

excellence quarterly

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EDITORIAL

CUSTOMER LOYALTY ONLY THROUGH ADDED VALUE?

Dr. Michael Notheisen

Today customer clubs seldom build customer loyalty but are a significant cost block of marketing budgets. Pharma wholesalers are a good example here. Many offer increasingly expensive incentives without getting anything in return.

The battle with customer loyalty programs which continuously offer bigger, more attractive, more sophisticated and more expensive incentives is likewise getting increasingly expensive with doubtful returns. First it was a meeting for a day in the Black Forest, then a weekend in Sylt and now it's a week in Mallorca or even the Maldives. Of course all expenses are paid, and all of this only schools customers in an unwanted direction more than building any intended customer loyalty.

In his popular column Bernd Altpeter tackles exactly this issue. He talks about "Customer loyalty down, costs up" (page 4).

Another must read is how expert Dirk Tiemann shows an unexpected solution to this dilemma from our Energy practice (page 2). We achieved a triple win by opening up a new sales channel for

utility companies (win No.1), favorable conditions and thus real value for the end user (win No.2) and in return a customer that needs to make a long term commitment to our clients (win No.3).

Additionally, we've introduced two new sections in this issue. The *Number of the Quarter* is a number with a fascinating story behind it, and the *Burning Question of the Quarter* is a "hot" question for our customers that we invite you to discuss with us.

Topics in this newsletter are:

- New sections: Number & Burning Question of the Quarter page 2
- Our energy expert Dirk Tiemann on "Energize your customers with gas" page 2
- Client Interview with Dr. Creutz page 4
- Bernd Altpeter's column: "Customer loyalty down, costs up" page 5
- Library news: Dr. Michael Notheisen on Philip Delves Broughton's book "What they teach you at Harvard Business School" page 6
- Excellence Circle Member Portrait of Alexander Stanke, Siemens page 7
- Other news & news from our offices around the World page 8

Number of the Quarter:

8,280,000

This is the amount in € that our business unit Driving Profit was able to save for our clients by conducting biddings for them in indirect material purchases in the area of marketing.

30 biddings were conducted with an average volume of € 1.38 million and an average saving of about 20% for our clients.

Burning Question of the Quarter:

How to quantify the upside of accepting customer claims?

In our last Driving Excellence Circle on the topic of “Leadership” we had Henry Walter as guest speaker. He gave a talk on “How to use leadership to motivate employees to become more customer-oriented using the example of Fielmann.”

Henry Walter talked about how Fielmann accepts and acts upon every customer claim, justified or not. It supposedly pays off for Fielmann due to increased customer loyalty.

This statement sparked a discussion among the Driving Excellence Circle participants whether or not such a policy would pay off for their businesses as well, and in the end this boiled down to the burning question of the quarter “How to quantify the upside of accepting customer claims?”

What is your knowledge or opinion on this topic?
How would you approach this burning question?

Please join the discussion:

burning-question@driving-excellence.com

CONSULTING NEWS

Dirk Tiemann

MANAGING PARTNER OF DRIVING ENERGY

Energize your customers with gas

For many of our clients customer clubs are a significant cost block of their marketing budget, however the impact on customer loyalty is ever decreasing since customers are being taught that they get more and better incentives, year after year, without needing to make a commitment. This is the result of customer loyalty programs trying to achieve a competitive edge on the quality, attractiveness and value of their incentives.

Driving Growth International has seen the writing on the wall and has developed a reasonable and strategically fitting extension of the core businesses of its clients: reliable and low-priced electricity and gas supply.

The fact that energy as a commodity is a rather unsexy product and one that is often overlooked and neglected, yet a commodity that everyone needs, constitutes the charm and success of this new concept realized by Driving Energy, our new business unit of Driving Growth International.

Apart from reasonably priced energy for the end user, this idea, if properly managed, not only opens up a new sales channel for energy suppliers, but it also fosters customer loyalty with our clients.

We currently have two models established in Germany which create additional value for customers through energy.

Our b2b model

Firstly, a b2b sector company – let’s say a manufacturer of large machines – offers its

customers, e.g. small handicraft businesses which utilize their machines, a membership in its customer club which already offers operative support, legal assistance, etc. With our concept these customer clubs can now be extended to offer energy purchase and controlling of electricity and gas. The hypothetical manufacturer of large machines offers its customers the possibility to obtain their energy and gas through them, who in turn co-operate with our professional procurement managers. Our professionals purchase energy at the most favorable terms which can then be passed on to the handicraft businesses. This way the customer club generates additional value for its members and thus strengthens customer loyalty outside of the company's core competences, all leading to a willingness for long-term commitments.



D. Tiemann, Managing Partner of Driving Energy:
“This way, the customer club generates additional value for its members and thus strengthens customer loyalty outside of the company’s core competences, all leading to a willingness for long-term commitments.”

Especially in times of continuously rising energy costs, side issues like electricity and gas move into focus for consumers. In general, insecurities due to obscure pricing schemes on the one hand and flooding of the markets with increased sales

activities of “traveling hawkers” on the other hand induce uncertainty on the consumer side. The concept of Driving Energy addresses exactly these issues by offering a company’s club members a reliable service combined with the guarantee of trustworthiness and professionalism. The success of this service – low costs and professional consulting – creates additional value for our client’s customers through energy supply and for the client itself through increased customer loyalty.

Our b2c model

Secondly, what works on a large scale has also been successfully implemented by Driving Energy on a small scale. In the b2c sector, one of Driving Energy’s clients is now offering an appropriate portfolio extension, “Electricity and Gas for Domestic Use,” for its end customers. In this way, this market concept, linked to the core products, can quickly and efficiently reach all end consumers, which in this case are spread over about half a million households in Germany. The commodity of energy can most definitely stimulate interest and successfully contribute to customer loyalty.

Our employee model

A third alternative consists of implementing this know-how in your own company. Offering your employees electricity and gas at favorable conditions, thus retaining your personnel through additional value. When are you going to start energizing your customers?

Read a field report about this topic in one of the next editions of this newsletter, or even better, contact us right away (dirk.tiemann@driving-energy.de) to find out today what’s behind this idea and what it means for tomorrow.

CLIENT INTERVIEW

Dr. Martin Creutz ,46
DIRECTOR PROVINZIAL VERSICHERUNG
AG DÜSSELDORF



Division Manager - consumer business & housing
In addition: Managing Director of proefa GmbH

Tiemann: Since May 2010, Provinzial is offering electricity and gas for their customers. Are these products not too far away from insurance products?

Dr. Creutz: Only at first sight. For homeowners or tenants of apartments, energy related questions are increasingly important. Today a residential building insurance is much more powerful than it was a couple of years ago and offers e.g. insurance solutions for energy related technical installations. Also, a customer for household contents insurance will assess costs around his flat in great detail and thereby insurance and energy supply solutions are closer together than we previously believed.

What are the most important factors here?

Our offering is a combination of the three components “customer retention, added value for the customer, and service connected to housing”. From a service insurance company connected to his house or flat, a customer cannot only expect highest quality standards in the core competence “insurance” but also additional offerings get more and more in focus. If customers want them and

have positive experiences, services that fit together are an important aspect to secure the customer relationship.

In which sales channels are you offering the products?

As a first step we offer these products exclusively within our own organization. In the test phase, in our first attempt with our advisory center, we gained way more than 100 new customers from the ranks of our own employees which corresponds to a 5% rate. If we would gain this 5% rate in the region in the next two years, this would be a good market entrance. We do thereby not pretend to become a classical energy provider.

How well received are the products by your customers, how good is the acceptance as energy provider?

Our package consists of electricity and gas with two basic and two eco variants each. The first months after the introduction phase shows, this is exactly what customers want. Certainly, there is skepticism and resistance within our sales force and customers. We still have to do a great deal of convincing here.

But the strategic decision of the company to follow this innovative path with our powerful partners increasingly leads to more acceptance within our sales organization. Competition in energy provision and in the insurance industry has received our start with much positive feedback. Incidentally some insurance companies like R&V or HUK are currently about to face competition with similar processes and partnerships. With the proefa GmbH as 100% subsidiary of Provinzial Rheinland, we are well equipped with this added value offering to hold our ground in the core insurance business.

Thank you very much Dr. Creutz for this insightful interview.

COLUMN

Bernd Altpeter

MANAGING PARTNER DRIVING
GROWTH INTERNATIONAL



Customer loyalty down, costs up

This has been the development over the last several years. Maintaining customer goodwill is costing companies more and more these days. Not only are costs for customer loyalty program on the rise, but new customer acquisition is also becoming increasingly expensive. The actual product or service itself all too often ends up taking a backseat to the attractive incentive bonuses which lure new customers in, overshadowing all other product pledges. This lays the foundation for a ruinous customer loyalty battle. What message does this send to customers? 1. You get money when you come to us. 2. You get money when you stay with us. Likewise, companies increasingly complain about the lack of a corresponding countervalue to these so-called customer loyalty and acquisition programs. Discounts are granted based on volume-related contracts, however without any commitment. Contract periods have become ever shorter despite rising customer acquisition costs.

What's also rising though is the willingness to jump from provider to provider. Companies are constantly showing their customers just how well it

pays to switch by laying attractive incentives at their feet. After finally breaking into markets, many companies are soon faced with having to reap what they have sown, and are in constant fear of losing these hard-won customers which come at a hefty price.

Where can such a vicious cycle lead? Essentially, we have to move away from these price wars and towards a relevant product offer. We all know: When we like a product, then we're always prepared to pay a premium price for it and show our loyalty to the provider.

But there must be clear added value being offered. Understanding customer needs and anchoring that professionally in sales and in the market can only bring this about. In so-called commodities markets, I have witnessed again and again how value-added concepts can work – insisting on a premium price while also achieving customer loyalty.

Smart concepts, which offer services that would otherwise be highly expensive for customers to render themselves, are good examples. One thing is clear: Loyalty cannot be bought. In the end, leveraged contracts reach the exact opposite effect. As soon as the next opportunity or the next attractive bonus comes along, the customer is gone. And with that said, I wish you all the best,

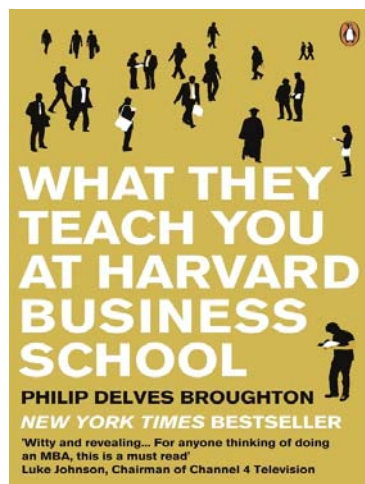
Bernd Altpeter

LIBRARY NEWS

Dr. Michael Notheisen

IN THIS COLUMN WE INTRODUCE NEW ADDITIONS TO OUR LIBRARY AND ARCHIVE

Recent addition:



PHILIP DELVES BROUGHTON: “WHAT THEY TEACH YOU AT HARVARD BUSINESS SCHOOL”

In 2004, the reasonably successful journalist, Philip Delves Broughton, had serious doubts about his future in journalism and indeed about newspapers in general. “I wanted control over my time, my financial resources, and my life, and I imagined that a general competence in business would stand me in better stead.” So he decided to enroll in Harvard’s world-famous MBA (Master of Business Administration) course.

Broughton describes his two years at Harvard Business School (HBS) from a very personal point of view. So the book describes what that author lives through and thus ends up being a mixture of:

- an introspective look into the author’s own life and what he ultimately wants to be

- a description of the methodologies taught at HBS (detailed and focused enough, since he has a Harvard MBA; generally understandable, since he is a journalist)
- a description of the day-to-day experience of HBS (How does it feel to be a HBS MBA student?)
- a characterization of his classmates, teaching faculty, visiting celebrities that make the book lively
- a commentary on American capitalism and how the Harvard elite deal with the ugly face of it (e.g. Enron scandal, the recent financial market crises)

In my view, this mixture is both a great strength of the book but perhaps also its weakness.

The search for what the author wants to be is the central theme. The description of the methodologies, without needing to read a textbook, I found most interesting. The day-to-day experience and the characterizations of people make the book lively. And the commentary on capitalism and the Harvard elite makes you think.

If you want to be more dismissive, you could argue that the book really doesn't know what it wants to be, but why does a book always need to be pigeonholed?

DRIVING EXCELLENCE CIRCLE MEMBER PORTRAIT

Alexander Stanke, 34



Head of Sales and Business Management at
Siemens Ultrasound Diagnostic in Germany

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What is “excellence” for you?

Taking “things” (e.g. business operations, people development, life standards) to the next level and creating new values

What are “excellent people” for you?

People who think and act beyond the borders but always with sustainability and responsibility

What is “operational excellence” for you?

Achieving and holding to an ambitious commitment that was made – “walk the talk”

What would be your greatest misfortune?

Losing my optimism

Where would you like to live?

On my own winery

What is the perfect joy on earth for you?

Standing on the top of a mountain after a long hike or biking tour, and asking myself again and again why I do this

Education:

- Degree in Engineering (technical cybernetics) from the University of Stuttgart in 1991
- Masters in Economy from the University of Stuttgart in 1991
- Siemens Advanced Management Program

Experience:

- General Manager of Sales, Service & Business Management at Siemens AG-Healthcare, Germany, BU Ultrasound Erlangen (since 2008)
- Director of Business Management and Marketing, EMEA at Siemens AG-Healthcare; BU Ultrasound, Erlangen/Mountain View, USA (2005-2008)
- Director of Customer Care/After Sales Business at Siemens AG-Medical Solutions, BU Computed Tomography, Erlangen/Forchheim (2001-2005)
- In parallel: Head of Industry Marketing “Manufacturing & Retail” (2000-2001)
- Director of Market Segment Management “Automotive Industry” at Siemens AG-Information and Communication Networks ICN, Munich (1998-2001)
- Business Manager of the Consulting Competence Center “Customer Relationship Management (CRM)” at Fraunhofer Institute, Stuttgart (1994-1998)
- Project Manager and Senior Consultant at Fraunhofer Institute, Stuttgart (1992-1994)

What errors do you excuse the quickest?

All, as long as they are not made a second time

Your favorite activity?

Traveling and meeting diverse people and cultures

Who or what would you like to have been?

I am happy to live now and be myself with all pluses and minuses

How would you describe yourself?

Just ask others ...

Your greatest mistake?

Making a mistake but not learning from it

Your dream of true happiness?

Healthy family with quality time together

Your favorite color?

Dark blue

Your favorite flower?

Red roses

Your favorite writer?

Always depends on the book

Which book are you currently reading?

(or have you read recently?)

“Diktatur der Gutmenschen” from Boris Grundl

What natural gift would you like to possess?

Playing saxophone on a lonely street in the middle of New York City

Your slogan?

“Never stop developing yourself and evolving”

OTHER NEWS

Bachelor Theses:

Ms. Franziska Dittrich and Mr. Nils Brils have finished their bachelor theses at the European Business School in cooperation with Driving Growth International.

Ms. Dittrich has written about:

“Development of a new Methodology for Budget Allocation in Marketing”

Mr. Brils has written about:

“Client Segmentation in Medium-Sized Companies”

New Driving Excellence Circle on Indirect Materials & Services Procurement

Currently, we are in the process of starting a Driving Excellence Circle on Indirect Materials & Services Procurement, which we have initiated at the request of one of our clients. This circle is still open to further participants.

The first Workshop of our newly created Procurement Circle will take place on the 16th of March, 2011 in our Frankfurt office. Please contact Dr. Michael Notheisen (michael.notheisen@driving-excellence.de) if you would like to know more.

Launch of Driving Insights

Driving Insights brings marketing insights and strategic solutions to the business.

Driving Growth International announces the launch of Driving Insights, the new business unit for strategic research, specializing in marketing insight and strategy. The former Driving Growth department for research which offers its services to all our clients can now also be booked separately.

Driving Insights offers assistance in the improvement of decision making processes through research and through better understanding of customers and markets in order to define clear decisions and action paths. Our experience shows that strategies are more successful if they are based on solid insights.

Profound insights will be generated by both qualitative and quantitative studies. Our unique expertise is in qualitative research techniques. Our aim is to apply the methodology most suited to each specific case and whatever problems need to be analyzed. Recent projects have included: basic exploratory studies for market-entry strategies into new markets, customer segmentations for end-user markets and b2b markets, brand development, image and positioning studies, product development, concept analysis, communications and of course growth strategies (see also Q02/2010).

Furthermore, we are specialized in working with difficult target groups such as health care personnel and patients, managers and key opinion leaders at all levels as well as sensitive consumer groups. Driving Insights has experienced network partners for global research projects in key countries in Eastern and Western Europe, the United States, Asia and South Africa.

Contact: werner.steinbach@driving-insights.de

NEWS FROM OUR OFFICES AROUND THE WORLD



MENA

Robert Mitchel

Driving Growth MENA's partner agency, Zed Communications developed an integrated agency methodology. It positions Zed literally as a one-stop-shop stocked with a whole range of value added services that will ultimately lead to more effective communications. This approach was piloted successfully with a UK university with the objective to increase intake for an Executive MBA held in Dubai.



Paris

Philippe Soullier

CHAIRMAN OF OUR PARTNER VALTUS
TRANSITION AND THE FRENCH
INTERIM MANAGEMENT ASSOCIATION

The return, in force, of the human leverage in adding value

The economic crisis has altered the economic and human environment in which our companies have evolved over the last several years. In many sectors business models have changed, sometimes only marginally, or in particular industries in a much deeper way.

A necessity to take the lead

Such rocky changes, often associated with staff cuts, too often cause stress and anxiety within teams and for decision makers. In the end, this prevents companies from adapting to the new rules. In a

world where the usual reference points change and where uncertainty reigns human nature and the fear of any additional risk often lead to opposition to progress. The individual becomes wary of any initiative for which they could be blamed for later. Experience shows that the more we delay acting, the harder it becomes to remedy a situation.

We must draw on the positive signs that we saw at the beginning of the year and use them as a springboard to cultivate human resources and to inspire them set out on new projects once again.

The interim manager: a booster of energy

The added value of tomorrow actually lies within a company's teams. It's very important to make sure that all positive energies are released. The intervention of an independent interim manager, beyond their operational contribution, can be a major human leverage by fostering the energies of everyone, allowing some to take action and others to stand back, and by creating a sense of calm and confidence necessary to turn the corner. At a time when cash is becoming an ever more desired resource, let us at best cultivate that one resource we do have and that which is the key to the added value of tomorrow – People!

San Francisco

Dennis Sones

In San Francisco, marketing and business professionals, along with the general public, all watched eagerly to see the outcome of the Egyptian protests. Society is rapidly changing thanks to the empowerment afforded by Facebook, Twitter, YouTube (all headquartered here in the San Francisco area). The implications are enormous and profound on many levels. Openness, transparency, and a cogent storyline have never been more important.