

Strategic Customer Management

Integrating Relationship Marketing and CRM



**ADRIAN PAYNE
AND PENNIE FROW**

CASE 2.2: PlaceMakers – success factors in the building supplies sector

The company

PlaceMakers is the trading name of Fletcher Distribution Limited, the retail trading arm of Fletcher Building Limited in New Zealand. Fletcher Building Limited is the largest listed company in New Zealand, with a market capitalisation of over NZ \$4.5 billion. The company was spun off from Fletcher Challenge in 2001, which was formerly New Zealand's largest multinational business. Fletcher Building has five separate divisions – building products, steel, laminates and panels, infrastructure and distribution. The company manufactures building materials, such as plasterboard, 'Pink Batts' insulation and steel roof tiles. Many of these products are sold through Fletcher's retail division, PlaceMakers, which is the leading tools and building supplies retail store chain in New Zealand. In 1981, the first PlaceMakers superstore opened and by 1984 PlaceMakers had 55 branches throughout

New Zealand. Following various acquisitions, a merger in 1988 with Winstone Trading Limited produced the largest nationwide building materials business in New Zealand.

In 1990, PlaceMakers introduced an owner-operator programme. Under this initiative, selected branch managers were able to become owner-operators. The company currently employs over 2,500 people, has 63 branches and depots, sells 74,000 product lines and serves over 300,000 customers. By 2012, most of these branches are now operated in a partnership with local owners/operators.

The challenge

In the period following the global financial crisis (GFC), PlaceMakers and their trade account clients were faced with difficult trading conditions as the number of building consents issued plunged. The imperative quickly changed from simply getting sufficient supply to clients in the pre-GFC building boom to ensuring they had the best possible relationships with their trade customers. Ensuring customer retention and maximising share of wallet were especially important considerations. The challenge for PlaceMakers was to help their owner-operator partners to get a regular 'temperature reading' of their trade clients so that they could take fast, decisive action to fix emerging issues and to flush out opportunities. Traditional survey research just didn't fit these tough and turbulent times and would be met with scepticism from 'tradies'. What was needed was an approach that was a positive experience for clients and that engaged rather than annoyed them. For owner-operators, a solution was needed to put the feedback right in their hands so that it was easy to get on with recovering vulnerable relationships and strengthening and leveraging strong ones. Among the wide choice of differing research offerings, which consulting firm should PlaceMakers choose?

The solution

The solution came through the adoption of a unique feedback management methodology named 'MirrorWave', which was developed by a team of innovative New Zealand-based customer management consultants. MirrorWave utilises a longitudinal research method that follows individual relationships or experiences by regularly re-contacting customers for feedback, using the same three questions. This feedback is obtained in pulses or 'waves', hence the name of the company. By identifying the changes from one wave to another, a company's management can identify opportunities to detect and respond rapidly to changes in relationships – both bad changes and good changes. The objective of this methodology is to understand the reason for any change and initiate improvement actions aimed at improving individual relationships. Consulting practices embedded in the MirrorWave programme process ensure that insights are converted to action.

The MirrorWave feedback management process is focused on delivering more profitable relationships with customers, with a particular focus on: better retention; boosting share of wallet; reducing the cost to serve and encouraging stronger word-of-mouth.

A fundamental insight underpinning the MirrorWave methodology is that most people hate surveys but like being listened to. The first step is the establishment of the 'feedback family' – the customers, partners or employees who will assist performance improvement over a period of time are courteously and personally invited in. Participants feel encouraged to participate because: instead of a battery of questions, they will be asked only three questions; respondents get to say what they think, rather than

answer questions the companies think should be asked; a rapid response is received to issues raised and respondents are kept in the loop about priorities the company is working on. This is part of a conscious strategy to do things differently to the much-maligned traditional customer satisfaction survey.

Changes in individual relationships are then followed across a number of 'waves'. The re-contact method shows how an individual's score is changing from one wave to another and why. This illuminates individual issues and dynamics that cross-sectional averages and statistics often fail to uncover. That is another key insight – stories are better than snapshots. For example, achieving the same average score from one wave to another might tempt a manager to conclude that not much has changed. In reality, though, a longitudinal method often shows that the scores from many individual customers have gone up and many have gone down – giving plenty to work on despite no movement in the average relationship stories – and score change scenarios can be amalgamated to map out sentiment across a key national account or a region. This relationship orientated flow of feedback lends itself to PlaceMakers' trade account based business-to-business setting.

Built into the MirrorWave process are feedback loops. According to the scores customers have given over the previous two waves, response rules are pre-configured with suggestions as to what actions should happen and who should undertake them. An inbuilt task management system sends action items directly to the relationship manager responsible – in the PlaceMakers' case, this is the owner-operator – who can then act themselves or pass on the action item to the Trade Sales Manager responsible. Action items might include, for example, initiating an immediate call from an owner-operator to a customer with problems or a contact from a Trade Sales Manager to recognise an ongoing strong relationship and to talk about possible referrals. An interactive, hosted online console reporting system is used to show managers and leaders in PlaceMakers the key things they need to know about their relationships with trade customers.

The success factors

PlaceMakers' MirrorWave programme followed managed trade account relationships over two waves a year for all owner-operators. In the first two waves, endangered accounts were identified and appropriate relationship-building initiatives were put in place. Many of the accounts that were under threat were saved, resulting in several millions of dollars of revenue being retained. By matching changes in relationships with share of wallet variations, there was a substantial improvement in category management and resulting profitability.

Some of the key success factors in this initiative include:

- A great deal of effort being placed on working with PlaceMakers' account managers to get buy-in prior to receiving the 'wave 1' results. One concern was that they might react adversely to some of the feedback, so the need to not take the feedback personally was emphasised.
- Decisive and individual responses being made by the owner-operator. One owner-operator immediately rang low-scoring key customers the day after the customer submitted his or her feedback and apologised. He said that he was making it his personal goal to make sure things would be turned around by the time of the next MirrorWave in six months. It was also agreed that the account management team would 'get out there' and talk to their customers, whether the feedback was good or not.
- Many owner-operators chose the top 'lift factors' that applied across the branch and worked out how they could strengthen them. They also chose the bottom 'drag factors' and worked out what

they were going to do to fix these issues. By setting an average score target to evaluate progress, they could see in the next wave what impact they had had.

- MirrorWave also formed part of monthly communications to trade customers and teams at the branch. The branch also received a 'Friday Flash' which talked about MirrorWave priorities and progress.
- MirrorWave participation level and scores are also included in the mix of performance metrics which are used to assess performance between the owner-operator and the master franchise holder, Fletcher Distribution.

The results

In 2011, the building industry in New Zealand experience resulted in the worst trading conditions since the beginning of the global financial crisis. These adverse conditions included a 12 per cent decline in residential building consents over the prior year, as both residential and commercial activity declined dramatically. Despite the adverse economic conditions, the relationship-building activities undertaken by PlaceMakers have had a significant role in helping them withstand these difficult operating conditions. The 2011 annual report shows how, despite a 3 per cent sales decline, the operating profit at PlaceMakers rose by 3 per cent. The company performed much better than many rival firms in the building industry and achieved an annualised return of 27 per cent.

The framework was used to assess the return from the MirrorWave programme and focused on:

- better retention – saving vulnerable relationships and strengthening strong ones. Many owner-operators saved valuable but threatened trade relationships. For example, one owner-operator discovered that four key clients, who had been 'funny', were on the verge of leaving. A quick and personal response from the owner-operator and some hard work on resolving issues saved three of them and with it hundreds of thousands of dollars of revenue;
- boosting share of wallet – from better dialogue and relationships with customers. A change of account manager, as a result of feedback, improved the relationship chemistry and three house lots of business were gained;
- reducing the cost to serve – especially focusing on the time spent on service recovery. Although time and cost were not quantified, the trade teams across many owner-operators felt they were less tied up with responding to escalated problems, because they could more easily nip in the bud emerging issues identified from the feedback; and
- boosting share of wallet – from better dialogue and relationships with customers. A change of account manager, as a result of feedback, improved the relationship chemistry and three house lots of business were gained;
- reducing the cost to serve – especially focusing on the time spent on service recovery. Although time and cost were not quantified, the trade teams across many owner-operators felt they were less tied up with responding to escalated problems, because they could more easily nip in the bud emerging issues identified from the feedback; and
- encouraging stronger word-of-mouth – the process makes listening and caring more tangible. It is aimed at stimulating positive word-of-mouth and, as a result, new customer acquisition. Owner-operators gave examples of several frustrated trade customers turning into active advocates, which, in turn, led to significant new business.

This case study was written by Reg Price of MirrorWave and is used with his permission.

About the Book

Relationship marketing and customer relationship management (CRM) can be jointly utilised to provide a clear roadmap to excellence in customer management: this is the first textbook to demonstrate how it can be done. Written by two acclaimed experts in the field, it shows how an holistic approach to managing relationships with customers and other key stakeholders leads to increased shareholder value.

Taking a practical, step-by-step approach, the authors explain the principles of relationship marketing, apply them to the development of a CRM strategy and discuss key implementation issues. Its up-to-date coverage includes the latest developments in digital marketing and the use of social media. Topical examples and case studies from around the world connect theory with global practice, making this an ideal text for both students and practitioners keen to keep abreast of changes in this fast-moving field.

- The first textbook to integrate relationship marketing and CRM, providing a clear roadmap to achieving excellence in customer management
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- A wealth of topical examples and twenty case studies from around the world connect theory with global practice

Reviews

'Adrian Payne and Pennie Frow have written the best guide to understanding customer relationship management strategy. They have provided an excellent framework and illustrate it with a rich set of cases that both students and managers would profit from reading.'

Philip Kotler, S. C. Johnson and Son Distinguished Professor of International Marketing, Kellogg School of Management, Northwestern University

'Relationship Marketing and CRM have until now been treated as two separate processes, even though all the evidence points to the fact that most CRM systems fail because of a lack of understanding of customer needs. Adrian Payne and Pennie Frow have brought the two domains together under a title which makes sense - Strategic Customer Management - which from the very beginning should have been the whole purpose of CRM.'

Malcolm McDonald, Emeritus Professor, Cranfield School of Management, Cranfield University, and Chairman, Brand Finance PLC

'Strategic Customer Management is the most comprehensive treatise on Customer Centric Marketing. It provides insightful understanding of how to create value for customers and also for the company. I congratulate Adrian Payne and Pennie Frow for an outstanding contribution to both the marketing discipline and practice.'

Jagdish N. Sheth, Charles H. Kellstadt Chair of Marketing, Goizueta Business School, Emory University

'This book is a comprehensive guide to building shareholder value through long-lasting relationships with all kinds of customers.'

James Heskett, Baker Foundation Professor Emeritus, Harvard Business School, and author of The Culture Cycle

'As Peter Drucker says 'There is only one definition of business purpose: to create a customer.' If you agree with Drucker, and desire a competitive advantage, consider the strategic fundamentals and execution techniques outlined in Strategic Customer Management: Integrating Relationship Marketing and CRM.'

Jim Guyette, President and CEO Rolls-Royce, North America

Purchase the book at www.cambridge.org/catalogue and search by 9781107649224