

## Manufacturer – From Product Management to Customer Management

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### 1. Introduction

We are all interested in managing our customers – Who are they? what are they? What do they want? What do they think? What's important to them? What happens to them within the organization? And, if possible, what happens to them when they are not communicating with us? (Let's face it – this is probably the reason you are reading this article).

For years, service organizations have headed the entire customer management approach, while achieving improved business results due to advanced customer management processes.

A few years ago retail chain stores joined the world of customer management. In the past, their communication with their customers was limited to the period of time between the customer entering the store and the customer leaving the store. Today, every respectable retail chain offers its customers a membership club, aiming to learn more about the customers and maximize the organization's relationship with them.

### 2. What is the next step?

We know that service organizations and retail chains are already intensively encompassed with managing their customers, including: data collection, analysis and data processing, direct communication with the customer and actions based on the customer's needs. But what can a manufacturing company do, considering it doesn't have a list of its customers in advance as part of the customer-organization communication process, and considering it doesn't usually have direct contact with the customer? How can this company construct a relevant and updated customer base and refer to them with personalized value offers? Seemingly, this would be impossible!

**But this is what we are here for.**

### **3. What alternatives are out there?**

An organization that doesn't know its customers and does not meet them on the sales floor, but wished to know more about them and create a relationship with them, has two approaches to choose from:

#### The virtual approach

Today, any respectable company has a website, and in most cases – a more or less active page on facebook. The immediate results of such activities enables a manufacturing company to gather personal information about its customers, such as: personal data, contact details and declared purchasing preferences. After gathering the information about the customers, they can be sent marketing data about products and messages the company wishes to promote. The great advantage of this activity is that the collected data is the owned by the company. However this advantage becomes irrelevant in light of the key problem of any company wishing to manage its customers – to know what the customer is doing as part of his business relationship with the company – what is he buying? When? Is he responsive to campaigns? Etc....

So how do we know what the customer is doing without us having direct contact with his actual purchases?

This requires applying the other optional approach:

#### The channel approach

Before explaining what this approach is about, let's review our limitations again:

- A manufacturing company does not encounter the end customer at the point of sale
- A manufacturing company does not know the purchasing behaviors of the end customer
- A retail chain can't/won't transfer the data it has gathered (philosopher Francis Bacon has said: Knowledge is Power).

#### **4. So how does "the channel approach" help us resolve these issues?**

Let's first learn what the channel approach is: here, the manufacturer does not construct and manage a list of customers with whom he wishes to create relationships. Rather, he pays a fee to refer to customers of other organizations.

The activity with retail customers or service organization customers no longer focuses on discounts and sales campaigns, but as part of a structured customer management process, during which an action plan is enacted with different types of customers, based on the manufacturer's needs on one hand, but considering the customer's needs and behaviors with the manufacturers on the other.

When referring to the customer it's important to note that all the activity with is done through the database owner and according to the authorization given.

**For instance:** a British bear manufacturer wanted to manage its relevant customer base, but naturally had no information about the customers, their purchasing behaviors and their preferences for their product as opposed to competitive products. The company referred to TESCO (the world's leading membership club), through which it performed the following actions:

1. **Understanding the market** – analysis of opportunities and threats according to customer types. Naturally, the company can't receive the actions of each separate customer, but trends, types of customers, etc. can be presented.
2. **Trigger activity** – coupons to customers who did not purchase the company's products for a month.
3. **Launching new products** – targeted referrals to company customers, as well as referral to chain customers who tend to purchase novel products.
4. **Birthday activities** – a special discount coupon to company customers on the month of their birthday.
5. **Measuring response** – quantitative measuring of campaign responses, both on the overall level and the relevant segments separately (age, gender, purchasing characteristics, etc.).
6. Other activities that in the past only retail and service companies could perform.

In the bottom line, using the channel approach doesn't enable the company to manage its database, but does enable it to manage all of its customer relations as if it own the database itself – for it doesn't really matter what the customer's name or ID number is. What does matter is the ability to speak to the customer directly in a segmented and relevant manner, and receive reliable results regarding the activity's efficacy.

## **5. What should the company implement?**

- First and foremost – to understand the importance and potential of customer management for manufacturers.
- Purchase a leading database, which contains information relevant to the company. What's in it for the database owner? See explanation below.
- Construct a comprehensive action plan which will include: events relevant to the company, events in the customer's life, general events, sales goals, etc.
- Implementation of the activities defined.
- Measurement and analysis.

## **6. What do the database owners think?**

Database owners should be the most interested party in implementing activities that enable them to enjoy the following advantages:

1. Charging fees for the database use, which enables saving on the heavy costs of managing a membership club or the organization's database.
2. Joint campaigns (with the manufactures) will prompt the customer to prefer the database owner over other chains.
3. Strengthening relations with suppliers.
4. Strengthening the club/company brand.

Database owners (retail chains or service companies) who wish to use their database as a source of income by turning it into a channel connecting between providers / manufacturers and relevant customers, should remember the term "smart channel", which means – the better the chain knows its customers (segmentations, models, purchasing behaviors, etc.), the higher the premium it can charge for the use of its database.

## 7. Conclusion

Leading manufacturers all over the world have already proven that the customer management barrier can be broken, without having to meet the end customer. In Israel, this approach is only just being introduced, and focuses mainly on sporadic campaigns, rather than a comprehensive view of long-term customer management.

I believe that just like leading global manufacturers such as Coca Cola, P&G, Unilever, Nestle, Pepsi, Kellogg's, and others, and through leading retail chains such as Casino, TESCO, Kroger, Home Depot, Best Buy, Visa, etc., the implementation of customer management by providers and manufacturers can create a true competitive advantage.

## About Synergy

**Synergy** is Israel's largest international consulting company, specializing in customer management and assisting organizations to fulfill their end-customers' business potential.

**Synergy's** uniqueness is in its team of highly experienced professional consultants who have an extensive marketing background from the service and retail industries.

**Synergy** offers its customers the most advanced professional know-how, both locally and globally, on a variety of customer management issues, thus maximizing revenues generated from end-customers.

**Synergy** is widely experienced in organizational consultancy, both locally and abroad, on all marketing, service and retention areas, dramatically improving your business results. Among our customers are local and international leading organizations in the communications, finance and retail fields.

**Synergy's** implementation approach is based on characterizing and establishing the business need, by defining a combined business, technological, analytical and organizational solution.

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