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Creating & Maintaining A Competitive Advantage

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Competitive Advantage

- Definitions
- The Process
  - Market segmentation
  - Identification of customer needs/wants
  - Competitive analysis
  - Implementation
Definitions

- **Marketing**
  - Create and keep customers

- **Strategy**
  - Management of resources

- **Market segmentation**
  - Customer classification

- **Competition**
  - Direct and indirect substitution

- **Competitive advantage**
  - Profitably beating the competition
The Process

- **Information requirements**
  
  *It’s not what we don’t know that can hurt us, it’s what we think we know and don’t that gets us in trouble.*
  
  - Identify customer needs/wants
  - Prioritize requirements
  - Measure performance versus competition
The Process

- Identifying customer needs/wants
  - Product needs
    - Products that perform
    - Available when/where needed
    - Packaged right
    - Priced right
    - etc.
The Process

- **Identifying customer needs/wants**
  - Service needs
    - Knowledgeable people
    - Responsive people
    - Easy procedures
    - etc.
The Process

- **Prioritizing Requirements**
  - By Segment
    - Top third
    - Middle third
    - Bottom third
  - By Product/Service
    - Product A
    - Product B
    - Consultative services
The Process

- An Example
  - Qualitative input
    - Customers
    - Sales force
  - Quantitative measurement
    - Nine different business dimensions
    - One hundred and four different variables
The Process

- **Business dimensions**
  - Product(s)
  - Pricing/billing
  - Packaging/delivery
  - Customer service
  - Technical service
  - Promotional support
  - Nutritional issues
  - Sales reps/agents
  - Company management
The Process

- Activities within dimensions
  - Customer service - example
    - Provides me accurate information
    - Readily available to take orders
    - Provides order status information
    - Has 800 number
    - Handles special requests well
    - Open during hours convenient to me
    - Minimum turnover in sales reps
    - Responsive to complaints/problems
    - Provides answers quickly
  - etc. for other eight business dimensions
The Process

Prioritize activities

Example - Customer Service

• Provides me accurate information 5.65
• Readily available to take orders 4.96
• Provides order status information 5.25
• Has 800 number 4.25
• Handles special requests well 5.19
• Open during hours convenient to me 4.10
• Minimum turnover in sales reps 5.50
• Responsive to complaints/problems 5.43
• Provides answers quickly 5.07
## The Process

**Competitive Comparison**

**Example - Customer Service**

<table>
<thead>
<tr>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provides me accurate information</td>
</tr>
<tr>
<td>Readily available to take orders</td>
</tr>
<tr>
<td>Provides order status information</td>
</tr>
<tr>
<td>Has 800 number</td>
</tr>
<tr>
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</tr>
<tr>
<td>Open during hours convenient to me</td>
</tr>
<tr>
<td>Minimum turnover in sales reps</td>
</tr>
<tr>
<td>Responsive to complaints/problems</td>
</tr>
<tr>
<td>Provides answers quickly</td>
</tr>
</tbody>
</table>
The Process

Competitive Analysis Matrix

- High Importance, Low Performance
- High Importance, High Performance
- Low Importance, Low Performance
- Low Importance, High Performance
## The Process
### Top 10% in Importance

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Importance</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product supplied at accurate wgt.</td>
<td>5.83</td>
<td>5.24</td>
</tr>
<tr>
<td>Delivery when specified</td>
<td>5.73</td>
<td>5.21</td>
</tr>
<tr>
<td>Delivers undamaged product</td>
<td>5.69</td>
<td>5.18</td>
</tr>
<tr>
<td>Provides packaging that doesn't leak</td>
<td>5.68</td>
<td>5.11</td>
</tr>
<tr>
<td>Product is consistent with specs</td>
<td>5.66</td>
<td>5.42</td>
</tr>
<tr>
<td>Product performance matches trial results</td>
<td>5.65</td>
<td>4.91</td>
</tr>
<tr>
<td>Delivery matches order</td>
<td>5.64</td>
<td>5.23</td>
</tr>
<tr>
<td>Changes fair price for product &amp; service</td>
<td>5.64</td>
<td>4.71</td>
</tr>
<tr>
<td>Informs me when delivery can't be met</td>
<td>5.63</td>
<td>5.12</td>
</tr>
<tr>
<td>Product can be cost justified</td>
<td>5.62</td>
<td>4.69</td>
</tr>
<tr>
<td>Has product readily available</td>
<td>5.62</td>
<td>5.26</td>
</tr>
</tbody>
</table>
The Process

Competitive Matrix...Top 10% on Importance

- Accurate weight supplied
- Delivered on time
- Product delivered undamaged
- Product consistent
- Product available
- Fair prices
- Performance
- Cost justified product
- Non-leak packaging
- Inform late delivery
- Delivery correct

Bader Rutter & Associates
The Process

Three areas for improvement
- Charges fair price for product & service
- Product can be cost justified
- Product performance matches trial results
The Process

- **Turning Data into Information**
  - Segment responses…e.g., by customer size
  - Plot all measurements ranked on performance
  - Separate activities by quartiles or quintiles
  - Analyze results
  - Develop plan
  - Execute plan
  - Measure results
The Process

Some Possibilities

- **High importance, high performance**
  - Protect and capitalize
  - Promote/merchandise

- **High importance, low performance**
  - Correct/improve
  - Promote/merchandise

- **Low importance, high performance**
  - Evaluate/reduce resources

- **Low importance, low performance**
  - Set aside
The Process

Some Possibilities ... (continued)

- Employee teams
  - Customer focus
  - Better/faster
  - Involvement

- Customer panel
  - Mutual understanding
  - Issues management

- Manufacturer/supplier forums
  - End-user focus
  - Mutual understanding
  - Leverage resources
The Process

**Execution**
- Plan your work, work your plan
- Focus...getting and keeping customers
- Promote/merchandise results
- Communicate, communicate, communicate
  - Meetings
  - Mailings
  - Advertising
  - PR
The Process

- **Measurement**
  - If you don’t measure, you can’t manage
    - Track customer satisfaction
    - Measure loyalty
    - Evaluate future intent
    - Measure willingness to recommend
Creating & Maintaining Competitive Advantage

- You can’t be everything to everybody
- It’s not just one thing
- It is about customer value
- It is about beating the competition...profitably

HAVE A GOOD YEAR