Aligning customer needs and product offerings

Findings from the 2020 Global Buyer Values Study for Chemicals
The Accenture 2020 Global Buyer Values Study for Chemicals assessed and compared the perspectives of chemical companies (sellers), their customers (buyers, including converters and manufacturers), retailers and end consumers. The study identified areas where seller and buyer perspectives are aligned and where they differ, and where sellers have an opportunity to do a better job of meeting buyers’ needs. This is the fourth in a series of reports that explore the study’s findings, along with potential actions that chemical companies can take to drive growth and competitiveness through customer centricity.
In the chemical industry, there is a history of expansion in product and service portfolios.

This has helped to support companies’ moves into new markets; to serve changing customer requirements; and to meet the increasing demand for innovative products and services that allow customers to differentiate their own offerings. As companies work to manage these larger, increasingly complex portfolios more effectively, they need to ask two key questions: Are all these efforts worthwhile? And which offerings are really adding value for customers—and which aren’t?

Chemical companies have invested a great deal of money and effort over decades to understand how customers view their offerings, and what they really value. However, Accenture’s Global Buyer Values Study for Chemicals has found that there are still significant gaps in that understanding—with often sizable differences between what customers believe is important and what chemical sellers think that they find important (as discussed earlier in this series).

To understand how these perception gaps relate to the management of product and service portfolios, the research evaluated the ranking of offering-related attributes across two key buyer groups—converters, who transform chemical products for manufacturing segments and end-use markets, and manufacturers, who produce finished products for industrial sectors and consumers. These buyer perspectives were then compared with those of sellers (i.e., chemical companies) to identify where there are notable differences. (Figure 1)
Figure 1: Perception gaps between sellers and buyers for product offering attributes

Sellers overestimate the importance of attribute

-60% -40% -20% 0% +20% +40% +60%

Sellers underestimate the importance of attribute

Lower importance to buyers

Sellers (Index 100%)

Higher importance to buyers

Value-added services

Custom application development

Portfolio breadth and depth

Short time-to-market for new products

Innovation leadership in relevant markets

Source: Accenture 2020 Global Buyer Values Study
The study found that converters value a short time-to-market and leadership in innovation more than sellers think—but beyond that, they are essentially looking for what might be called a “no frills” approach from sellers.

For example, sellers overestimate how much importance converters place on value-added services, custom application development and portfolio breadth and depth. Overall, these findings reflect the fact that converters often have significant expertise in modifying materials on their own and don’t look to sellers for help on that front. But they are interested in accessing innovation leadership that can help make their products more competitive.

The research also suggests that chemical companies’ beliefs about what their customers want are more closely aligned with the preferences of manufacturers than converters. In particular, the responses of sellers and manufacturers were essentially the same when it came to the value placed on the breadth and depth of a seller’s product portfolio. But there are still some important gaps to consider. For example, manufacturers usually have less of a focus on modifying materials and are thus more interested than converters in value-added services and custom application development. Chemical companies still tend to overestimate that interest, although the gaps here are less significant than they are with converters.

And to a lesser extent, chemical companies overestimate the importance of innovation leadership and short time-to-market for new products among manufacturers.

In general, it appears that chemical companies tend to overestimate the expectations of their customers across many product and service attributes. This can lead them to overdeliver or invest in attributes that are of relatively little importance to the customer, thereby eroding profitability.
Moving from insight to action

With these differing seller and buyer perspectives in mind, chemical companies can improve the management of their portfolios by:

Streamlining the product portfolio for converters: Companies should build a set of “no frills” offerings by removing unnecessary SKUs and then focus on developing innovative products that target converters. In doing so, however, they should be careful not to eliminate products that are relevant to manufacturers—an especially important point since manufacturers appear to value access to a broad and deep set of offerings.

Reevaluating the service portfolio: Companies should assess their technical support, joint solutions development, market intelligence, inventory, analytics and other service offerings, and develop a clear understanding of which of their services customers actually value. This is particularly relevant for the manufacturer buyer segment, which places more importance on these offerings. Chemical companies can also increase their use of automation to provide these services at minimal cost. In addition, they can adopt a multichannel approach that allows them to deliver differentiated services to various types of buyers in a targeted fashion.

Chemical companies tend to overestimate the expectations of their customers across many offering attributes.
Developing a deeper understanding of costs: Chemical companies need to have visibility and transparency into the cost of serving customers. This is key to shaping a profitable offering portfolio and avoiding complexity and features for which nobody will pay. To be successful in this effort, companies can benefit from having a widely used CRM system, robust data management and analytics capabilities, and an objective assessment of the company’s offerings versus those of competitors.

Refocusing product innovation: Companies should enhance their product innovation capabilities and invest in reducing time-to-market for new products for converters. To do so, they may be able to move some innovation funding and talent from their businesses that serve manufacturers since they are currently overestimating the importance of these attributes for this buyer group.

Sellers need to have visibility and transparency into the cost of serving customers
Overall, the research points to ways that chemical companies can more closely align their product and service portfolios with what their customers want. That can help them not only better meet customer needs and boost revenue, it can also help them rationalize their portfolios to reduce cost and complexity, and focus often-scarce resources on the things that matter most to customers—and ultimately, to their own bottom lines.

This report covers only a portion of the extensive findings in Accenture’s 2020 Global Buyer Values Study for Chemicals, which can be used to provide an in-depth understanding of a range of factors affecting customer centricity—for specific companies, as well as the industry as a whole. The next report in this series looks at what the research means for the customer service function at chemical companies.
All data points included in this report are from the Accenture 2020 Global Buyer Values Study.

About the research

The Accenture Global Buyer Values Study was conducted in March-April 2020. The methodology involved a preference analytics tool developed by TrueChoice Solutions and a standard survey. With a total of 2205 participants, respondents included: 345 materials suppliers (approximately 100 of which were chemical companies); 760 industrial buyers (converters and manufacturers across 15 sectors); 100 retailers; and 1,000 consumers. The following three regions and 12 countries were represented in the study: Americas (Brazil, Canada and the United States); Asia Pacific (China, India, Japan and South Korea); and Europe (France, Germany, Netherlands, Spain and the United Kingdom).

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