

Dow Chemical Raises the Loyalty Bar: *A Model Supporting Predictive Customer Behavior as Never Before*

A Quick Profile of The Dow Chemical Company

As a leading science and technology company, Dow:

- Provides innovative chemical, plastic and agricultural solutions to essential consumer markets
- Produces more than 2,500 products at 171 manufacturing sites in 35 countries
- Employs more than 50,000 workers worldwide dedicated to voluntary industry-wide chemical safety
- Balances economic, environmental and social responsibilities for Sustainable Development
- Generates annual worldwide sales in excess of \$30 billion
- Serves customers in more than 170 countries with products vital to human progress, including food, health and medicine, water purification, transportation, building maintenance and construction, and personal and home care, among others

Founded in 1897 by Herbert H. Dow, Midland, Michigan U.S.A.

This study was conducted by Total Research Corporation prior to the November 2001 merger of Total Research Corporation with Harris Interactive. The Dow Customer Assessment/Corporate Marketing Group, in partnership with The Total Research Customer Loyalty Management Practice of Harris Interactive, prepared the approach and methodology for the study with academics, thought leaders and “best practice” companies.

Client Goal

Develop a customer loyalty conceptual model that is uniform in methodology and metrics, as well as timely, replicable and rigorous. Additionally

- Understand Dow performance versus competition
- Identify differentiation opportunities
- Identify key drivers of customer loyalty, retention and attraction
- Tie customer loyalty improvement to business financial measures
- Create synergy with the business and organizational structure
- Predict changes in account and market share
- Strive for business ownership of the metrics and accountability of results
- Improve strategic decisions, target market and quality.

Background

Dow is managed as 12 distinct business units, each with a president responsible for P&L. Within each business reside numerous “value centers” for calculating economic value added (EVA) and where most of the business strategy and market planning are developed. Currently, more than 45 such value centers reside within Dow. These are where customer loyalty work is commissioned and reported and the action planning and deployment in response to the loyalty work take place.

Based upon customer loyalty research, Dow’s action plan includes:

- Enhancing market planning and value proposition development to improve competitive position
- Differentiating the value centers to gauge product/market-centered management approach effectiveness
- Optimizing financial and resource investments for maximum economic benefit as measured by EVA
- Determining competitive threats
- Providing a framework for aligning organization, resource and process
- Continuing to improve the measure itself.

Summary and Results

The Dow Customer Assessment Group and The Total Research Customer Loyalty Management Practice of Harris Interactive developed a customer loyalty conceptual model that surpassed the conventional customer satisfaction model.

Predictive and Flexible

To maintain simplicity and utility simultaneously, Dow allowed for sophisticated survey techniques to relate simple loyalty metrics to more complex ones.

- The model incorporates other constructs necessary in a business-to-business environment including a decision-making unit, switching phenomena, organizational profiles and ease of doing business, all part of a comprehensive loyalty model that is predictive of future customer behavior.
- The flexibility and focus on some basic construct permits the model to be used across different businesses, products and markets while maintaining a rigorous methodology and a common measurement framework. Businesses can interject specific attributes within a basic construct allowing for a common presentation and reporting format, a common approach to market planning, value proposition development and deployment of improvement initiatives via the Six Sigma quality improvement process.

Tied to Profitability

Dow ties its customer loyalty metric to its financial measures to:

- Estimate customers' profitability, and
- Determine the level of required investment for reaching the desired customer loyalty threshold that will achieve the financial objective.

The final step of tying the loyalty metric to financial results allows for the commercial organization to make better decisions about which customers to serve, which processes to improve and the financial benefits that may be expected from the improvements.

Tied to Long-term Success

Dow's current customer loyalty model and measurement program are an integral part of business strategy development and deployment. Regardless of economic trends, Dow businesses maintain their customer loyalty measurement program having learned that customer loyalty measures are essential to understanding customer needs/requirements and taking the proper marketing and quality improvement initiatives to create competitive advantage and long-term financial success.



MARKET RESEARCH

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