

Customer Bonding –

The Driving Force in
Service Shops'

Brand / Price Strategy



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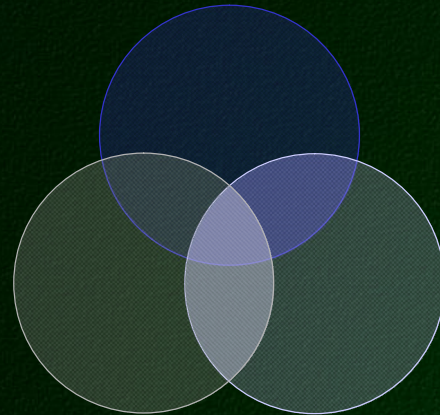
Customer Bonding –

A reputation is inevitable...
A strong brand is optional.



Wade Model - Three Distinct Strategic Options

System Lock-In
System Economics
Monopolistic Power



Total Solutions
Customer Economics
Cooperation

Best Product
Product Economics
Rivalry

Three Distinct Strategic Options

System Lock-In

Create
Proprietary
Standard

Redefine the
Customer Relationship

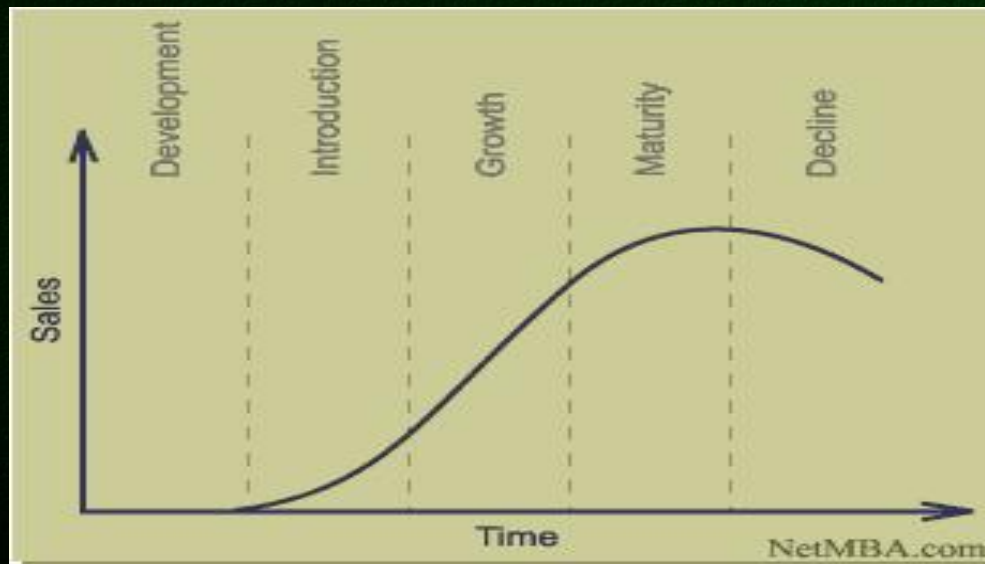
Customer Integration
Product Differentiation

Total Customer Solutions

Best Product

The SSA Member's Challenge:

To transform your organization from 'best product' orientation to 'total customer solutions' providers.



Fight the product-centric mindset

The 'best product' (service) positioning is not necessarily the most profitable or best way to serve your customer... especially if this position is in dispute



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Your shop's transformation will not be straightforward

The alternatives to a 'best product' positioning are not always easy to define or to accept ...
and are never as comfortable as just relying on product/service attributes

You must redefine the game You are playing.

It is not that your products/services are unimportant;
it is not that we should ignore the efficiency of
product delivery –

It is simply that this is not enough.

You have to change dramatically the way you
manage, assign responsibilities, reward people,
monitor the business progress...
and most importantly... **the way you “sell”.**

The Challenge: Commodities only exist in the minds of the marketing inept.

Product/service differentiation, as technology gets more mature, is very hard to achieve.

Do not sell products; sell customer solutions:
customization, training and services bundled with
products as a unique customer offering.

Accelerate development of all the corporate
capabilities supported by key 'complementors' ...
Especially branded suppliers.

Brand Positioning

is not something done to a product or company logo...

It is the process of conditioning the mind of the prospect.

In recent years, it looks as if positioning has "devolved" into creating documents of vague or exaggerated superlatives that convey nothing to the customer, but confuses the customer in an attempt to trick the customer into buying the product

Service Differentiation Techniques

Unique Selling Proposition

Not necessarily entirely unique... we can appear unique by simply packaging our product or service in a unique way.

Risk Reversal

Differentiate ourselves with outrageously bold guarantees, that we're sure the dealer doesn't have the guts for.

Inordinate Value

Leverage our advertising, by offering to let complimentary businesses come along for the ride... Then bundle those into our offering.

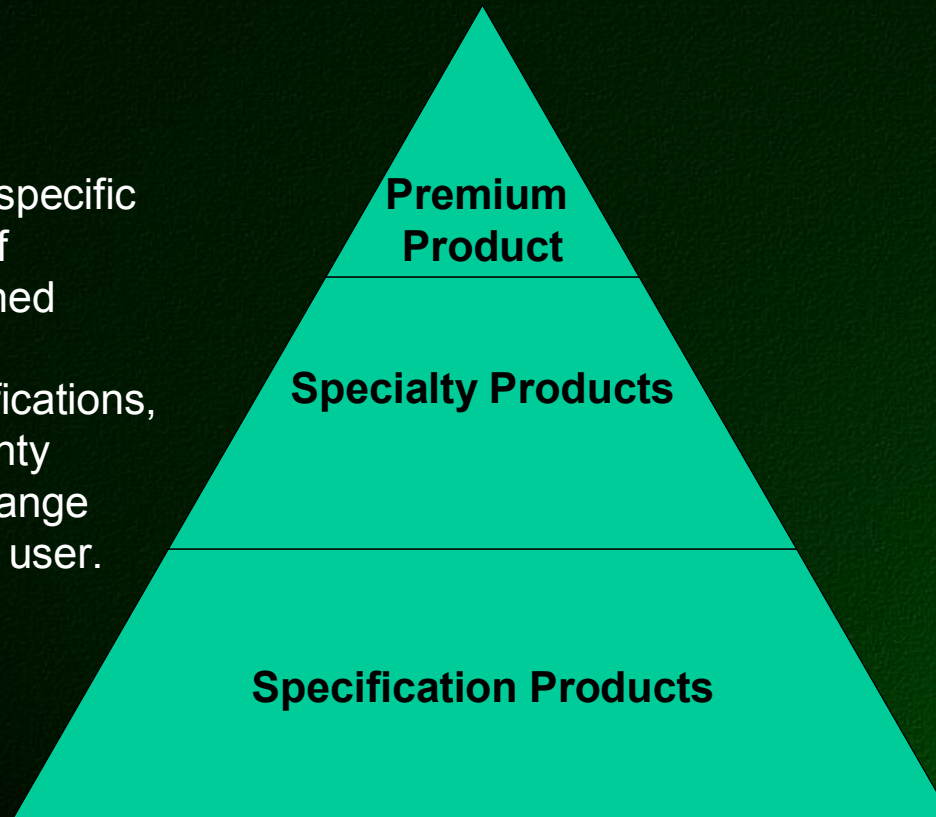
Clear, Complete, & Concise Customer Education

Tell our full story. Don't make people try to figure out on their own why they should be doing business with us. Spell it out for them.

Cannibalization is the result of undifferentiated quality.

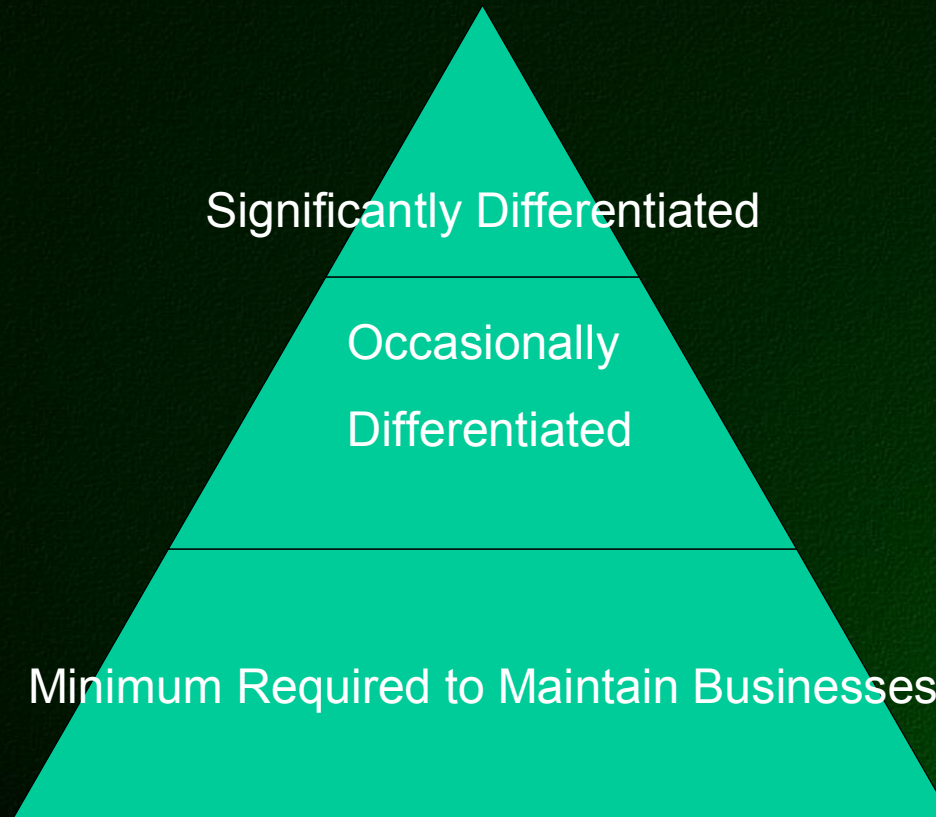
Competitive Forces Driving Product Differentiation

Each tier carries a specific definition and set of components designed to meet the exact performance specifications, applications, warranty support and price range of the targeted end user.



Product/service technology is the ultimate escape .

Competitive Forces Driving Service Differentiation



Customers are demanding more than just products.

Decommoditize our customers.

Start with segmentation:

- our markets,
- our customers,
- our customers' customers,
- and customers' attitudes...

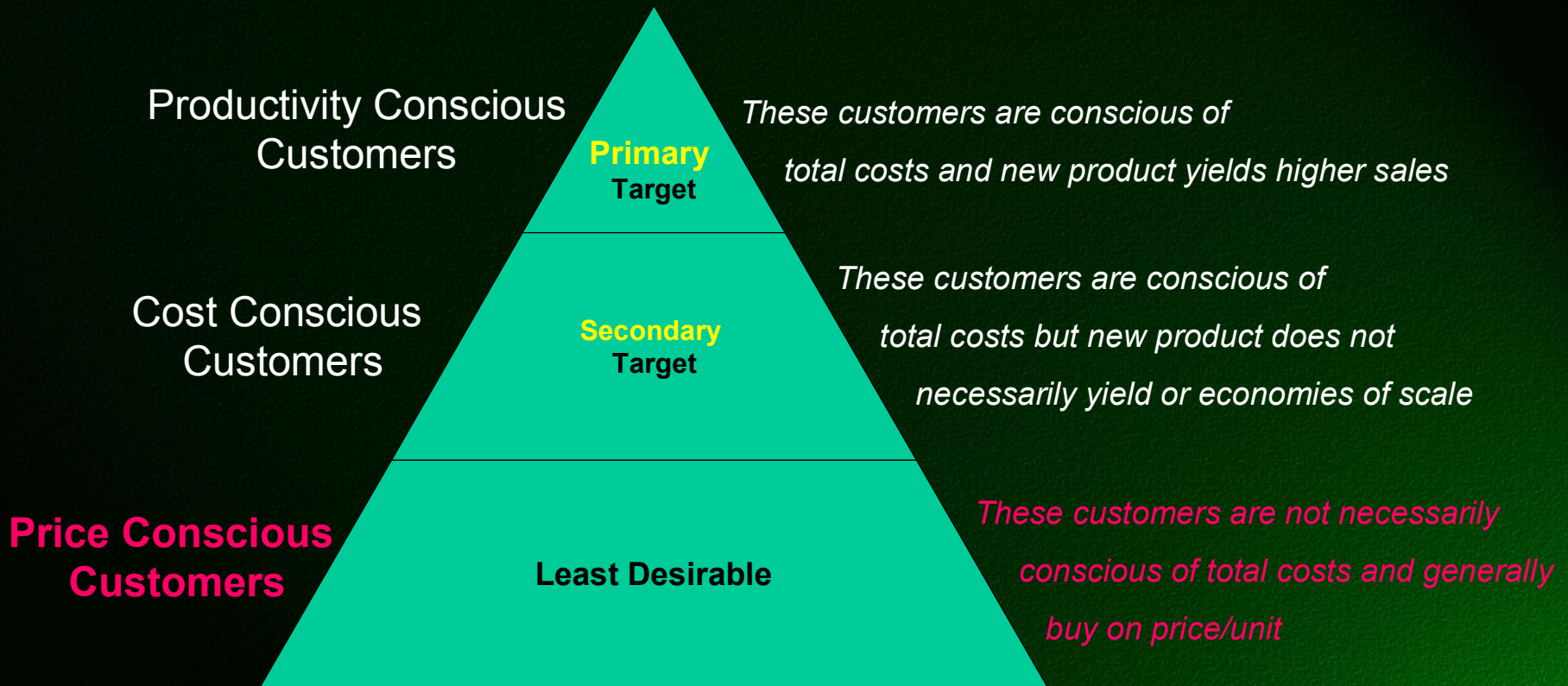
especially productivity, cost, and price consciousness.

Do not treat every customer equally. We can not and should not provide everyone the same degree of attention.

Select our customers.

Do not let our customers select us.

Decommoditize our customers



Various surveys have shown that companies who have completed positioning programs will save 30% to 50% of their selling and marketing costs.

Rethink your customer engagement process.

You do not sell products by the ton, or by the gallon, or by the drum.

You are selling documented improvements in your customer costs and productivity.

We need to consistently use our executive team as part of the customer management process...

Sales are too important to be left to the sales force.

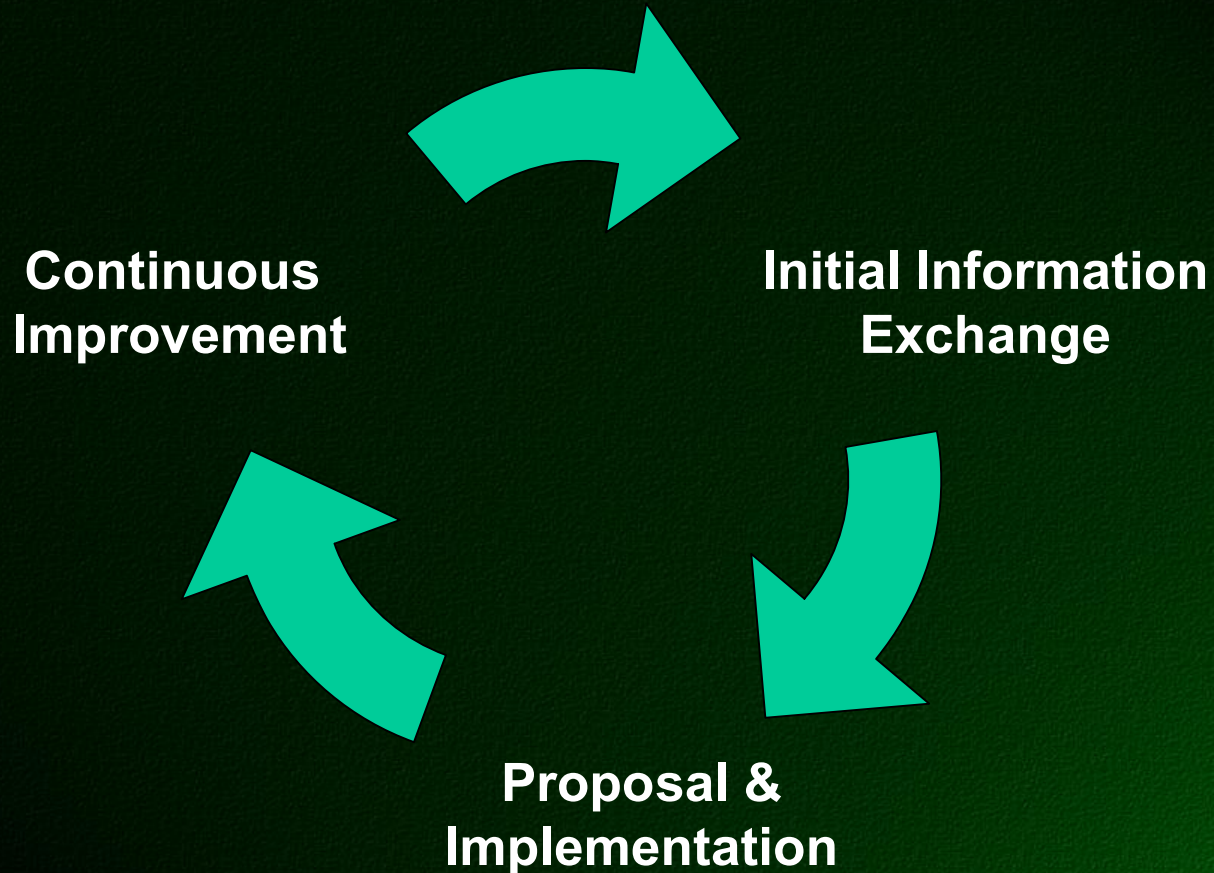
What is your key value proposition?

A customized suspension service and repair solution involving products and technologies that result in documented cost reductions, safety and productivity improvements.

Who else knows this?



How do you deliver cost savings?



Continuous Fleet Engagement Process

Prevent the customer... especially the fleet... from commoditizing your service suite.

Our customers might feel they benefit from standardizing the product offering of their suppliers, and move the bargaining power in their favor.

Their problem is that
“they get what they pay for.”

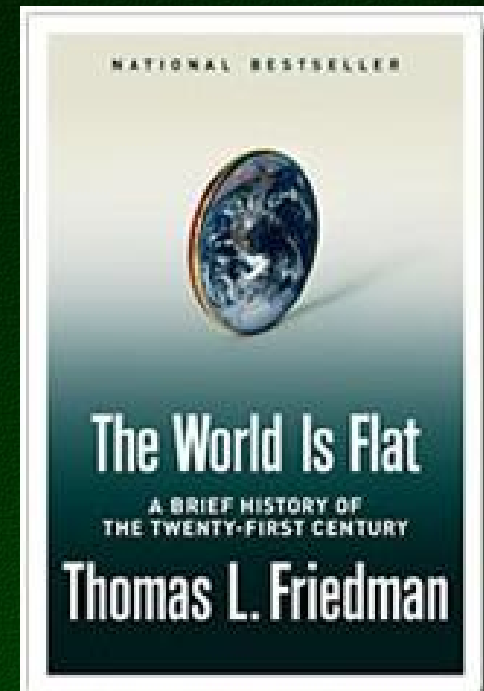
Our problem is to prove it.



You and your distributor suppliers are essential, you “own” all but the largest fleet customers.

Ownership and control of the independent channels is critical to the manufacturers' pursuit of a Total Customer Solutions strategy.

Most distribution channels are designed to be effective for the 'average' customer. They are unsatisfactory for the very large.



**Use info technology violently:
this is the only secure path to
'system lock-in'.**

Joint development with our customers is the most cost effective mechanism to get customer lock-in in the long term.

Product technology is not enough... the product is increasingly defined by total service and technical support.

Effective IT infrastructure is imperative: Internet allows the implementation of an integrated value chain as well as access to massive fragmented customers.

“Those intent on reestablishing the emphasis on marketing **should not simply rebuild their old marketing operations**, with their heavy reliance on transaction-oriented selling.

Instead, they should seize the opportunity to create modern marketing capabilities that understand customers' needs, devise and communicate new offerings that meet those needs and then **execute rational pricing strategies** that fully recognize the true cost-to-serve.”

Leo Burnett Advertising



Four Steps to Branding Commodities

- **Carve up the market from every angle** – profits, needs, behaviors – to identify those customers who are responsive to differentiation.
- **Differentiate your offering** in one or more of the six "generic" dimensions of differentiation.
- **Bundle several differentiations into a brand,** and then communicate that brand consistently and strongly.
- **Align your business capabilities to reinforce** and defend the brand and the underlying sources of differentiation.

Carve up the market... no market is truly homogeneous.

A deliberate process to find those customers who need, appreciate **and will pay for** differentiation.

Gold Standard Customers ... the customers whose concerns exceed a narrow fixation with rock-bottom price... will pay a premium for offerings that deliver true value in terms of process enhancements, cost reduction or (in the case of distributors) benefits to end-users.

These customers (15 to 25 percent of the total), will consider long-term, strategic partnerships with multiple levels of client interaction.



Carve up the market... no market is truly homogeneous.

Brand Potentials...place a higher emphasis on pure price, but are occasionally willing to entertain the notion of selective relationships involving certain products or services.

Customers in this segment have some degree of interest in partnering, although they shy away from long-term commitments.

This group (ranging from 30 to 50 percent), sometimes even includes traditional cost managers. Because they are concerned with delivered cost, it is possible to interest them in opportunities to reduce network costs, including transport, delivery and warehousing.

Rather than fixating exclusively on cost, are primarily concerned about the potential to avoid supply interruptions.

Carve up the market... no market is truly homogeneous

Incorrigibles... No matter what, these customers are not going to love you. You can rent their affection, but only until your money runs out. These are not strategic thinkers.

They are tightly focused on making the best possible deal on the transaction at hand. These are the pure price buyers, who treat suppliers as the enemy and focus exclusively on delivered price.

They will switch suppliers like lightning for even the slightest price differential. It is a waste of time to market to these bottom-feeders.

Their greatest use is often as gifts to competitors.

Unfortunately, Incorrigibles constitute half the market... they are so prevalent that no supplier can seriously consider "firing" all of them.

A Simple Test For Commodity Status

1. **Your customers carefully evaluate every purchase.** Purchases are made automatically and receive little or no scrutiny. Is the customer willing to pay not to have to think about the purchase?
2. **Is the "true customer" anonymous?** Your product is purchased by a buyer or agent who is not the final user of the product and who may not appreciate subtle but important differences.
3. **You have "dumb" competitors.** Not all competitors act in ways that support market-focused strategies. Do persistent, self-defeating price wars periodically ravage the industry. Is the industry always in the grip of its dumbest competitors?

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4. **Your channels compete with you...** for the heart and soul of the "true customer." "Customer" is often used to describe the channel; often "competitor" is more accurate.
5. **There are "anti-branding agents" at work.** Any organization that encourages comparison on price and helps to obscure differences between products is an "anti-branding" agent.

WWWD... What Would Wade Do?

Change the rules... Reject competitor imitation as your strength.

Move actively against product centric selling and the commodity mindset.

Invest in customer segmentation and understanding as a competitive barrier.

Quit the New Truck Dealer obsession...
work harder at loving the customer
than hating the competitor situation.

Define, develop and execute an integrated value chain (or hose).

Find and integrate Complementors into our total customer solution kit.

Include suppliers in our unique value proposition.



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 Midland, Michigan**

HOME

HOLD THE ONIONS



If you think that competition is all about having the lowest price in town ...

CHEW ON THIS!

It's a common misconception that the distributor with the lowest price is going to be the toughest competitor. But if that were true, why does one local hamburger joint with pricy burgers need the local police for crowd control? [\[more\]](#)

"China Syndrome" Is Not A Key Issue In HD Truck Parts



Survey shows shift in previous sentiments about China-made products

The concerns over Chinese quality that have been voiced after recent consumer product recalls does not deter heavy duty distributors and fleet customers from purchasing ... [\[more\]](#)

Branch Manager Training Survey



Sawy branch managers see a serious lack of training in the industry. Hmmm. It's funny how much you have to know before you know how much you don't know. [\[more\]](#)

Targeting New Growth Opportunities



Bruce Merrifield discusses profit opportunities for distributors and why you should pursue them.

New Workers Are Ill-Prepared



If you've been disappointed by new hires, you're not alone. Jack Keough reviews surprising study.

Online Education Isn't Bare Bones Anymore.



Global Trends for Private Label Products



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