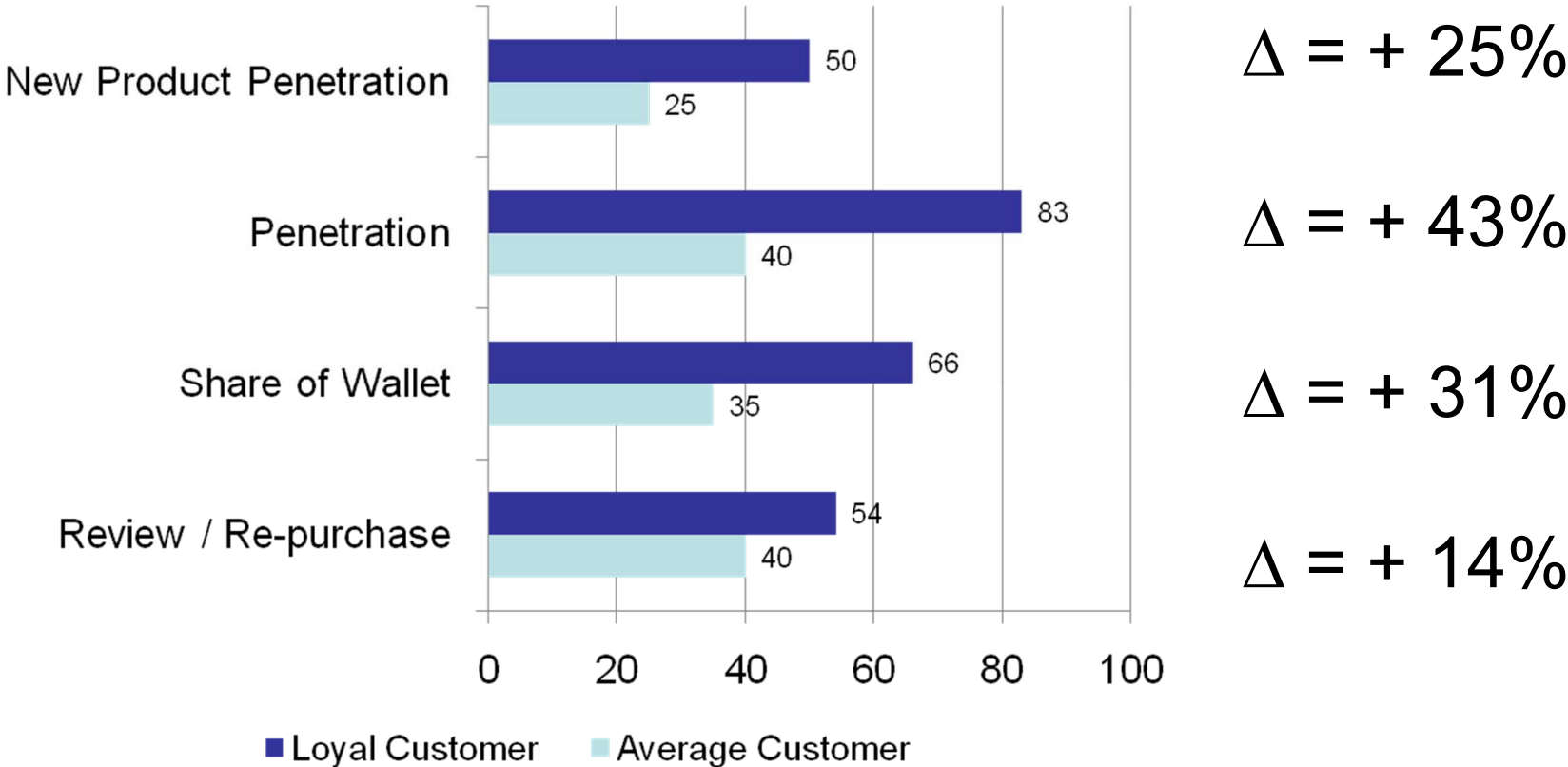
Recommended Inputs (Participants)



The more client team members involved the greater chance of becoming a “Trusted Advisor”

Loyalty Impacts Revenue!

Average Customer versus Loyal Customer*



$\Delta = + 25\%$

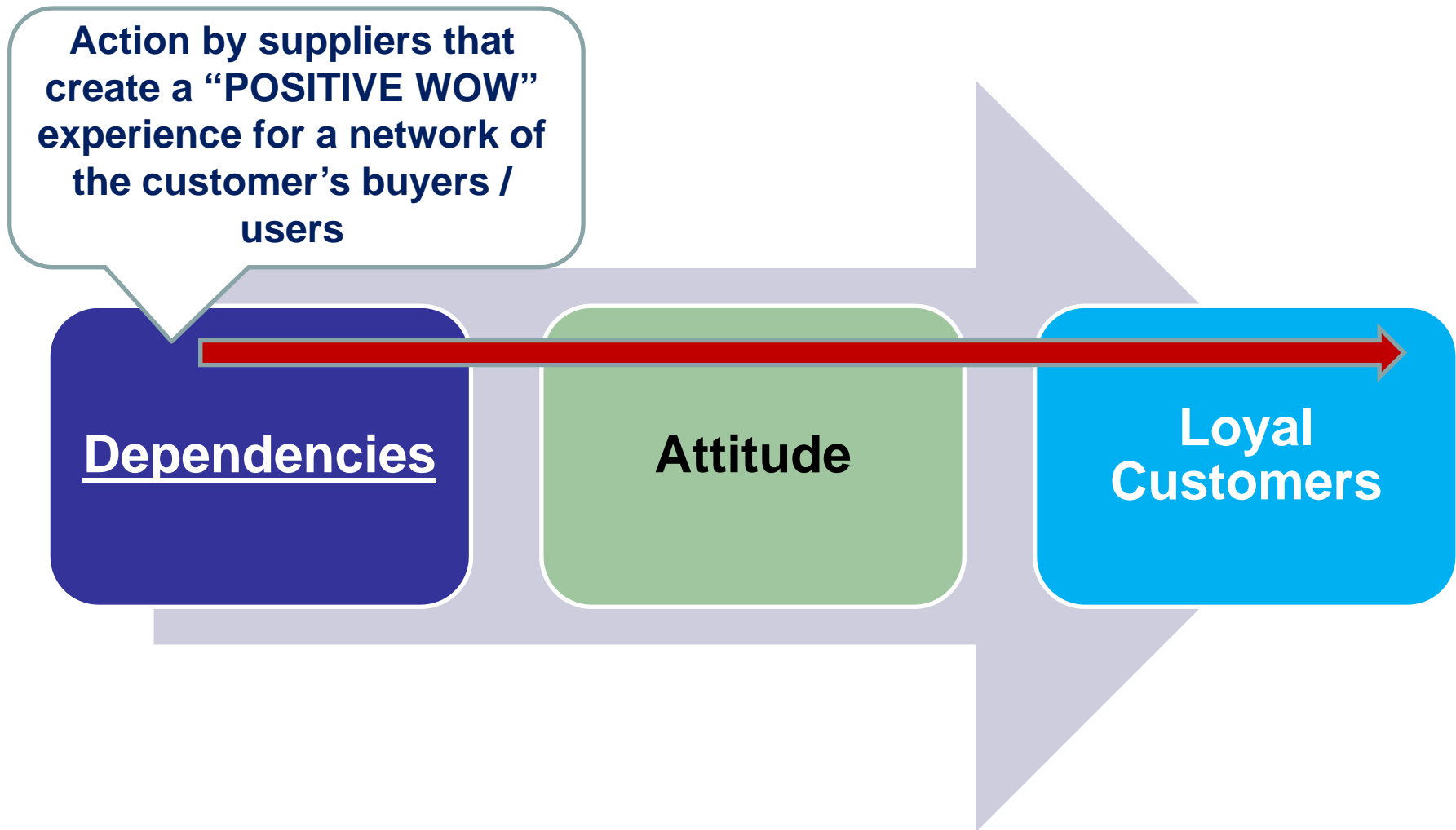
$\Delta = + 43\%$

$\Delta = + 31\%$

$\Delta = + 14\%$

* Redefining Customer Loyalty; Corporate Executive Board

What Influences Customer Buying Behavior?



CORE Components of “Voice of the Customer” Loyalty Program



Chemical Industry

Low Product Innovation Ratings

Account Name	Contact Name	Business Unit	Market Segment	Role	Loyalty Rating	Completed Date
Chatham Corporation	Sheryl Chatham	Research	Healthcare		84%	7/3/2009
Cinek Corporation	Erin Cinek	Customer Service	Chemical		69%	7/6/2009
Colahan Corporation	Laurie Colahan	Key Accounts	Healthcare		83%	7/6/2009
Crain Corporation	Dwight Crain	Sales	Healthcare		57%	7/10/2009
Crock Corporation	John Crock	Research	Healthcare		83%	7/7/2009
Danna Corporation	Diana Danna	Customer Service	Healthcare		77%	7/3/2009
Deighton Corporation	Steve Deighton	Key Accounts	Chemical		77%	7/3/2009
Dews Corporation	Justin Dews	Research	Technology		88%	7/3/2009
Duckett Corporation	Dawn Duckett	Key Accounts	Chemical		90%	7/3/2009
			Healthcare		72%	7/3/2009
			Chemical		90%	7/3/2009
			Healthcare		71%	7/3/2009
			Healthcare		55%	7/3/2009
			Chemical		60%	7/3/2009
			Healthcare		73%	7/6/2009
			Healthcare		95%	7/3/2009
			Healthcare		71%	7/23/2009
			Chemical		55%	7/3/2009
			Healthcare	gfdgdfgd	41%	7/3/2009
			Healthcare		79%	7/7/2009

Roll-up Gap Analysis				
Filter	Survey: Standard Loyalty Survey			
How would you rate the overall performance of your Account Manager?	Excellent	18	34.6%	87%
	Good	28	53.8%	
	Average	6	11.5%	
The Company Experience (77%)				
	Choice	Count	Percent	Rating
6 Do you consider our programs and services to be client focused?	Yes	94	83.9%	83%
	No	18	16.1%	
5 We work in partnership with your organization.	Strongly Agree	25	22.3%	58%
	Agree	75	67.0%	
	Disagree	12	10.7%	
	Strongly Disagree	0	0.0%	
8 Has the quality of our programs and services...	Improved	45	40.2%	
	Remained the Same	65	58.0%	
	Worsened	2	1.8%	
5 How easy is our company to deal with relative to other companies?	Very Easy	25	22.3%	82%
	Easy	77	68.8%	
	Somewhat Difficult	10	8.9%	
	Difficult	0	0.0%	

LOYALTY RATINGS

Loyal	>= 75%
Caution	50-74.9%
Alert	25-49.9%
Critical	< 25%

Benefits of Assessing Customer Expectations?

- Quickly gather tactical and strategic *business intelligence*
- *Engage* customers at all contact points including senior level relationships
- *Empower* your organization with actionable knowledge from your customer – a holistic view of the account
- Initiate critical *information (expectation) sharing* across the entire organization
- Stop reacting and *proactively manage* accounts
- Remove much of the subjectivity and place the account relationship onto a more of an *objective model* that is more easily understood and measured






What have we learned?

What do we need to do tomorrow?

Case Study – Retail Industry

What Were They Really Score Carding?

Expectations of Strategic Supplier

- Local Resources 
- Product availability 
- Location / Distribution 
- Pricing / Margin 
- Innovation 

Link Our Learning Points

- _____
- _____
- _____
- _____
- _____

The New Score Card

Traditional Metrics

- Product quality
- Responsiveness
- Availability
- Price
- Service and Support

The Future - Collaboration

- People
 - Thought Leaders
 - SAMs
 - Business Acumen
- Business
 - ROI on Relationship
 - Optimization of Operating Costs
 - Innovation
 - Strategic Alignment
- Organization
 - Capital Resources
 - Complimentary Human Capital

Thank You!

Questions

