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What's Your WORTH?

Winning With Customers

by: Lisa Thornton

Strategic marketing expert D. Keith Pigues often begins each of his speaking engagements and workshops the same way. He walks into the room, which is filled with close to a thousand business-to-business professionals, asks them to stand up, and then fires a question that seems pretty innocuous to most of them.

Do your customers make more money doing business with you?

Those who answer in the affirmative –everyone usually does– are asked to remain standing, so he fires another.

Do you know specifically how you help customers make more money?
Still standing. He dives deeper.

Do you measure and track how much money over time customers make doing business with you?
Chairs begin to fill.

Do you understand how you will make your customers more money in the future?
More chairs begin to fill. One last question...

Do you measure and track how much more money your customers make doing business with you relative to your competitors?

By now, Pigues is usually the only one standing.

It is then that audience members begin to understand that they may have a possible disconnect with their own customers, and it could be costing them both profits. It is also here that they realize, if that's true, well, at least they're in the right place to learn how to fix it.

Pigues literally co-wrote the book on establishing and strengthening the B2B connection through what's called Customer Value Creation, or CVC. "Winning with Customers: A Playbook for B2B" (Wiley & Sons) is considered the manual for improving B2B relationships by figuring out your company's worth to a customer, which in turn leads to profit growth for both sides of the B2B partnership.

The book, chosen as an inaugural selection by the C-Suite Book Club, brings together two powerhouses in the field.

Jerry D. Alderman, a business science thought leader, specializes in increasing profitability through CVC. Alderman is the Founder and CEO of Valkre Solutions, Inc., which has assisted big leaguers like Owens Corning, Kimberly-Clark, and RR Donnelly in growing their value with their own B2B customers.

Pigues is also considered an expert in the strategy of increasing companies' profits by improving their worth in their clients' eyes. Pigues' organization, Luminas Strategy, counsels B2B clients on effective approaches to make that happen.

Pigues' expertise comes from living at the intersection of education and experience.

His past roles include partner at Keen Strategy, CMO of the automotive segment at Honeywell International, and several sales positions in organizations like IBM and Hewlett-Packard.

He earned a B.S. in electrical engineering from Christian Brothers University, his MBA from University of North Carolina Kenan-Flager Business School, and furthered his graduate business education at Manchester University in the U.K.

He went on to serve as a leadership professor at the Kenan-Flagler Business School and Dean of the School of Business at North Carolina Central University.

What he's learned boils down to one major point, and it's an acknowledgment even the most business-savvy person needs to make.

"When we say our customers are at the center of our business, and that we can help our customers make more money, we don't truly understand what that means," said Pigues.

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To help customers become more profitable, it benefits to take the view from their perspective. That means taking what Pigues calls the outside-in approach: understanding a customer's business, growth strategies, goals, and also how it has differentiated or is striving to differentiate itself in the marketplace from its competitors.

"If I can understand those things really, really well – how customers make money and how they desire to make more in the future – and align the company's value proposition to serve them in that way, that's the first step," he said.

Getting the intel

That's all well and good, but how willing are your customers to share that kind of information? It's not like you can walk into your client's business and ask them to share their inner-workings, right?

Wrong. It's a lot simpler than you think.

"It's a common question and concern and it's typically one that turns out to be a big myth that's dispelled right away, because I'm not engaging with that customer to sell them something," said Pigues. "I'm engaging with that customer, in this context, to truly understand how our partnering today is paying off for them."

The information you learn will help you discover where and why you are succeeding and may be falling short with your customer, and how to remedy those issues.

"If you help me quantify, then I can do the business case analysis and determine where I might be able to help you in those areas of gaps today," said Pigues. "And, I can be very honest where maybe I can't help you, and where I can suggest someone who can help you - that's a true value based partnership."

Pigues recommends reconnecting with clients this way every 12 months. It's an approach that's worth the time and effort.

One of the best cases in point comes from Owens Corning – the global giant of insulation, roofing, and fiberglass materials. During the housing downturn of the recession, Owens Corning was at risk of losing a significant portion of its market share, but instead turned to its B2B customers, like Lowe's, one of its resellers, to readjust its value proposition in the new climate.

"A company's value proposition is its greatest currency in the marketplace, and unfortunately, many organizations don't understand it, don't measure it, don't really know how it stacks up against a competitor, and don't recognize that it should change over time as the marketplace changes, which is ever-changing," said Pigues.

Up until the recession, Owens Corning's value proposition consisted of selling fairly high priced, high value products through Lowe's.

"A company's value proposition is its greatest currency in the marketplace..." - D. Keith Pigues

"But that dog is not going to hunt in a downturn," said Pigues.

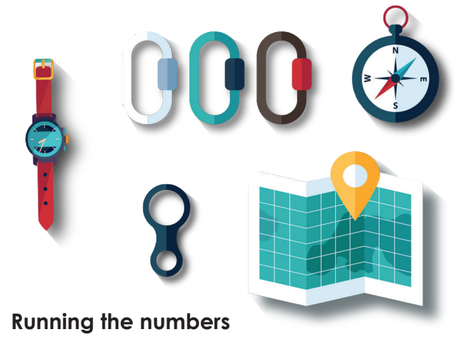
Owens Corning realized that, and learned through discussions with Lowe's that most of its products sold through the retail home improvement chain were purchased by contractors who could benefit from deeper knowledge of their roofing products.

Instead of cutting costs and layoffs, Owens Corning doubled down and invested in training Lowe's sales associates to find better ways to sell shingles and other products on the floor to contractors.

It proved to be a solid way for Owens Corning to differentiate itself from many of its competitors, who reported higher volume losses during the downturn than Owens Corning.

"Why?" said Pigues. "Because the value proposition needed to shift from a revenue-driven value proposition for Lowe's – growth during the heydays – to a cost-reduction value proposition enabled by improved training."

To be successful in the downturn, Owens Corning knew it would need to create more value for customers than the competition creates for them.



Running the numbers

But how do you know what's working, or if your value is surpassing that of your competitors?

In "Winning with Customers," Pigues and Alderman recommend a metric called the Differential Value Proposition, or DVP. It's a financial measurement that provides solid evidence that you've improved your client's profitability versus your competitor.

It works by taking the incremental operating profit a customer makes by doing business with you versus what they make with your competitor, and dividing that by how much business you've done with that customer over that time period.

"It gives you a simple equation, which takes all the great things that you do and your differential advantage, and it whittles it down to a single number, which is actually pretty powerful," said Pigues.

The DVP should be a crucial part of your conversation with your B2B customers.

"If you know specifically those things that really do deliver differential value to your customer versus the competition, that helps your customer make more money because they're doing business with you, then capture your fair share of the value for yourself - this is winning!," said Pigues.

For more information about the strategies found in "Winning with Customers: A Playbook for B2B," visit www.luminasstrategy.com or www.dkeithpigues.com.