



RE-ENGINEERING MARKETING TO ALIGN WITH MARKET CONDITIONS

A CUSTOMER MANUFACTURING GROUP CASE STUDY

The company had undertaken to modify its CRM system to implement processes that are market and customer focused, and which are aimed at enabling marketing and sales operations to identify, track and monitor current and potential business opportunities.

The Background:

The company was a financial services firm providing asset management for commercial institutions, and had begun to lose significant market share to other competitive resources. Investigation and analysis of the company's market environment, customers' needs, and its internal operations resulted in recommendations for significant realignment of their marketing/sales approaches, enhancements to their customer relationship management processes, and restructuring of their internal marketing/sales organization.

The Company:

The company was a leading, nationwide provider of asset and database management services for financial and other lending institutions.

Their Issue:

The company's goal was to regain its former leadership position in the asset management services business. It had seen its once-dominant position in the industry eroded due to increased competition and environmental changes in the marketplace. With sales running at an annual rate which represented a dramatic reduction during recent years, the company had gone from being the high-priced, full-service market leader to only one of an increasing number of near commodity-priced service providers. Asset management service contracts were now being awarded on penny price differences between competitors; down from differentials that had been in substantial dollar amounts per asset.

The company had been in the asset management business for over twenty years, during which time it had developed and evolved its database management software technology to become the industry hallmark. It prided itself on its highly efficient and streamlined internal operations, and had become quite profitable due to its tightly managed operating cost structure.

The company's main selling point — and one that had previously been acknowledged and verified by its clients — was that it could provide a more timely and accurate full-feature asset management service than anyone else, including a prospect's in-house operations. And with specific regard to client in-house operations, the company could obviate the internal headaches and administrative burdens often associated with this type of activity.

The company's "total solution" had worked very well for a number of years . . . and then the market and other environmental influences began to change quite rapidly.

What We Found:

Several elements and characteristics of the market had changed:

- 1) Competitors had developed their asset management software to the point they had become price and service competitive with our client;
- 2) Clients had applied the rapidly developing IT technologies to enhance their own in-house capabilities, and;

- 3) Their clients had become less concerned than previously with the type and level of asset management they required.

Adding to the company's malaise was its near-total lack of Marketing. During the most recent three-to-five year transition period that had occurred in the market, the company had become complacent; they stopped marketing and largely "waited for the phone to ring" from repeat customers. They were shocked when previously unknown or lightly regarded competitors began to show up and won contracts that were now going out for bid, contracts that had previously been sole-sourced, usually to our client. It had become a buyer's market. The company had failed to find out where its former customers were going, and what their longer term strategies were. It had gone from a position of pre-eminence to being simply another vendor.

During this period, our client had focused on optimizing its internal operations while neglecting the marketplace.

Finally realizing that another perspective was needed, Customer Manufacturing Group (CMG) was called in by the company's president to see if its falling fortunes could be turned upward again, and how it might go about doing so. CMG was asked to evaluate their market position and positioning activities, and their overall Marketing program and processes. Additionally, CMG was asked to determine if substantial opportunities existed: 1) Within their existing market through expanded products and services, and ; 2) In other markets in which they could capitalize on their existing core competencies in financial asset management. Finally, CMG was asked to recommend an overall plan of action that would shape its operational strategy for the next three-year period.

Recommendations:

CMG began by evaluating the company's sales and marketing process, it's management team, key business development personnel, and former significant customers who the company had recently lost. From this, CMG prepared a hard hitting assessment of their marketing operations, their strategic and tactical marketing and sales processes including marketing and sales activity integration, their infrastructure and culture, and their future business prospects given the current environment.

CMG next evaluated the company's marketplace and growth potentials within its current sphere of operations. CMG presented an outline for a possible path forward for the company given its current market and operations profiles. CMG also identified and evaluated alternative market vehicles both within and in addition to the company's current markets and positioning. Current customers and potential prospects were interviewed to ascertain their views and strategies (where possible) regarding outsourced asset management services, where they saw the market heading, and what changes they expected in the next 2 - years period.

CMG then prepared a final assessment of the company's market and of its product and services marketability. Recommendations were offered covering the company's current market/marketing operations and its prospects for the future. Specific findings were put forth regarding an immediate plan of action capitalizing on the company's core competencies and market position. Particularly close attention was given to the company's marketing and sales processes from a customer perspective.

Customer Manufacturing System (CMS) Applied:
By learning how to apply the four major constructs of the CMS model, the company is in the process of regaining its preeminent position in the market for equipment asset tracking services. Let's take a brief look at the CMS principles that were applied in resolving the company's faltering market position.

1. Environmental Influences

This is the ability to understand, predict, and apply how things in your business environment (both external influences and internal infrastructure) will impact your Marketing/Sales system and processes. In the company's case:

- Industry-wide software technology advances
- Increased competition (both service providers and in-house)
- Changes in their customers' environment and business practices
- Restructured operating roles and responsibilities

2. Value Specification

This is management's role of setting overall market and services direction for the company and providing adequate resources to implement the plan. In the company's case:

- Re-aligning the company's strategy and objectives to fit the current and changing needs of the market
- Recognition that the heretofore singular market had bifurcated and now required both different and flexible approaches

3. Solution Development

This is Marketing's role in the actual customer solution development process including positioning, launch and support.

In the company's case:

- Redesign of the service product to accommodate their customers' value considerations and requirements
- Understand and incorporate their customers' criteria in outsourcing a fully capable in-house service

4. Customer Development

This is the combined activities of creating and fulfilling demand for the solution with the target markets. In the company's case:

- Developing an integrated and coordinated Marketing and Sales process that "goes out" for business
- Understanding and incorporating their new customers' *Who* (who will buy their service)
- Understanding and incorporating their new customers' *What* (specifically what their customers want to buy from them and that they can't obtain elsewhere, including in-house)
- Incorporating and integrating the need for product demos to an often skeptical customer IT community

Management Principles

Design and implementation of the above market and customer realignments called into play the four CMS Management Principles that enable continuous progress and forward movement: Process Management, Constraint Analysis,

Continuous Improvement, and Lean Thinking. In the company's case, proper Process Management adoption was the first and most important change to be addressed.

"Going out for business" (as opposed to just showing up for business) in a more competitive, diverse, and technically demanding market required a major rethink of the company's management and organization structure that included significant personnel and staffing changes. When viewing their changed market place from an operations perspective, it was clear that the company needed to revise their strategic and tactical marketing and sales processes.

The Benefit of Process and Process Integration:

To begin its engagement, CMG utilized its proprietary CMS tool and first evaluated the company's overall sales operations on the basis of the four key management principles embedded within the CMS model:

Process Management (PM)

PM defines that all work is done via documented processes with controls, feedback, and performance limits.

The company had virtually no process documentation whatsoever, having relied exclusively on the performance of a few key individuals to manage their accounts, maintain customer relations, and to "get the job done." Without management oriented metrics, there were no early warning signs to be cognizant of.

Constraint Analysis (CA)

CA defines how to allocate resources such that total system throughput is optimized.

The company had only a few sales resources and they had increasingly relied on the telephone as their primary tool for maintaining customer relations and for prospecting new business opportunities; they simply lost touch.

Continuous Improvement (CI)

CI defines the mentality and processes for discovering how to improve the performance of each activity within the process . . . and of the process itself.

The company's undocumented, random processes employed, and executed on an individual basis, were not compatible with any type of improvement process. The status quo was simply maintained.

Lean Thinking (LT)

LT describes the attitude of applying 'just enough' resources to an activity to get the job done with no waste. Within the CMS concept we apply LT to the entire process as a whole and combine it with CA, in effect "balancing the line" from start to finish with just the right amount of appropriate resources applied at the right time. LT is an intentional, practiced philosophy with measurable criteria established to monitor how well one is doing.

The company was indeed "lean" in marketing and sales resources but as a result of management taking its eye off the ball while thinking they were in good health.

Conclusions:

Largely as the result of CMG's work, the company has adopted a different strategy regarding some segments of both its current and would-be markets. Certain plans have been put into effect that differentiate "markets" from ad-hoc customer opportunities and the best ways to approach each without confusing the two.

The company has undertaken to modify its CRM system to implement processes that are market and customer focused, and which are aimed at enabling marketing and sales operations to identify, track and monitor current and potential business opportunities. The company has also initiated an aggressive, outward looking marketing program to evaluate and prospect new opportunities in entirely new markets to which its asset management technology could be applied.

More Information About CMG

If you would like more information about how to apply a process to improve your marketing/sales function, simply contact us and we'd be happy to help you get started. From sweeping marketing/sales management process strategies to specific branding or product launch services, Customer Manufacturing Group can help.

Detailed information on our services and a number of Special Reports and cassette tapes and CDs are also available.

If you'd like to learn more about Customer Manufacturing Group, or for a complimentary subscription to *Customer Manufacturing Updates*, give us a call at (800) 947-0140, fax us at (408) 727-3949, visit our website at www.customermanufacturing.com, or e-mail us at info@customermfmg.com.

We have offices in major cities in the United States, and our experts travel extensively throughout the world. If you'd like to schedule a meeting when we're in your area, just let us know.

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