



A wake-up call

Why marketing became a top priority for the chemicals industry

By R. John Aalbregtse and James G. Bagues

With little room left for further cuts in manufacturing costs, chemicals companies are looking to drive and sustain operational excellence from other parts of their business—which is why marketing suddenly came into focus.

Marketing doesn't come naturally to the chemicals industry. Like other maturing, commodity-based businesses, chemicals companies tend to think in terms of volume. The margin boost that comes when a company is able to more effectively match the prices it charges with what its customers really want—one of the great benefits of the integrated approach that distinguishes high-performance marketing—has been largely overlooked.

All that, however, looks set to change. The top of the current chemicals business cycle is rapidly approaching, as supplies are constrained and raw material prices are soaring. With little room left for further cuts in manufacturing costs, these companies are looking to drive and sustain operational excellence from other parts of their business before the next downturn. Marketing, along with improved supply chain management, is suddenly coming into focus.

To be sure, the chemicals industry has some way to go. Accenture's cross-industry research into the role of marketing in achieving high performance identified chemicals as a laggard. And our survey into chemicals companies' attitudes toward marketing (see "About the research," page 72) found that most industry executives rate their current marketing capabilities as no more than average. Many of them still consider

entering new markets and increasing the profitability of existing business with current customers to be much more important marketing goals than generating customer loyalty, which is the cornerstone of profitable organic growth, according to our research. (For a related article, see page 60.)

Yet more than two-thirds of the same respondents also said they now view

marketing as a top priority, and they predicted that investments in marketing, sales and customer care will drive business value for their organizations over the next five years or longer. What's more, very few felt they wouldn't be able to achieve the marketing capabilities they want.

How, then, should chemicals companies go about trying to achieve marketing mastery?

Most of these companies fail to execute successful marketing strategies because they focus on the wrong things. Accenture's cross-industry research, coupled with the findings of our industry-specific

survey and our experience with high-performance businesses in the chemicals industry, suggests that three key pillars of capability should be the focus of attention.

1. Business intelligence

High-performance businesses in all industries leverage their IT systems as key strategic assets to gain important customer and competitive insights. In the past five years or so, chemicals companies have invested significantly in enterprise resource planning systems. These investments were largely designed to consolidate finances and help improve supply chain and manufacturing performance. But there is a wealth of other data in ERP systems.

The information they provide can shed light on performance trends, on product and customer profitability, and on changing patterns of demand—the sort of business intelligence that underpins successful cus-

tomers segmentation and, as a result, superior marketing. And unlike management by spreadsheet, ERP systems, supplemented by a new breed of business intelligence tools, support the standardization of decision making and thus help to create and shape demand, as well as enhance delivery of the brand promise.

The Dow Chemical Company, for example, has built a global strategic data network that presents information by product, customer, business and region. The company can monitor trends in customer profitability and swiftly see which products are selling fast and which are lagging, thereby creating a complete picture of sales trends in its various markets.

2. Integrated decision making supported by business rules

High-performance businesses use the business intelligence gained through their ERP systems to optimize decision making and ensure that they deliver what individual customers want—the hallmark of superior execution.

To this end, they develop clearly defined business rules about the decisions that must be made on services and lead times, specifying how a customer is to be served and the occasions when exceptions should be made for different customer seg-

ments. High performers have reconfigured their business processes, supply chain networks and organizations to support the flawless execution of these rules. They also have established systems of metrics to manage compliance by exception.

The rules establish clear roles, responsibilities and accountabilities, and they are reviewed continuously in light of evolving market conditions. The upshot: consistent treatment of individual customer segments.

For instance, another global chemicals company developed a set of processes for decision making about pricing as well as about customer segmentation and customer service—and then defined business rules that address specific service levels relative

to order quantities, lead times, packaging and technical service. Many of the rules are common to the company’s distinct businesses. But the criteria for each rule are tailored to specific customer segments within each business.

3. A performance workforce

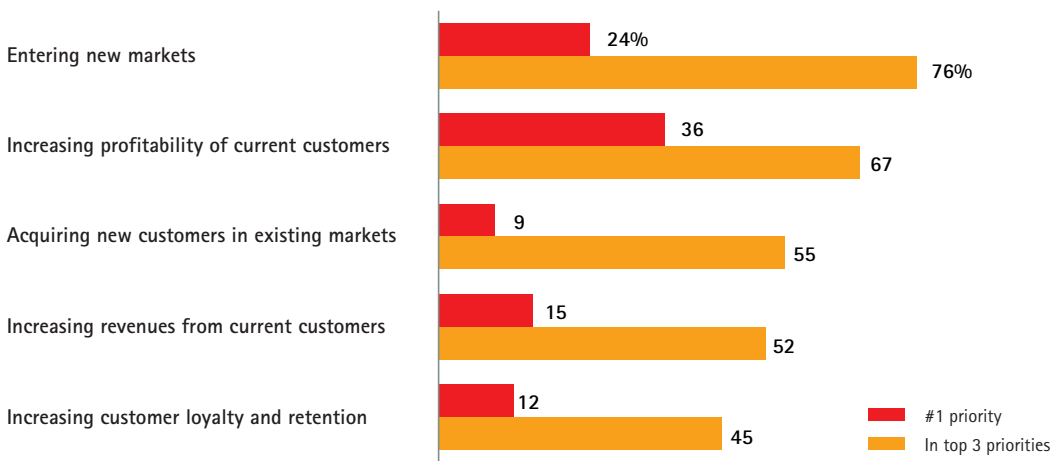
Successful execution hinges critically on the support of the workforce. High-performance businesses make sure their workforces are equipped with the marketing skills to understand and distill business intelligence. They also ensure that their employees have the capability to implement the processes, business rules and routes to market for clearly differentiated

product and service offerings—the key to high performance in this industry (see “Driven to differentiate,” *Outlook*, February 2005).

This means putting the right people with the right skills in the right jobs—and giving them clearly defined roles and responsibilities. It also requires establishing disciplined per-

Marketing goals

Accenture asked leading companies in the chemicals industry to list their highest marketing priorities.



Source: Accenture research

formance measurement procedures and a comprehensive and inclusive performance review process.

The support of top management is essential to this process. So is the sharing of knowledge and best practices across businesses and geographies. Rather than rewarding individual “heroes,” high-performance businesses encourage team players motivated to serve the company as a whole. The approach builds superior sales and marketing capabilities at all levels of the organization.

Take the example of a leading global producer of chemicals and flexible plastics without which such commonplace consumer products as toothbrushes and disposable razors would be impossibly awkward to use.

Every member of the organization’s global sales and marketing workforce participates in a comprehensive and continuous program that is designed to instill its marketing principles throughout the company and that is endorsed at the most senior levels of management. Training, projects and knowledge sharing drive a common vocabulary. And on-the-job learning helps realign the organization around value and the customer, and away from the volume mentality that has so hampered the development of an effective marketing function in the chemicals industry.

The ability to differentiate along multiple dimensions—product, application, process, price and service—is what really distinguishes the chemicals industry’s high per-

About the research

Our survey was designed to probe more deeply into why the chemicals industry is a laggard when it comes to marketing mastery—a key finding of Accenture’s cross-industry research into the components of high-performance marketing and its impact on business performance (see story).

We surveyed 34 senior executives from across the chemicals industry. Their companies range in size from well over \$10 billion in annual revenues to less than \$30 million, and represent all industry segments and all geographies.

We asked these executives how important marketing is to their organizations and to identify their company’s main marketing focus. They were asked to rank the following goals in order of importance.

- Entering new markets
- Acquiring new customers in existing markets
- Increasing customer loyalty and retention
- Increasing revenues from current customers
- Increasing profitability of current customers

In addition, we asked them to rank the five core capabilities that, according to our cross-industry research, account for 60 percent of customer loyalty, and to explain the importance of each capability as a means of outperforming the competition. We also asked them to correlate their level of excellence in each of the five with their company’s business performance.

formers from their peers. And marketing plainly plays a key role in that accomplishment.

Strong marketing capabilities and an integrated approach to marketing, sales and supply chain deliver many benefits—not the least of which is rigorous processes to manage and improve pricing and margins. Indeed, the benefits of achieving marketing mastery in terms of market position and premium pricing are striking—a sustainable, bottom-line impact equal, at a minimum, to 1 percent to 2 percent of sales in the first year, according to Accenture research.

Our research has also shown that marketing efforts that harness customer insight and significantly reduce delivery and operating costs can double return on sales, as well as simplify business models and boost both asset turnover and customer satisfaction. The secret is successful execution—and that, in turn, hinges on mastery of the three pillars of capability described here.

To date, only a handful of chemicals companies have achieved that mastery, leveraging consistent delivery of the brand promise to deliver superior returns to their shareholders. But plenty of others seek to join their ranks. It may be only a matter of time before they do so.

About the authors

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