STRATEGIC BRAND MANAGEMENT IN A GROWING AND INNOVATIVE SPECIALTY CHEMICAL INDUSTRY

by

H.S. STEENEKAMP

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SUPERVISOR: PROF C.A. BISSCHOFF

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Aan my vrou Lizél – vir al jou opoffering, geduld en ondersteunende liefde – dankie

ABSTRACT

Buckman Laboratories (Pty) Ltd. (hereafter referred to as Buckman Laboratories) is an international, privately owned, specialty chemical manufacturer. The company's marketing strategy is based on customer intimacy and knowledge sharing and currently segments its markets (pulp and paper, water, leather and mining) by means of customer categorization based on industry potential sales. The Buckman brand is synonymous with the heavy industries (Sasol, ArcelorMittal, Mondi, Sappi, Eskom). For the company to grow and increase its profitability, Buckman Laboratories has to identify and select innovative brand drivers to stay competitive in the heavy industry market segment as well as identify other market segments to compete profitably in.

In this study the Logical brand management model was specifically applied in terms of the customer perspective. Brand and cost drivers were identified from the company's and customers' perspective to identify opportunities in the current market segments (pulp and paper, water and leather). Metrics utilized were traditional gap analysis as well as the Opportunity Algorithm from Ulwick. Of importance was the consistent alignment of the model with Buckman Laboratories' strategy.

The model includes continuous improvement, on-time delivery, product innovation, knowledge sharing, and providing a holistic product/service offering as brand drivers that will ensure innovative growth of the Buckman Laboratories brand.

The conclusion is that the Logical brand management model as developed by Marc Logman may be successfully utilized to identify brand drivers to grow the Buckman Laboratories brand innovatively in future.

Key terms: Logical brand management model; brand growth; innovation; Opportunity Algorithm; chemical industry.

OPSOMMING

Buckman Laboratories (Edms.) Bpk. (hierna verwys as Buckman Laboratories) is 'n internasionale, private maatskappy wat spesialiseer in die vervaardiging van spesialiteitschemikalieë. Die maatskappy se bemarkingstrategie is gebaseer op kliënte-intimiteit en deling van kennis. Buckman Laboratories se mark (pulp en papier, water, leer en mynbou) word gesegmenteer op die basis van industriepotensiëleverkope. Die Buckman-handelsnaam word vereenselwig met die swaar industrieë, soos byvoorbeeld Sasol, ArcelorMittal, Mondi, Sappi en Eskom. Vir die maatskappy om winsgewend te groei, is dit belangrik om innoverende handelsnaamdrywers te identifiseer wat sal verseker dat Buckman Laboratories in die onderskeie marksegmente voortdurend mededingend sal bly.

In hierdie studie word die "Logical"-handelsmerkbestuursmodel spesifiek toegepas vanuit die kliënt se perspektief. Handelsmerk- en kostedrywers is geïdentifiseer vanuit die maatskappy- en kliënteperspektief om geleenthede in die huidige mark te identifiseer. Daar is metings geneem van 'n tradisionele gapingsanalise en Ulwick se Geleentheidsalgoritme. Wat van belang was, was die konstante belyning van die model met Buckman Laboratories se strategie.

Die model identifiseer volhoubare verbetering, betydse aflewering, produkinnovasie, deling van kennis, en die verskaffing van holistiese produkte en dienste as handelsmerkdrywers wat innoverende groei van die Buckman Laboratories-handelsmerk sal verseker.

Die gevolgtrekking van die studie is dus dat die "Logical"-handelsmerkbestuursmodel, soos ontwikkel deur Marc Logman, suksesvol gebruik kan word om handelsmerkdrywers te identifiseer wat die innoverende groei van Buckman Laboratories sal verseker.

Sleutelwoorde: "Logical"-handelsmerkbestuursmodel; handelsmerkgroei; innovasie; Geleentheidsalgoritme; chemiese industrie.

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LIST OF ABBREVIATIONS

BEE	Black Economic Empowerment
BSC:	Balanced Score Card
BCG:	Boston Consulting Group
CLV:	Customer Lifetime Value
EVA:	Economic Value Added
GE:	General Electric
NPV:	Net Present Value
QFD:	House of quality

CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The global chemical market comprises mainly commodity and specialty products. Commodity products may be defined as products supplied in high volume, low cost manufactured, have a limited need for specialist applications technology and has a broad range of application in various industries. Specialty products, on the other hand, may be defined as low volume supply, high cost manufacturing, requires specialist application technology and have specific applications in various industries.

Specialty chemicals consist of a variety of different chemistries to be applied in a variety of industries. The main industries referred to in this study comprise water treatment, pulp and paper, leather, and mining process chemicals. Service requirements related to these industries vary from only supplying the products with limited application technology to supplying a holistic product that includes specialist on-site service on the customer site, unique research and development of products to solve unique problems as well as the supply of operation of the process equipment.

The challenge in these markets is for a company to differentiate itself from competitors based on specific knowledge and service to add value to the relative high cost of the physical product. The specific chemistry technology is currently readily available to most of the players in the global and local market. Rapid value innovation in these markets is essential for companies to have a sustainable competitive advantage over their competitors.

Marketing activities and more specifically brand management has to provide the value innovation strategies to companies to ensure viability of the business in future.

Marketing/brand management strategies should comply with the "new marketing discipline" based on customer requirements and measurements (Hastings, 2008:3).

Buckman Laboratories (Pty) Ltd. (hereafter referred to as Buckman Laboratories) is an international, privately owned, specialty chemical manufacturer. The company's marketing strategy is based on customer intimacy and knowledge sharing and currently segments its markets (pulp and paper, water, leather and mining) by means of customer categorization based on industry potential sales. The Buckman brand is synonymous with the heavy industries (Sasol, ArcelorMittal, Mondi, Sappi, Eskom). For the company to grow and increase its profitability, Buckman has to identify and select innovative brand drivers to stay competitive in the heavy industry market segment as well as identify other market segments to compete profitably in.

1.2 PROBLEM STATEMENT

Buckman Laboratories has previously identified, by means of a global survey, certain brand drivers that should ensure a competitive advantage in the global market. The company also identified the pulp and paper, water treatment, mining, sugar, formulators and leather industries as their target markets.

The current situation globally is that Buckman Laboratories is experiencing a reduction in operating profit with a positive sales growth. The problem identified is that if Buckman Laboratories had a comprehensive brand management framework in which to identify, and to measure and manage pertinent brand/cost drivers, then it would be possible to:

- Identify innovative opportunities for responsible profitable growth;
- Identify and prioritize brand/cost drivers from the customers' point-of-view; and
- Design a brand management strategy based on the identified brand/cost drivers to ensure a sustainable competitive advantage for Buckman Laboratories.

1.3 RESEARCH OBJECTIVES

1.3.1 Primary objective

The primary objective of this study is to utilize the Logical brand management model to:

1. Identify brand/cost drivers;
2. Measure brand/cost drivers; and
3. Manage the main brand/cost drivers in the pulp and paper, water, mining, sugar, formulators and leather customer segments.

All the abovementioned customer segments will be studied as an entity and will not be compared to each other.

1.3.2 Secondary objectives

The following secondary objectives have been incorporated into this study:

1. The customer segments' perception of the brand/cost drivers versus the perceived drivers previously determined by Buckman Laboratories;
2. The customer segments' perception of these drivers measured in terms of importance and satisfaction rates related to Buckman Laboratories and versus the competition; and
3. The identification of value innovation opportunities as perceived by the customer segments.

1.4 RESEARCH METHODOLOGY

1.4.1 Analysis of the literature sources

The methods, strategic frameworks, operation functioning, benefits, weaknesses and competitive advantages derived from the *Logman Logical brand management model* have been analysed in detail (Logman, 2004; 2007).

1.4.2 Empirical investigation

1.4.2.1 Design

This study is exploratory in nature, thus hypotheses will not be formulated. The emphasis or aim of this study is to apply the brand management framework as discovered in literature. The resultant brand management model is custom-designed around the chemical specialty market divisions and thus not compared to previous research findings.

The population has been made up from the various divisions specified by Buckman Laboratories. Pulp and paper, water treatment in the metals and steel and petrochemical industry, mining industry, sugar industry, formulator industry and the leather industry are the divisions specified that makes up the market for Buckman Laboratories. The model implemented dictates that Buckman Laboratories has been surveyed internally as well as the organisation's customers. The sample chosen to be surveyed internally was representative of the various sales and support divisions as well as management. A total response of at least 50 was expected. The external or customer related sample had been chosen from the decision makers of the representative organisations in the previously defined divisions in the market.

Because of the fact that the population was treated as an entity, a non-probable convenience sampling strategy was followed. The reasons for choosing this sampling strategy are because of the convenience of the strategy and the pre-determined selection of the sample population.

1.4.2.2 Method

The internal company sample as well as the external customer segment sample had to complete an electronic mail-assisted questionnaire. The electronic environment required that the instrument utilized be specifically constructed for online administration. In this regard the following tasks were completed:

- An introductory message that is separate from the instrument has been sent to the respondents.
- A portal has been set up to compile the automated returned surveys after completion.
- The instrument has been designed to be completed in a short time (3 minutes) and was designed in a user-friendly manner.
- Respondents have been given an incentive to respond: for each completed questionnaire was entered into a draw for a cash prize.

1.4.2.3 Research instruments

The questions were formulated according to the model established during the literature study. The questionnaire (survey) comprised three sections (see Appendix A). The first section consisted of the stated question. The second section dealt with the various drivers pertaining to the question that the respondents had to respond to. A total of 4 questions (1 internally and 3 externally) were posed to the respondents. The drivers were kept constant for each question to allow comparison and interaction among the questions. The third section requested biographical data from the respondents.

The questionnaires were comprised of Likert-type questions. Responses were evaluated as: *strongly disagree (1), disagree (2), neither agree or disagree (3), agree (4)* and *strongly agree (5).*

1.4.3 Data processing

Descriptive statistics (mean and standard deviation) have been utilized to establish baseline data. A standard gap analysis as well as the Opportunity Algorithm (Ulwick, 2002:95) has been applied to determine:

- The difference in perception between Buckman Laboratories and the various customer segments.
- The identification of opportunities for innovative growth of the brand.
- The identification and prioritization of the relevant brand/cost drivers from a customer's point-of-view.
- The use of the identified brand drivers to design a brand management strategy.

1.5 LIMITATIONS OF THIS STUDY

The limitation of this study is that only the customer perspective part of the Logman model was researched. Thus the complete strategic effect of the Logman model could not be measured.

The fact that the learning and process perspectives from the Logman model had to be assumed from experience and historical secondary data, could have limited the objectivity of this study. However, the results obtained from the empirical research bare no evidence to support suspicions of the mentioned limitation.

1.6 LAYOUT OF THE STUDY

The layout of this study comprises the following:

Chapter 1 describes the nature and scope of this study. Chapter 2 comprises the literature review pertaining to the Logical brand management model. Chapter 3 describes the methodology utilised in this study and also conveys the results obtained from this study. Chapter 4 discusses the conclusions derived from the results obtained in Chapter 3. Recommendations are also made in this chapter.

1.7 SUMMARY

This first chapter serves as an introduction to the research. It sets the scene by introducing the environment of the study, formulates the problem statement and research objectives. The chapter further continues to discuss the research methodology on an introductory level and identifies a possible limitation of the research.

The next chapter deals with the literature research, and specifically deals with the Logman model as theoretical base for the study.

CHAPTER 2

THE LOGICAL BRAND MANAGEMENT MODEL

2.1 INTRODUCTION

The global and local markets of today are unstable and turbulent. Eisenhart and Sull (2001:110) noted that it is not only important how a company is positioned in the market or how a company defines itself, but also to determine the path forward. Saunders *et al.* (1996:220) observed that strategic marketing planning should help organisations to cope better with the environment.

Marc Logman (Logman, 2004:94) made the following significant comments:

"As markets and environments become more sophisticated and the amount of external influences grows the driving forces of brand and customer equity become more complex as well. A company may deal with these in two ways:

1. It may accept that all these influences are mainly uncontrollable. This would imply that the company adapts itself to the future and uses reactive brand strategy.

2. It may, however, perceive all these influences as partly controllable. This would imply that a company tries to shape the future by influencing the perception customers have of the market, the competitive situation and the environment."

The Logical brand management model proposes to combine the proactive and reactive nature of brand management. The model combines insights from:

- Kaplan and Norton's Balanced Scorecard (BSC) method;
- Boston Consulting Group's (BCG) brand value creation method;
- The path analysis method; and
- The house of quality (QFD) method.

Logman (2004:97) has developed the brand management/driver framework to detect innovative growth opportunities (Zook, 2004:53). The brand management/driver framework is described under the following perspectives (Logman, 2007:258):

- The customer value perspective that places emphasis on benefit and cost drivers, on the importance of customer satisfaction rates and on the jobs that customers do for themselves in all cycles of the buying cycle (Christensen *et al.*, 2005:78; Kim & Mauborgne, 2000:131).

- The segmental perspective (as a result of customer value); brand drivers to consider under this perspective are not only those focusing on the most demanding customer groups, but there may be much to be gained from servicing less demanding customers (McGovern *et al.*, 2004:82). The market may define its own segments (Kim & Mauborgne, 1999:83); such as unintended segments that are not focused on.

- The internal and external process perspective (as a result of value innovation (Kim & Mauborgne, 2004:174) integrates the external market influences on the internal operations of the company. Companies that excel by having processes in place that are able to bring into the company the needs of the customer also need to be mindful of the impact of external change on the internal processes and the need to adjust (Avila *et al.*, 1995:51).

- The financial perspective (as a result of value innovation) is a holistic view. This perspective is about the financial implications of attracting customers as

well as the cost of innovation (Reinhartz & Kumar, 2002:92; Carlotti *et al.*, 2004:29).

The brand management/driver framework thus incorporates the perspectives above and integrates principles of the Balanced Scorecard (Kaplan & Norton, 1992:72), Boston Consulting Group's value creation model (Bixner *et al.*, 2000) and the "Servqual" gap analysis model (Zeithaml *et al.*, 1990:187).

Various metrics have been identified that may be useful in quantifying the various perspectives. Brand drivers may be assessed in terms of importance and satisfaction rates and the Kano method may be a useful metric to utilize (Best, 2005:95; Sutton & Klein, 2003:173). Ulwick (2002:96) developed a metric by using satisfaction and importance rates to determine innovation opportunities.

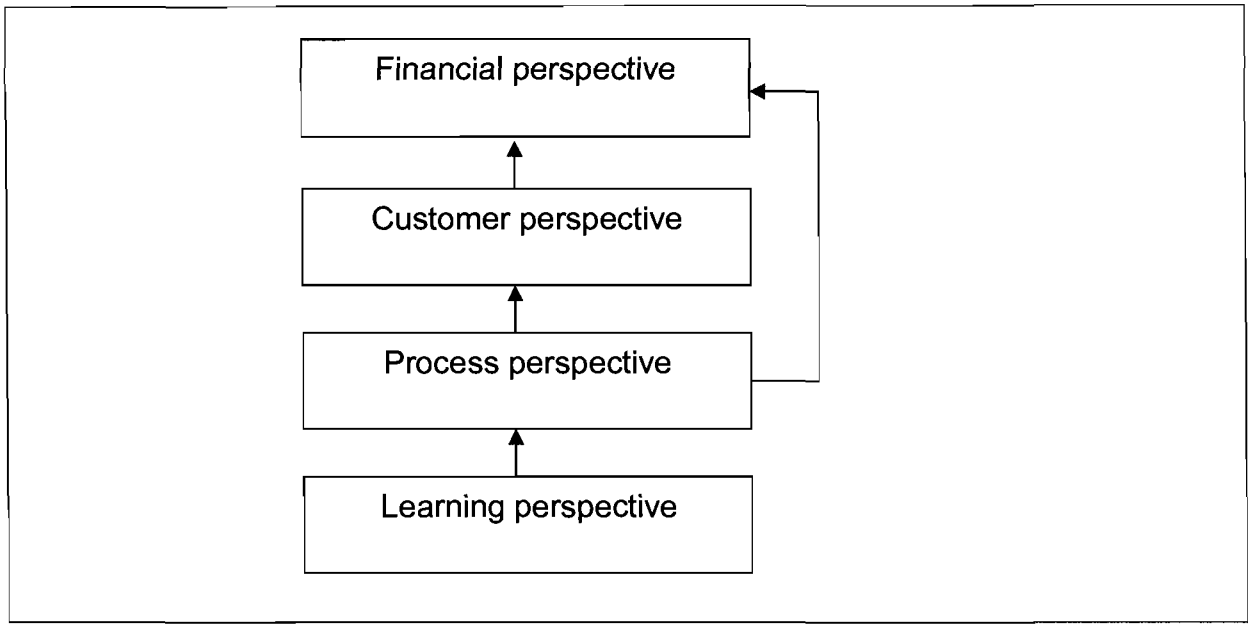
2.2. FOUNDATION OF THE LOGMAN MODEL

The Logical brand management model combines insights from Logman (2004:94):

- Kaplan and Norton's Balanced Scorecard method;
- Boston consulting group's brand value creation model;
- The path analysis method;
- The gap analysis method; and
- The house of quality method.

Kaplan and Norton (1992:72) introduced the Balanced Scorecard method that evaluates performance measures at four different perspectives (Figure 2.1):

Figure 2.1: Kaplan and Norton's Balanced Scorecard



Source: Logman (2004:95)

1. The financial perspective assesses how the business's strategy is affecting the bottom-line. Therefore, traditional measures such as growth, profitability and shareholder value are monitored. A number of goals are derived from this area of the Balanced Scorecard.

2. The customer perspective relates to, "How do existing and new customers view and value us?" (Kaplan & Norton, 1992:73) The answer to this question requires customer involvement, as they need to identify their expectations of the firm and how they measure the firm's ability to achieve their goals. Newing (1995:22) emphasized, that for most organisations the price factor only represents 30% of their customers' total cost of acquiring materials or services. Therefore, businesses need to pay particular attention to identifying and understanding their customers' requirements. Another question that should be considered is, "How are you affecting your customers' results?"

3. The internal business perspective focuses on the processes, skills, competencies and technology of the business and its ability to meet the needs of customers as well as the potential to add value to customers' businesses.

4. The learning and growth perspective focuses on the business's ability to change, improve and adapt their products and processes, as well as the ability to develop and introduce new improved products and services (Kaplan & Norton, 1992:77). The business must set targets that respond to continuous change in customer needs (Newing, 1995:22).

The Balanced Scorecard approach is always aligned with the business's vision and strategy to ensure that focus is not lost. The business's goals (strategic objectives), each with its stated measures and drivers of success, are then allocated to one of the four perspectives of the business.

The absence of goals, or the abundance of goals in any one perspective would give a quick, visual indication of whether the business is in balance. The links, sometimes causal, between goals in different perspectives should then be examined to better understand the effect one might have on another. This understanding enables a short list of the key drivers of performance to be drawn up.

Identifying the relevant measures is a crucial step in a Balanced Scorecard development (Willyerd, 1997:53). Once critical success factors are identified, measures must be established to monitor these. The key concept of the Balanced Scorecard is the inclusion of non-financial indicators, which represent goal attainment and are pivotal to the strategy. Financial indicators are generally considered to be lagging indicators that represent the past and what has been accomplished. They have limited ability to predict future outcomes. Focusing on these measures increases the focus on the present rather than what needs to be achieved in the future (Kaplan & Norton, 1992:79).

In contrast, non-financial indicators are usually lead indicators that inform the manager of likely future performance; for example, the learning of new knowledge and skills is a lead indicator of management's future focus and ability to manage. Without investment in staff learning and personal growth, the business has less ability to cope with and manage change (Kaplan & Norton, 1992:79).

Companies do not necessarily lend equal weight to all four perspectives (Olson & Slater, 2002:15). Emphasis is placed on the strategy followed. Product leaders will emphasize the innovation and learning perspective, customer-intimate companies may emphasize the customer perspective, while those pursuing an operational excellence strategy will focus on the process perspective (Treacy & Wiersema, 1993:87).

To design good measures it is necessary to understand what needs to be measured. Therefore, there must be clarity about the criteria required. Measures have to be meaningful to the situation and the people using them, to allow informed decision making. Measures that are aligned to strategic intent provide feedback for management control; they also communicate to all levels of the firm the business strategy. A good Balanced Scorecard tells the story of the business strategy; therefore, it can be said that it provides the framework, goals and measures against which a performance management programme is undertaken (Kaplan & Norton, 1992:78).

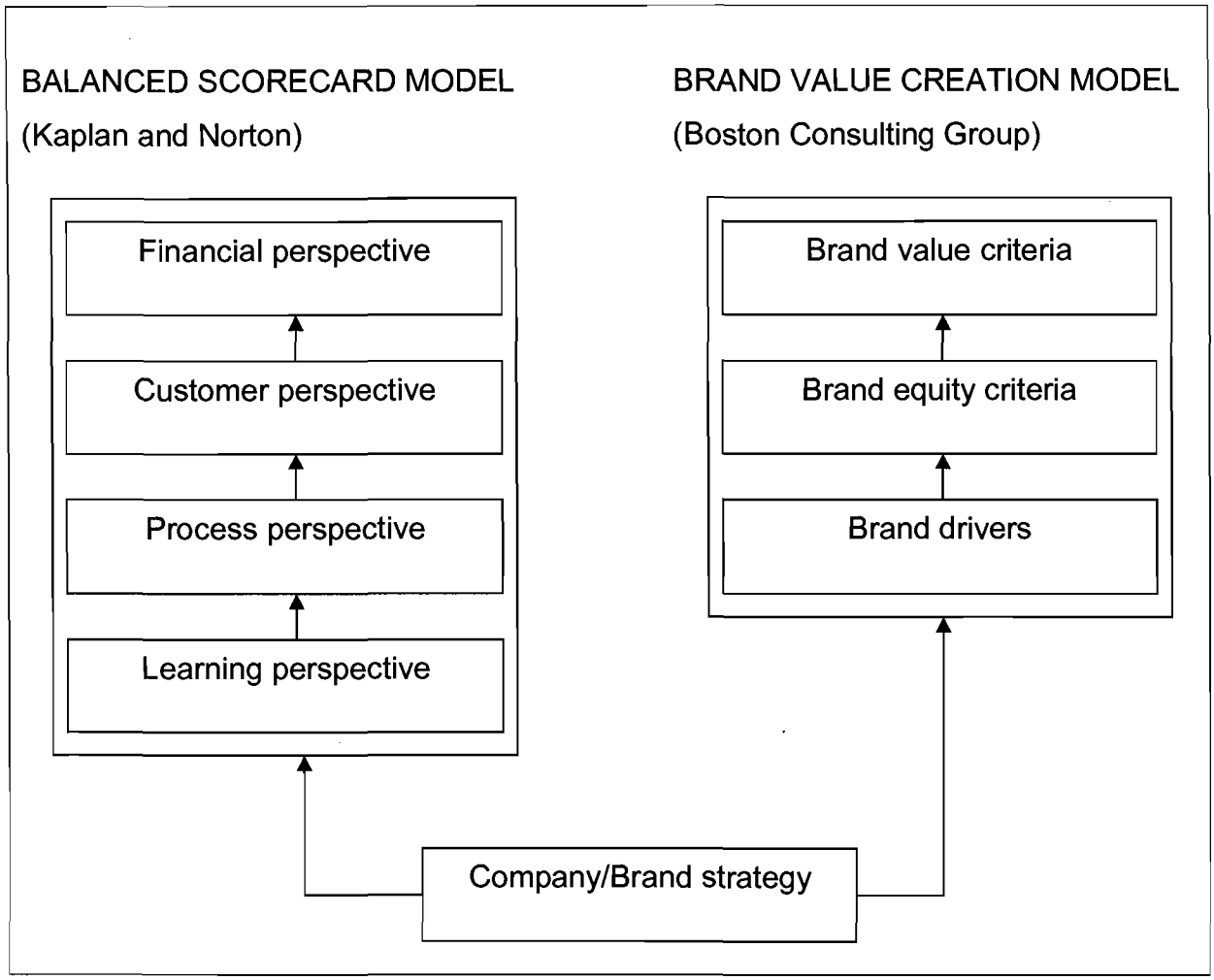
The Balanced Scorecard has many applications in marketing management. Market segmentation criteria may be derived from criteria at the financial perspective level (for example, customer profitability) and from criteria at the customer perspective level (for instance, customer attitudes) (Bock & Styles, 2002:20).

A brand management model that may be an application of the Balanced Scorecard is the Boston Consulting Group's value creation model (Bixner *et al.*, 2000). As indicated in Figure 2.2, this value creation model focuses on four brand components and identifies various relationships among these components:

- The relationship between the brand strategy (for example, brand targeting and positioning) and the brand drivers (for example, the marketing mix).
- The relationship between the brand drivers and brand equity (measured by customers' awareness, perceptions, preference and purchasing behaviour).

- The relationship between brand equity and brand value (measured by increases in the price premium, increases in sales volume and the brand value transferred to other products in the company's portfolio).

Figure 2.2: Implementation of the Balanced Scorecard at brand management level



Source: Logman (2004:96)

As indicated in Figure 2.2, there is a clear relationship between the perspectives of the Balanced Scorecard and the components of the brand value creation model. Brand value criteria correspond to the financial perspective, brand equity to customer perspective and brand drivers to the process perspective. The company strategy will drive the perspectives and levels in both models.

Brand equity may range from concrete perceptions to more abstract perceptions of benefits and values (Logman, 2004:96). The value of a brand is mostly measured and managed as an asset, thus may be based on the net present value of projected brand earnings (or cash flows).

2.3 LOGICAL BRAND MANAGEMENT MODEL

The Logical brand management model (Figure 2.3) extends the brand value creation model at several levels (Logman, 2004:95):

- It makes a distinction between the objective levels of the company's brand drivers (processes) and the levels as perceived by the customers, and shows how these perceived levels may be influenced.

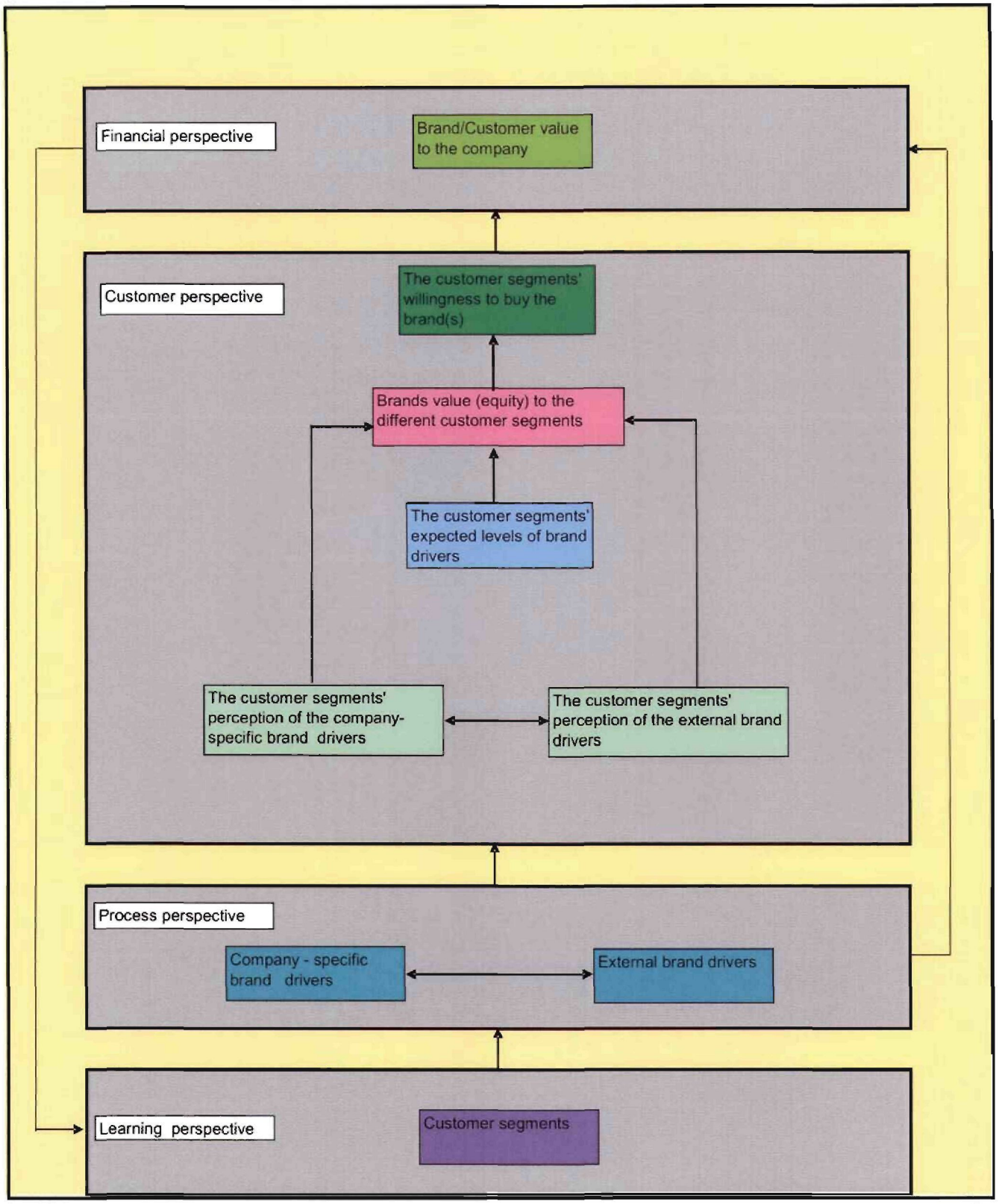
- It adds external brand drivers and shows how these external drivers may be partly turned into controllable drivers (processes).

- It analyses customer perspectives for multiple customer segments.

- It integrates a customer perspective.

The proactive nature of brand management is achieved by influencing customer perceptions of the company's and its external brand drivers. Integrating the learning perspective refers to the reactive nature of brand management. The Logical brand management model allows analysing the logical consistency of a company's brand strategy. The latter requires a perfect alignment within each of these perspectives (Logman, 2004:95).

Figure 2.3: Logical brand management model



Source: Logman (2004:98)

2.3.1 Company specific brand drivers

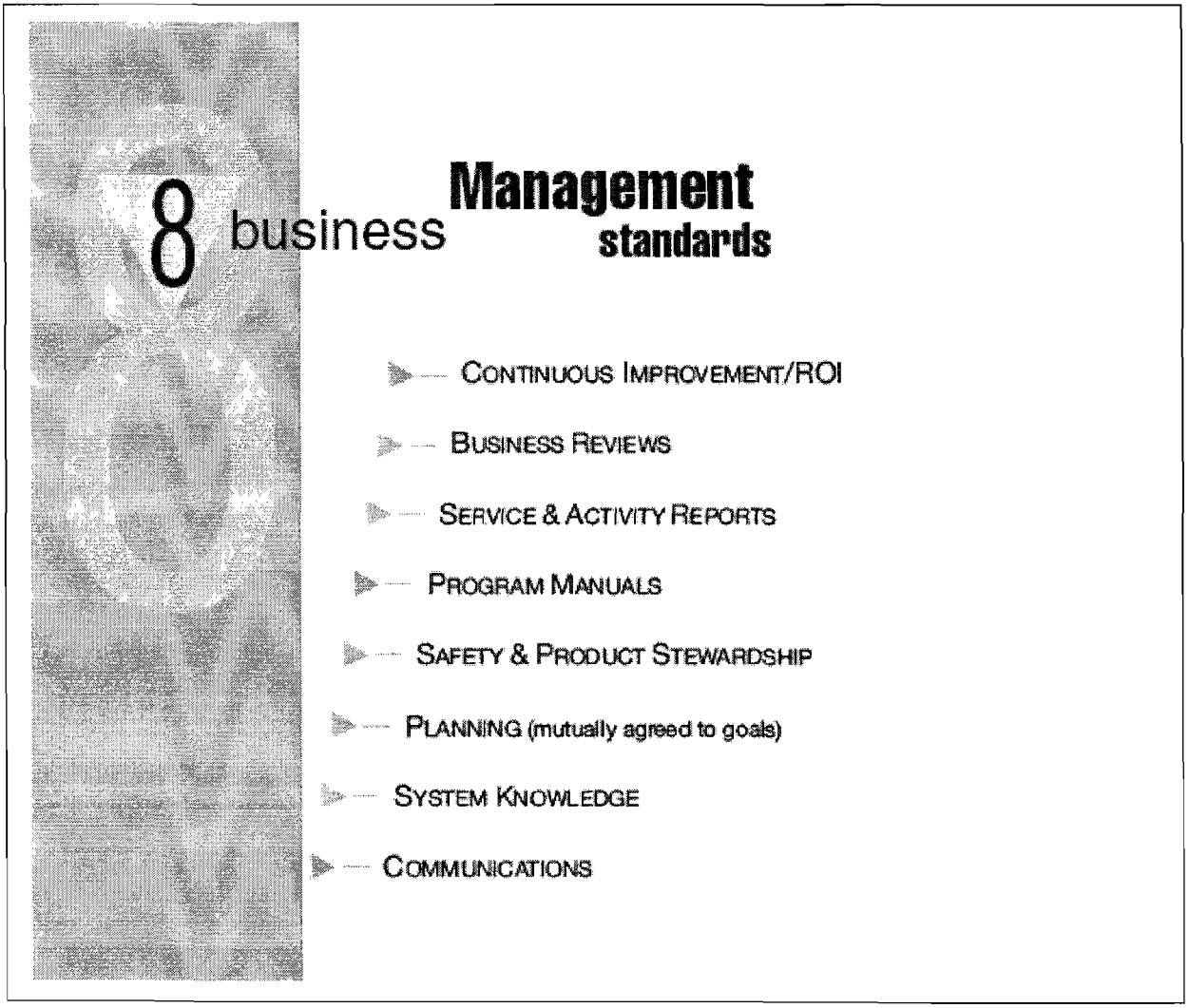
The company's specific brand drivers refer to its marketing mix instruments (Logman, 2004:89). Wise and Sirohi (2005:11) identified six guidelines that may identify and implement the marketing mix in order to grow a company:

1. *Set up the right scorecards* – to develop a clear and consistent set of metrics across marketing campaigns, business units and customer segments in order to make effective comparisons.
2. *Track and analyse* – to utilize historical data in understanding the key drivers and metrics.
3. *Don't be afraid to experiment* – historical analysis is limited in determining the ROI of previous investments. Utilizing controlled experiments will give better results in identifying new ideas pertaining to ROI.
4. *Keep both brand and revenues in mind* – investing in marketing, including metrics and analyses, should build brand equity (in the long run and for month-to-month gains).
5. *Look over the fence* – utilizing best practices may identify a company that does a good job of measuring and improving ROI.
6. *Build a "test and learn" culture* – Wise and Sirohi (2005:11) noted that success is dependent on a culture that encourages continuous feedback on processes and practices that cuts across departments and on people who collaborate in achieving the same goal.

Gaps/opportunities in the market may be identified by utilizing gap analysis. There may be a gap between the objective levels of the company's brand drivers and the perceived levels by customers (Logman, 2004:99). Graham (2007:49) noted that everything is temporary, thus no one marketing tactic will last and thus the marketing mix will constantly change. Based on the latter remark by Graham the emphasis should be the customer: "they are the experts" (Graham, 2007:49). The gaps (changes) in the market should be identified by focusing on customers' wants and needs.

In this study, Buckman Laboratories has done an extensive global survey of what is important to their customers. The results have been compiled in what is coined as the 8 Business Management Standards (brand drivers) (Figure 2.4):

Figure 2.4: Buckman Laboratories' 8 Business Management Standards



Source: Buckman Laboratories internal communication

In challenging the status quo, one of the objectives of this study was to determine if these brand drivers are sufficient to maintain sustainable growth in the specified market segments.

All brand drivers should be aligned to optimally influence customer perceptions (Logman, 2004:100). For example, Haynes *et al.* (1999:290) noted that if communication over-promises the brand's benefits, meaning that the real quality

level is lower than the one communicated to the customers, the latter will probably not buy the brand a second time.

To influence customers' perceptions of a company's brand drivers in order to minimize the gap between the objective and perceived levels of these drivers is a challenge, but to minimize the gap between customers' expected levels of these drivers and customers' perceived levels of these drivers, is something else. Kotler *et al.* (as quoted by Logman, 2004:98) noted that customers may perceive having minimum requirements with respect to certain levels of performance parameters; if these are not fulfilled, they may not even consider buying the brand. Customers may also have maximum requirements and at a certain point customers may perceive the extra effort to increase the performance level of a certain driver as redundant and thus perceive it as not adding value (Logman, 2004:98). Christensen (1997:143) described the latter phenomenon that a company may show a *performance excess* on certain drivers. The latter will often be accompanied by a shift of drivers after their expected performance level on a previous decision driver is reached.

2.3.2 External brand drivers

The external drivers in the Logman model refer to the competitive and market context in which the company's brand will be evaluated. This context may be controlled by the company to some extent by manipulating its customers' reference framework (Keller *et al.*, 2002:82). The frame of reference signals to consumers the goal they can expect to achieve by using the brand. Utilising the proper customer reference framework is important, because it dictates the types of associations that will function as points of reference. Keller *et al.* (2002:82) described the customers' reference framework as follows:

- The frame of reference is other brands in the same category;
- The frame of reference might be brands in desperate categories (for example, a soft drink, sports drink and iced tea, sharing the thirst-quenching framework); and
- The frame of reference may be shifted, based on a certain life-cycle stage of the product.

A company may also try to manage the environmental drivers of customers to its own benefit. According to Everett *et al.* (1994:100), not much is known about the dimensions customers use in evaluating aspects of the environment to its own benefit. Adapting to continuously changing environments, companies do not only educate themselves about the product itself, but also about the environment the product operates in (Waite *et al.*, 1999:32).

External drivers that have an influence on the Buckman Laboratories brand, as per this study, are:

- Compliance with black economic empowerment;
- Compliance with environmental legislation; and
- Global commodity prices.

2.3.3 Integrating customer equity criteria

In the process of brand strategy development companies should be aware of how their brand drivers are perceived by different customer segments. Inter-segmental conflicts should be avoided when integrating the different customer segments (Mitchell & Papavasiliou, 1999:325).

The Logman model employs the "house of quality" reasoning by following the idea that requirements that are used to meet specific needs, may reinforce (or counteract) each other (Akao, 1990:7). For example, by lowering its prices a company may attract new price sensitive customers, while at the same time negatively affect current customers (who may feel neglected) (Feinberg *et al.*, 2002:280).

Segments among the company's objectives with respect to the value that customers attribute to the brand should be logically aligned (Logman, 2004:99). This alignment is often measured by customer equity. Rust *et al.* (2000:57) identified three equity drivers:

1. Value equity, defined as customers' objective assessment of the usefulness of a brand, based on perceptions of what is given up for what is received;
2. Brand equity, defined as customers' objective and intangible assessment of the brand, above and beyond its objective perceived value; and
3. Retention equity, defined as the tendency of the customer to stick with the brand, above and beyond customers' objective and subjective assessments of the brand.

In an attempt to attract new customers, the company may focus on brand equity criteria such as brand awareness and brand associations (Keller as quoted by Logman, 2004:100). On the other hand, in trying to keep its customers, a company may focus on retention equity criteria such as customer lifetime (Pitt *et al.*, 2000:13). Of importance is that there should be logical consistency in the company's brand portfolio.

2.3.4 Integration of the learning perspective

The Logman model has an inherent reactive nature by integrating a learning perspective as in the Balanced Scorecard. More specifically, customer segmentation is perceived as a learning process. Customer segments may be refined all the time, based on the evaluation of the links between the process, customer and financial perspectives. Segments can be evaluated in terms of their sales revenue, total sales volume or potential profitability (Logman, 2004:100).

In continuously refining customer segments, the company moves from a segment-oriented approach to a one-on-one approach. When reaching customers over time, there should be consistency across all brand touch-points. Davis and Dunn (2002:53) define these touch-points as the different ways (actions) the brand interacts with the customer during the different stages of pre purchase, purchase and post purchase.

2.3.5 Innovation/growth detection tools

Various tools have been developed to detect and define growth opportunities from the company's perspective.

Ansoff's growth matrix is often used. By evaluating different product/market combinations, Ansoff (1965:99) defines the following four categories:

- Market penetration (growing within the current product/market combination);
- Market development (entering the new markets with existing products);
- Product development (developing new products within existing markets); and
- Diversification (developing new products in new markets).

Methods measuring growth potential of different product/market combinations have been discussed. Mandour *et al.* (as quoted by Logman, 2007:257) described the GE/McKinsey matrix in measuring product/market combinations in two dimensions: attractiveness and consumer strength. The attractiveness dimension covers external factors such as market size and growth rate, industry profit margins, intensity of competition, and so forth. The consumer strength dimension covers internal factors such as relative market share, possession of desirable core competencies, relative cost position, and more.

The GE/McKinsey matrix has been adapted to three dimensions (Creveling *et al.*, 2006:69):

- Real dimension (customer perspective: is there a potential for this new idea?);
- Win dimension (process perspective: can we do this?); and
- Worth dimension (financial perspective: is it worth doing this?).

Zook (2004:189) suggested that innovation should be applied in a context of adjacency moves, investing in current businesses, while simultaneously meeting new opportunities. Potential adjacency moves may not only be assessed in terms of market or product extensions, but also in terms of other processes (Logman, 2007:258):

1. New markets (geographies, customer segments); and
2. New processes (products or services, distribution channels, value chain links).

Kotler and Trias de Bes (2003:201) approached adjacency moves in the same manner, but adding additional components in their market definition focusing on customer needs, motivation and contexts:

1. New markets (target groups, customer needs/motivations, customer contexts); and
2. New processes (products and services, other marketing mix instruments).

2.3.6 Innovation based on customer value

Knowing customer needs and contexts are not the same as knowing how these needs and contexts are met by current offerings according to the customers' perceptions. Therefore another approach for detecting innovation or growth opportunities is to analyse and adjust the customer value (Logman, 2007:258). This approach may lead to continuous redefinition of customer segments and is referred to as value innovation (Kim & Mauborgne, 2004:180).

Growth and innovation can be achieved by making a lateral move at one of the following three levels:

1. Customer value level;
2. Process level; and
3. Customer segment level.

Logman (2007:261) noted that when one lateral move is made at one level, all other levels should be aligned.

2.3.7 Customer value perspective as integrated into the Logman model

The customer value perspective as described by Logman (2007:258) focuses on:

- Benefit and cost drivers;
- Importance and satisfaction rates;
- Customer jobs in all stages of the buying and experience cycle; and
- Functional and emotional benefits.

Logman (2007:258) noted that customer value can be measured as the difference between the weighted positions on benefit drivers minus the weighted position on cost drivers (both relative to the competition). Benefit drivers refer to product and service benefits, while cost drivers refer to costs of acquisition, usage, maintenance, and so forth. Cost drivers may cover timing aspects (reaction time) and risks (Logman, 2007:258). The weighted position of a brand on these drivers may be calculated by multiplying "importance" and "satisfaction" rates that are attached by customers to these brand drivers (Best, 2005:115). Logman (2007:258) noted that it is important to consider that cost and benefit drivers as the two brand driver categories of customer value will often interact in the customer's mind. Thus, the objective brand drivers should stay aligned with customers' subjective brand perceptions (Logman, 2004:103).

Customer value may be analysed in terms of importance and satisfaction rates. The effect of the latter will identify and drive various growth and innovation options (Logman, 2007:258). For example, some brand drivers may be eliminated or some may be invested more when taking into account their importance and satisfaction rates (Keller Johnson, 2003:4).

Value innovation may lead to the cutting back of some brand drivers and adding new brand drivers (Logman, 2007:259). Applying value innovation implies that a company should explore across industries, strategic groups within industries, the chain of buyers, across complementary products and services offerings (Logman, 2007:260).

Various methods may be utilized in assessing brand drivers in terms of their importance and satisfaction rates. The Kano method may be utilized (Best, 2005:102). In this method the following distinctions are made between:

- "Must be" drivers to which the customer will remain neutral, but have to be present as a price of entry in the market;
- "Performance" drivers, that are directly correlated to customer satisfaction;
- "Delightment" drivers, where satisfaction on behalf of customers will not decrease if the brand lacks these features, but where satisfaction will increase if the brand possesses them;
- "Reverse" drivers referring to features customers do not want and therefore showing a negative impact on customer satisfaction; and
- "Indifferent" drivers, referring to features that the customer does not really care about.

Logman (2007:258) noted that there is a continuous interaction between the importance and satisfaction rates of brand drivers. As satisfaction rates of some brand drivers increase, the importance rates attached to these drivers may increase as well when customers make future purchases. Also, as customers attached more importance to a certain driver, they may expect higher satisfaction when making future purchases.

Christensen (1997:155) noted that when improving certain brand drivers, the gap between customer expectations and the brand performance may become smaller, or may even lead to where performance exceeds expectations.

Ulwick (2002:95) developed a method to rate innovation opportunities by utilizing satisfaction and importance rates. By utilizing the classical gap analysis, the differences between importance and satisfaction rates are often used to detect the driver with the biggest improvement margin. The latter may still lead to a situation where two drivers may show similar innovation potential. The Opportunity Algorithm, as described by Ulwick (2002:96), utilizes importance rates twice in his formula, thus to attach a higher weight to the importance rate of a driver. In previous approaches,

brand drives with high importance rates among customers, were focused on when assessing customer value improvements. However, in some cases brand drivers with initially low importance rates may have considerable innovation potential as well. The company itself can reinforce the customer feeling and therefore manipulate the importance rate by continuously referring to external (environmental) brand drivers.

Clancy *et al.* (2006:117) utilize customer dreams to find real innovation opportunities. This approach focuses importance rates more to the emotional association for the customer than the rational association of certain brand drivers.

The discrepancy between satisfaction and importance or desirability rates form a good innovation basis, but also the discrepancy between the satisfaction rates of different competitive offerings should be taken into account (Logman, 2007:261). By utilizing the latter, a company may change its brand drivers in an effort to become more unique, or to combine the strengths of some of its competitors. The aforementioned may even lead to reaching customer segments with new offerings.

Christensen *et al.* (2005:78) noted that innovation and growth opportunities from a customer point of view may be redefined by looking at how the brand drivers may influence value by evaluating the customers' job. Thus, it not just evaluates, for instance, product features but also evaluates the outcomes of these features. It is of importance to assess cost and brand drivers in terms of all stages of the buying and experience cycle to drive innovation (Kim & Mauborgne, 2000:130). Gladwell (2000:256) described these stages as the customer stages before, during and after the buying transaction and that in all of these stages, a small innovation may make a big difference.

Logman (2007:260) also noted that it is not necessary to be excellent in all brand drivers. Successful companies often are excellent in one brand driver, very good at a second, while simply "satisfying" the typical "must be" drivers (Crawford & Matthews as quoted by Logman, 2007:260). Growth and innovation opportunities are often based on improvement of functional features and benefits (Logman, 2007:260).

In this study, the following benefit and cost drivers have been identified that have an influence on the Buckman Laboratories brand:

- Product quality;
- Technical support;
- Knowledge sharing;
- Product innovation;
- Responsible handling of chemicals;
- Continuous improvement;
- On-time delivery;
- Product application technology;
- Alliance partners;
- Ethical business conduct;
- Knowledge-able people;
- Holistic product/service offering;
- Trustworthy business partner;
- Product cost;
- Inventory cost;
- Service cost; and
- Equipment cost.

2.3.8 Integration of the segmental perspective

The segmental perspective as described by the Logman model is based on customer segments. Innovating by continuously adjusting customer value may lead to new customer segments (Logman, 2007:261). Companies should not only focus on the most demanding customers by offering sophisticated expensive products, but also on less demanding customers by offering cheaper and more convenient products (Christensen *et al.*, 2005:75). The "disruptiveness" of such innovations refers to the extent an emerging segment experiences value in the innovation at the time of the introduction (and not the mainstream segment). Markides (2006:22) also noted that such innovation will not always completely overtake the traditional way of competing.

Table 2.1 summarizes some literature regarding value innovation (Mattyssens *et al.*, 2006:753):

Table 2.1: Concept of value innovation in literature

Author	Terminology	Definition	Key dimensions	Level of analysis	Recommendations
Markides	'Strategic innovation'	A fundamental re-conceptualisation of what the business is all about that, in turn, leads to a dramatically different way of playing the game in an existing business.	• New strategic position: identification of 'gaps' in the industry positioning. • New market segmentation, production system or distribution system. • Continuous experimentation.	Organisation	• Fundamental questioning of the way the business is done today. • Escape existing assumptions and stereotypes. • Innovative culture.
Kim and Mauborgne	'Value innovation'	Value innovation makes the competition irrelevant by offering fundamentally new and superior customer value in existing markets and by enabling a quantum leap in buyer value to create new markets.	• No technical innovation. • Link innovation to mass market. • Firm's stock of knowledge.	Organisation	• New focus of corporate strategy (no conventional focus/context). • Redefinition of problem (not of solution). • Combine with other companies' capabilities. • Not at expense of other players.
Normann and Ramires	'Value constellation'	(No formal definition)	• Reconfiguration of roles and relationships among a constellation of actors. • Pooling and reallocating competencies, activities and roles with as many parties as necessary. • Value reinventing (no value adding). • Offering (no product/service) customers of all parties should be pleased.	Value chain	• Better link knowledge base (competencies) and social relations (customer base and other parties). • Continuous dialogue with customers.
Hamel	'Strategy innovation'	The capacity to re-conceive the existing industry model in ways that create new value for customer, wrong-foot competitors and produce new wealth for all stakeholders.	• Reinvent entire industry model. • Capture disproportionate share of industry wealth creation.	Organisation	• Focus on preconditions of strategy, i.e. strategy conduct (no strategy content). • Order without careful crafting (i.e. order from simple, deep rules).

Pitt and Clark	'Strategy innovation'	The purposeful orchestration and directed application of organisational skills and knowledge.	• Industry revolution • Focus on strategy process-aspects. • Management of strategic innovation in 3 domains: entrepreneurial (product/market), engineering (technological), administrative and 'direction of innovation domain' • Two counter-acting knowledge progression cycles. • *Knowledge orchestration* leads to out-competencing (no competing)	Organisation	• New voices, new conversations, new passions, new perspectives, new experiments. • Fluid, directed yet adaptive learning with awareness of evolutionary precepts. • Strategy open-ended, inductive, synthetic and reflexive. • Balance conflicting resource constraints and innovation priorities convincingly within and among innovation domains.
Tucker	'Strategy innovation'	Discover new business models and new ways to create value for customers.	• Desire to grow • Customer value • Do more with products and services than in the past.	Organisation	• Look for opportunities: in market positioning, customer outsourcing, understanding customer needs, reinventing your business model, redefining value added, distribution channels.
Christensen *et al.*	'Disruptive innovation'	The creation of entirely new markets and business models.	• Search for ways to compete against non-consumption. • Disrupting the industry leader business model.	Organisation	• Start in good times. • Establish an aggregate project plan. • Train people in distinguishing between sustaining and disruptive ideas. • Create process for shaping disruptive business plans.

Source: Matthyssens *et al.* (2006:753)

Matthyssens *et al.* (2006:753) provide other examples of value innovation in various industries.

Logman (2007:261) warns that evolving to new customer segments by adjusting customer value implies some important risks. A risk could be that posterior segments that spontaneously occur may become different to the previous customer segments the brand focused on.

Another risk by adapting segments by value innovation may be that some customers may perceive some competitive brands as alternatives (Logman, 2007:262). Attempting to be excellent in some specific brand drivers while performing moderately at others, may restrict the customer base that can be reached over time. A key challenge is to find and adjust brand drivers that reach several customer segments (Logman, 2007:262).

2.3.9 Integration of the internal and external process perspective

Value innovation has some important internal process implications and restrictions. Adjustment to the external customer value should be translated into proper adjustments to the internal processes of the value chain (Logman, 2007:262). It is important to translate the external customer values to similar internal values (Logman, 2007:262). The importance for this internal perspective, for example the internal passion for the brand, has been extensively discussed in literature (Krake, 2005:229).

External and internal alignment should be sought:

- Among supplied service levels of dealers and demand service levels by customers (Avila *et al.*, 1995:262); and
- With other complementary players in the market (Franke & Piller, 2004:410).

In a business to business context, creating customer value means that value has to be created for all players in the value chain (Loren, 2004:3). Providing value to

subsequent players in the value chain also means helping them to become more profitable and efficient (McGrath & McMillan, 2005:86). Thus, it is clear that external and internal drivers should be aligned (Logman, 2004:100).

2.3.10 Integration of the financial perspective

Innovation opportunity should also be assessed in terms of the financial implications (Logman, 2007:262).

Value innovation may lead to different implications in terms of attraction rate (the number of new customers), loyalty rate and intensity rate (share of the market) of existing customers, profitability, and more. It is therefore essential to monitor value innovation of new and existing customers in terms of their financial implications (Reinhartz & Kumar, 2002:92; Carlotti *et al.*, 2004:29). It is important to find balance between growth in sales volume and growth in profitability. Value innovation may contribute to both objectives (Logman, 2007:263).

The financial implications (such as profitability) will be highly influenced by the internal process implications of innovation (such as speed of development). This link will be dependent, for example, on the level of product innovativeness (Langerak & Hultink, 2006:205).

Important financial metrics, based on value based management principles, are economic value added (EVA$^{@}$), net-present value (NPV) and customer lifetime value (CLV). EVA$^{@}$ may be explained by referring to the value drivers that comprises EVA$^{@}$ (Young & O'Byrne, 2001:17). Young and O'Byrne (2001:17) view the following seven value driver groups as essential in calculating EVA$^{@}$:

- Sales growth;
- Operating profit margin;
- Income tax rate;
- Working capital investment;
- Fixed capital investment;

- Cost of capital; and
- Forecasted growth rate.

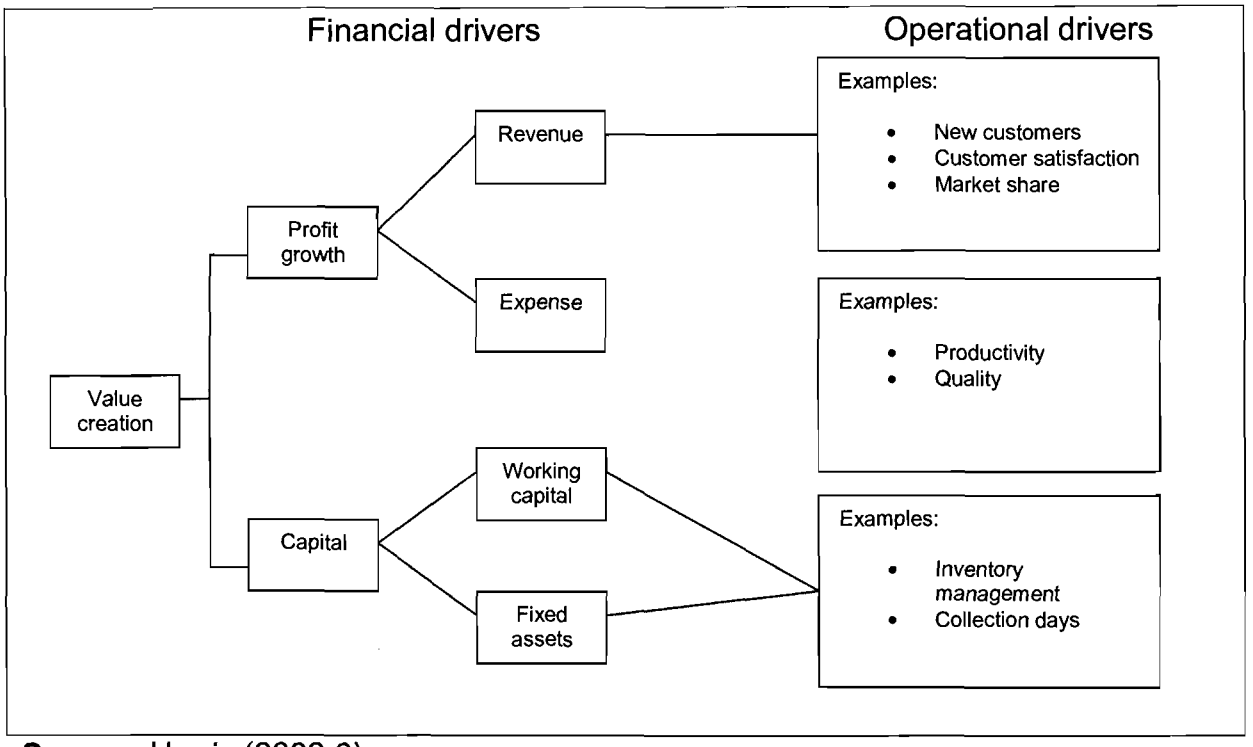
Financial value drivers may be easier interpreted by utilizing value maps (Martin & Petty, 2000:70) and value trees (Harris, 2002:3). Figures 2.5 and 2.6 are illustrations of value maps and value trees respectively.

Figure 2.5: Value map financial drivers

<table>
<tr><td>Market size</td><td rowspan="3">Revenues</td><td rowspan="5">Cash profit</td><td rowspan="8">Cash flow from operations</td><td rowspan="11">Business unit value</td></tr>
<tr><td>Market share</td></tr>
<tr><td>Sales mix</td></tr>
<tr><td>Retail prices</td><td rowspan="3">Operating margin</td></tr>
<tr><td>Staffing levels</td></tr>
<tr><td>Wage rates</td></tr>
<tr><td>Tax structures</td><td>Taxes</td></tr>
<tr><td>Inventory</td><td rowspan="2">Working capital</td><td rowspan="5">Investment required to support operations</td></tr>
<tr><td>Receivables/Payables</td></tr>
<tr><td>Plant life</td><td rowspan="3">Capital expenditure</td></tr>
<tr><td>Maintenance</td></tr>
<tr><td>Scale of operations</td></tr>
<tr><td>Cost of equity</td><td rowspan="3">Cost of Capital</td><td rowspan="3">Discount rate</td><td rowspan="3">Discount rate</td></tr>
<tr><td>Cost of debt</td></tr>
<tr><td>Leverage</td></tr>
</table>

Source: Martin and Petty (2000:69)

Figure 2.6: Value tree financial drivers



Source: Harris (2002:6).

Customer lifetime value (CLV) may be utilized as a metric to provide a holistic understanding of the various drivers at a customer level that have an impact on the overall value creation within the organisation. Understanding customer value will impact and steer the actions of an organisation. CLV provides the worth of a customer now, based on predicted future transactions and costs (Ryals & Knox, 2005:458). According to Cokins and King (2005), the following actions can be taken on the customer base if the underlying driver knowledge is available:

- Decrease the cost to serve per customer;
- Introduce new charges or re-price expensive cost to serve activities;
- Introduce more profitable products and services to existing customers;
- Abandon non-profitable products and services;
- Focus on efficiencies, not only realising efficiencies on business processes but also providing discounts for more businesses to lower cost to serve customers; and
- Focus on up-selling or cross-selling of higher margin products to the existing customers.

According to Hughes (2003), the lifetime value of a customer is the net-present value (NPV) of the profit that should realise for an average customer for a set number of years. The management of NPV on the customer base should be one of the key measurements. According to Cokins and King (2005), CLV is a tool that can be used not only to understand the potential value of customers and how they impact the core value drivers of the organisation, but can also assist in making decisions where trade-offs need to be made between short-term profits and long-term investment for future growth prospects. CLV is therefore a view of potential value creation in the future. The CLV calculation should reflect the following:

- The impact on the cash flow of the organisation;
- It should also reflect the impact on the value of future periods, discounted for the time value of money; and
- Within the discount rate, the cost of capital and associated risk should be included to reflect the true value of the customer or product over a lifetime.

Logman (2004:101) suggests that adjustment of brand drivers when pursuing value innovation should be aligned with financial objectives and restrictions.

2.4 SUMMARY

The market of today is continually changing due to various influences. Logman has developed the Logical brand management model to assist brand/marketing managers to adjust a company's marketing strategy and aligning the strategy to the volatile market conditions. Logman's model may be specifically utilised to audit the brand and identify opportunities based on value innovation principles.

The Logical brand management model's foundation is based on Kaplan and Norton's Balanced Scorecard and Boston Consulting Group's brand value creation method. Logman's model utilises brand/cost drivers to create a framework for innovative and responsible growth in today's market. The model integrates the following perspectives:

- The customer value perspective that place emphasis on benefit and cost drivers, on the importance of customer satisfaction rates, on the jobs that customers do for themselves in all cycles of the buying cycle, and on the functional and emotional benefits.

- The segmental perspective. Brand drivers to consider under this perspective are not only those focusing on the most demanding customer groups, but there may be much to be gained from servicing less demanding customers (thus the marketing mix). The market may define its own segments, such as unintended segments that are not focused on.

- The internal and external process perspective integrates the external market influences on the internal operations of the company. Companies that excel by having processes in place that are able to bring into the company the needs of the customer also need to be mindful of the impact of external change on the internal processes and the need to adjust.

- The financial perspective is a holistic view. This perspective is about the financial implications of attracting customers as well as the cost of innovation.

In this study the Logical brand management model was specifically applied in terms of the customer perspective. Brand and cost drivers were identified from the company's and customers' perspective to identify opportunities in the current market segments (pulp and paper, water and leather). Metrics to be utilized were traditional gap analysis as well as the Opportunity Algorithm from Ulwick. Of importance was the consistent alignment of the model with Buckman Laboratories' strategy.

The next chapter reports on the research methodology and results of the empirical research.

CHAPTER 3

RESEARCH METHODOLOGY AND RESULTS

3.1 INTRODUCTION

This chapter identifies the methodology (and application thereof) used to determine if the Logical brand management model developed by Logman (2004, 2007), provided a model to strategically manage the Buckman Laboratories brand and identify innovation opportunities.

The data collected have been analysed to determine differences (gaps) between:

1. Buckman Laboratories' internal perception to which extent certain brand drivers will increase the company's sustainable competitive advantage versus the customers' perception to which of these brand drivers are *important;* and
2. Customer *satisfaction* related to Buckman Laboratories versus the competition.

The Opportunity Algorithm (Ulwick, 2002:96) has been calculated to identify *innovation* opportunities. In conjunction with the latter, the difference between brand and cost drivers have been calculated to determine which of the drivers add the most *value* to the brand.

To determine the customers' *willingness to buy* the brand, the difference between brand and cost drivers, in relation to the perception of the customers' perception of the competition, has been calculated.

After determining the brand drivers that will mostly influence customers' willingness the buy the brand, a diagrammatical representation of the Logical brand management model was constructed.

3.2 RESEARCH METHODOLOGY

Data were collected by means of structured e-mail surveys (Appendix A). The data collected represents the internal (Buckman Laboratories' staff) and external (customer) opinions of certain pre-determined brand and cost drivers. The internal and external surveys consisted of the following brand and cost drivers: product quality, technical support, knowledge sharing, product innovation, responsible handling of chemicals, continuous improvement, on-time delivery, product application technology, alliance partners, ethical business conduct, knowledge-able people, holistic product/service offering, trustworthy business partner, product cost, inventory cost, service cost, equipment cost, black economic empowerment compliance, compliance with environmental legislation and global commodity influences. The external survey determined the customer perception of these brand and cost drivers in terms of importance and satisfaction (in relation to Buckman Laboratories and the competition).

The sample consisted of Buckman Laboratories employees for the internal survey. A total of 44 surveys were received. The external sample, as represented by the customers, had a response of 15 completed surveys.

3.3 RESULTS

The results are represented under the following headings: gap analysis of the importance rates of the brand drivers, gap analysis of the satisfaction rates of the brand drivers, identification of innovation opportunities, identification of the drivers adding the most value to the brand, the identification of the drivers that will be responsible for customers' willingness to buy the brand, and a model for the innovative brand management for Buckman Laboratories.

3.3.1 Gap analysis of the importance rate of the brand drivers

The average and standard deviation values of the internal and external surveys were determined. A gap per driver (Table 3.1) was calculated by the difference of the average value per driver as determined internally (Buckman Laboratories' personnel) and externally (the customers' perception of which drivers are important). Ranking of gaps were done by dividing the driver with the highest average into all the other drivers. The reason for the latter is for easier visual reference.

Table 3.1: Gap analysis of the brand drivers in terms of importance rates

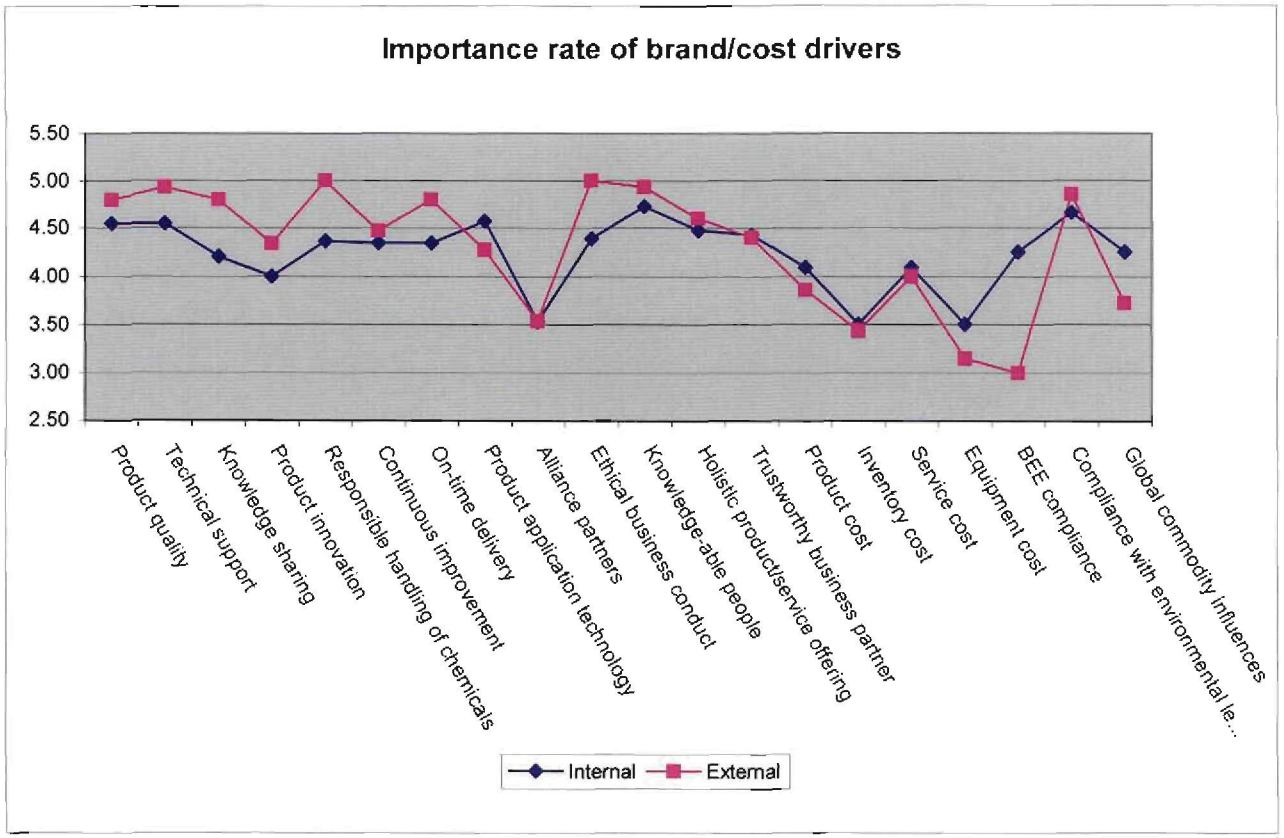
Driver	Buckman Laboratories		Customer importance		Gap	Ranked
	Score	Standard deviation	Score	Standard deviation		
Product quality	4.55	0.93	4.80	0.77	0.25	0.40
Technical support	4.55	1.02	4.93	0.26	0.39	0.61
Knowledge sharing	4.20	0.85	4.80	0.56	0.60	0.94
Product innovation	4.00	1.16	4.33	0.90	0.33	0.52
Responsible handling of chemicals	4.36	1.18	5.00	0.00	0.64	1.00
Continuous improvement	4.34	0.96	4.47	0.83	0.13	0.20
On-time delivery	4.34	0.99	4.80	0.41	0.46	0.72
Product application technology	4.57	0.90	4.27	0.96	-0.30	-0.47
Alliance partners	3.52	1.59	3.53	1.64	0.01	0.02
Ethical business conduct	4.39	1.22	5.00	0.00	0.61	0.96
Knowledge-able people	4.73	0.76	4.93	0.26	0.21	0.32
Holistic product/service offering	4.48	1.13	4.60	0.83	0.12	0.19
Trustworthy business partner	4.73	1.17	4.40	1.35	-0.33	-0.51
Product cost	4.09	1.22	3.86	1.41	-0.23	-0.37
Inventory cost	3.50	1.28	3.43	2.06	-0.07	-0.11
Service cost	4.09	1.22	4.00	1.52	-0.09	-0.14
Equipment cost	3.50	1.28	3.14	1.79	-0.36	-0.56
BEE compliance	4.25	1.16	3.00	1.71	-1.25	-1.96
Compliance with environmental legislation	4.66	0.81	4.86	0.53	0.20	0.31
Global commodity influences	4.25	1.16	3.71	1.54	-0.54	-0.84

The five largest gaps perceived as more important by the customer than by Buckman Laboratories (Figure 3.1) are: responsible handling of chemicals (1.00), ethical business conduct (0.96), knowledge sharing (0.94), on-time delivery (0.72), technical

support (0.61), and product innovation (0.52). The perception of the brand can thus be improved by strategically focusing on the previously mentioned drivers. Interesting though is the small gap relating to product cost (-0.37) which may be indicative of an optimal pricing strategy.

The largest gaps perceived as more important by Buckman Laboratories than by the customer (Figure 3.1) are black economic empowerment (-1.96) and global commodity influences (-0.84). Resources may be utilized more efficiently in other areas, or the customers' perception may be influenced by communicating the importance of these factors more efficiently.

Figure 3.1: Depiction of the gap analysis of importance rates



3.3.2 Gap analysis of the satisfaction rates of the brand drivers

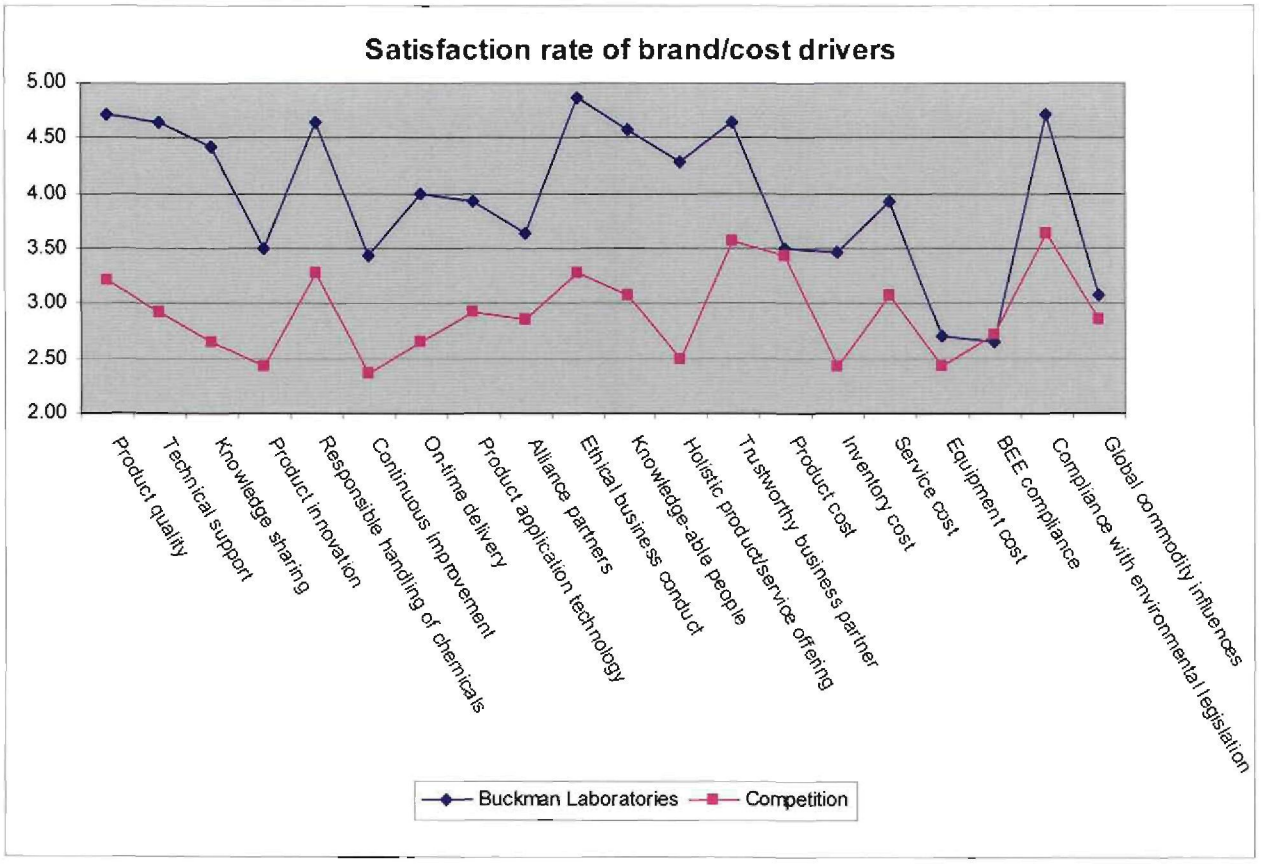
The average and standard deviation values of the selected drivers of the customers' perception of Buckman Laboratories versus the competition were determined. A gap per driver was calculated by the difference of the average value per driver as shown in Table 3.2. Ranking of gaps were done by dividing the driver with the highest average into all the other drivers. The reason for the latter is for easier visual reference.

Table 3.2: Gap analysis of the brand drivers in terms of satisfaction rates

Driver	Customer satisfaction (Buckman Laboratories)		Customer satisfaction (Competition)		Gap	Ranked
	Score	Standard deviation	Score	Standard deviation		
Product quality	4.71	0.47	3.21	1.89	1.50	0.84
Technical support	4.64	0.50	2.93	1.90	1.71	0.96
Knowledge sharing	4.43	0.76	2.64	1.78	1.79	1.00
Product innovation	3.50	1.74	2.43	1.95	1.07	0.60
Responsible handling of chemicals	4.64	0.84	3.29	2.05	1.36	0.76
Continuous improvement	3.43	1.45	2.36	1.78	1.07	0.60
On-time delivery	4.00	1.52	2.64	2.06	1.36	0.76
Product application technology	3.93	0.92	2.93	1.64	1.00	0.56
Alliance partners	3.64	0.74	2.86	1.66	0.79	0.44
Ethical business conduct	4.86	0.36	3.29	2.05	1.57	0.88
Knowledge-able people	4.57	0.51	3.07	1.77	1.50	0.84
Holistic product/service offering	4.29	0.91	2.50	1.74	1.79	1.00
Trustworthy business partner	4.64	0.63	3.57	1.74	1.07	0.60
Product cost	3.50	1.02	3.43	1.70	0.07	0.04
Inventory cost	3.46	1.81	2.43	1.83	1.03	0.58
Service cost	3.92	1.12	3.07	2.13	0.85	0.48
Equipment cost	2.69	1.89	2.43	2.21	0.26	0.15
BEE compliance	2.64	1.82	2.71	1.64	-0.07	-0.04
Compliance with environmental legislation	4.71	0.61	3.64	1.82	1.07	0.60
Global commodity influences	3.07	1.94	2.86	1.79	0.21	0.12

The overall satisfaction rates of the customer in relation to the selected drivers are perceived as positive for Buckman Laboratories. Product cost and black economic empowerment are not perceived by the customer as differentiating drivers for the brand.

Figure 3.2: Depiction of the gap analysis of satisfaction rates



3.3.3 Identification of innovation opportunities

Innovation opportunities were identified by means of the Opportunity Algorithm as developed by Ulwick (2002). The Opportunity Algorithm has been developed to assist companies to uncover and prioritize the most promising product and service opportunities. The formula used is:

Importance + (Importance-Satisfaction) = Opportunity (refer to Appendix B for calculations)

Table 3.3: Results of the identification of innovation opportunities

Driver	Innovation oppertunities	Ranked
Product quality	4.89	0.87
Technical support	5.22	0.93
Knowledge sharing	5.17	0.92
Product innovation	5.17	0.92
Responsible handling of chemicals	5.36	0.96
Continuous improvement	5.50	0.98
On-time delivery	5.60	1.00
Product application technology	4.60	0.82
Alliance partners	3.42	0.61
Ethical business conduct	5.14	0.92
Knowledge-able people	5.30	0.95
Holistic product/service offering	4.91	0.88
Trustworthy business partner	4.16	0.74
Product cost	4.21	0.75
Inventory cost	3.40	0.61
Service cost	4.08	0.73
Equipment cost	3.59	0.64
BEE compliance	3.36	0.60
Compliance with environmental legislation	5.00	0.89
Global commodity influences	4.36	0.78

It is important to note that the Opportunity Algorithm overcome limitations associated with traditional gap analysis. Opportunity is thus associated with greater importance as opposed to equal opportunities based on importance and satisfaction.

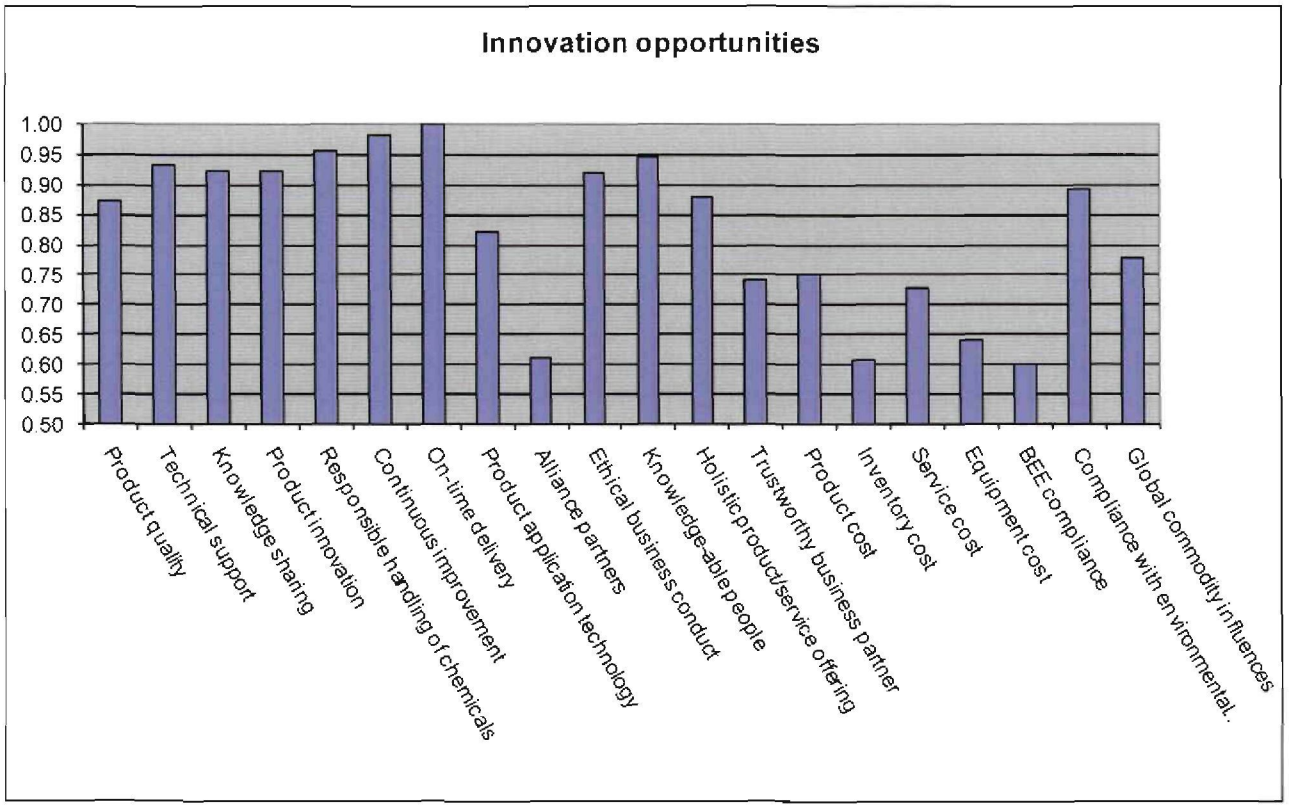
The results thus indicate that the following drivers (as depicted in Figure 3.3) may be included into Buckman Laboratories' innovative growth strategy:

- On-time delivery;
- Continuous improvement;
- Responsible handling of chemicals;
- Knowledge sharing;
- Technical support;
- Product innovation;
- Knowledge-able people;
- Compliance with environmental legislation;
- Ethical business conduct;
- Holistic product/service offering;
- Product quality; and
- Product application technology.

The practical implication is thus to utilize these opportunities to innovatively grow the business. The driving force behind these opportunities is the weighted difference between what the customer perceives as important and to what extent the customer is satisfied, or, otherwise, coined as value innovation (refer to section 2.3.7).

Cost drivers, such as product price, should always be taken into account. Although the results indicate that cost weighs on average relative to the abovementioned drivers, it does not indicate that it is not important.

Figure 3.3: Depiction of the innovation opportunities



3.3.4 Identification of the drivers adding the most value to the brand

Section 2.3.7 refers to the mechanisms associated with the Logman model in determining the drivers that are valuable to the brand from the customers' perspective. In conjunction with the Opportunity Algorithm, the driving force behind brand value was determined. The driving force, V-P (benefit drivers – cost drivers), was calculated using the weighted values as determined by the Opportunity Algorithm. These values (drivers) have then been ranked relatively to one another.

The abovementioned step may also be interpreted as a filter to determine which of the opportunities identified are perceived as valuable from the customers' perspective.

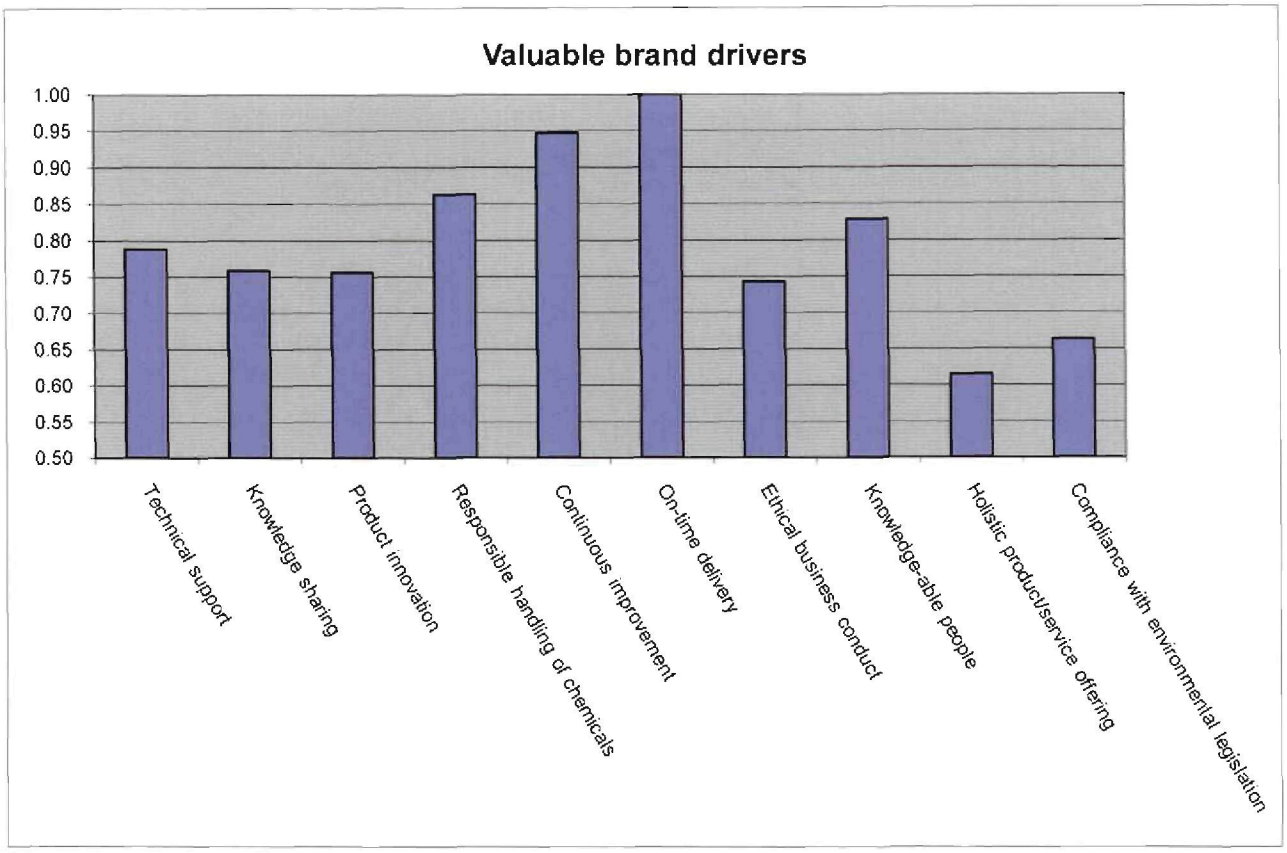
Table 3.4: Valuable brand drivers from the customers' perspective

Driver	Valuable brand drivers (ranked)
Product quality	0.60
Technical support	0.79
Knowledge sharing	0.76
Product innovation	0.76
Responsible handling of chemicals	0.86
Continuous improvement	0.95
On-time delivery	1.00
Product application technology	0.44
Alliance partners	-0.22
Ethical business conduct	0.74
Knowledge-able people	0.83
Holistic product/service offering	0.61
Trustworthy business partner	0.19
Product cost	0.00
Inventory cost	0.00
Service cost	0.00
Equipment cost	0.00
BEE compliance	-0.26
Compliance with environmental legislation	0.66
Global commodity influences	0.30

On-time delivery (1.00), continuous improvement (0.95), responsible handling of chemicals (0.86) and knowledge-able people (0.83) are the brand drivers perceived by customers as being valuable in the specialty chemical industry served by Buckman Laboratories (Figure 3.4).

The brand management process, as described by Logman (2007), incorporates another level: the customers' willingness to buy the brand. On what brand drivers should Buckman Laboratories focus on to convince the customer to buy?

Figure 3.4: Depiction of the valuable brand drivers



Regarding the valuable brand drivers, a number of drivers have been omitted from the figure above due to unimportance (value < 0.5). (See also table 3.4). These drivers are:

- On-time delivery;
- Continuous improvement;
- Responsible handling of chemicals;
- Knowledge-able people;
- Technical support;
- Knowledge sharing;
- Product innovation;
- Ethical business conduct;
- Compliance with environmental issues; and
- Holistic product offering.

3.3.5 Identification of the drivers that will be responsible for customers' willingness to buy the brand

The customers' willingness to buy the brand is the highest level to be obtained as described by the Logical brand management model. The driving force behind the latter is the difference of brand drivers related to competitive or previous offerings (ΔV-ΔP). Thus, the difference perceived from the customers' perspective between Buckman Laboratories and the competition has been calculated to determine the customers' willingness to buy the brand (refer to Appendix B).

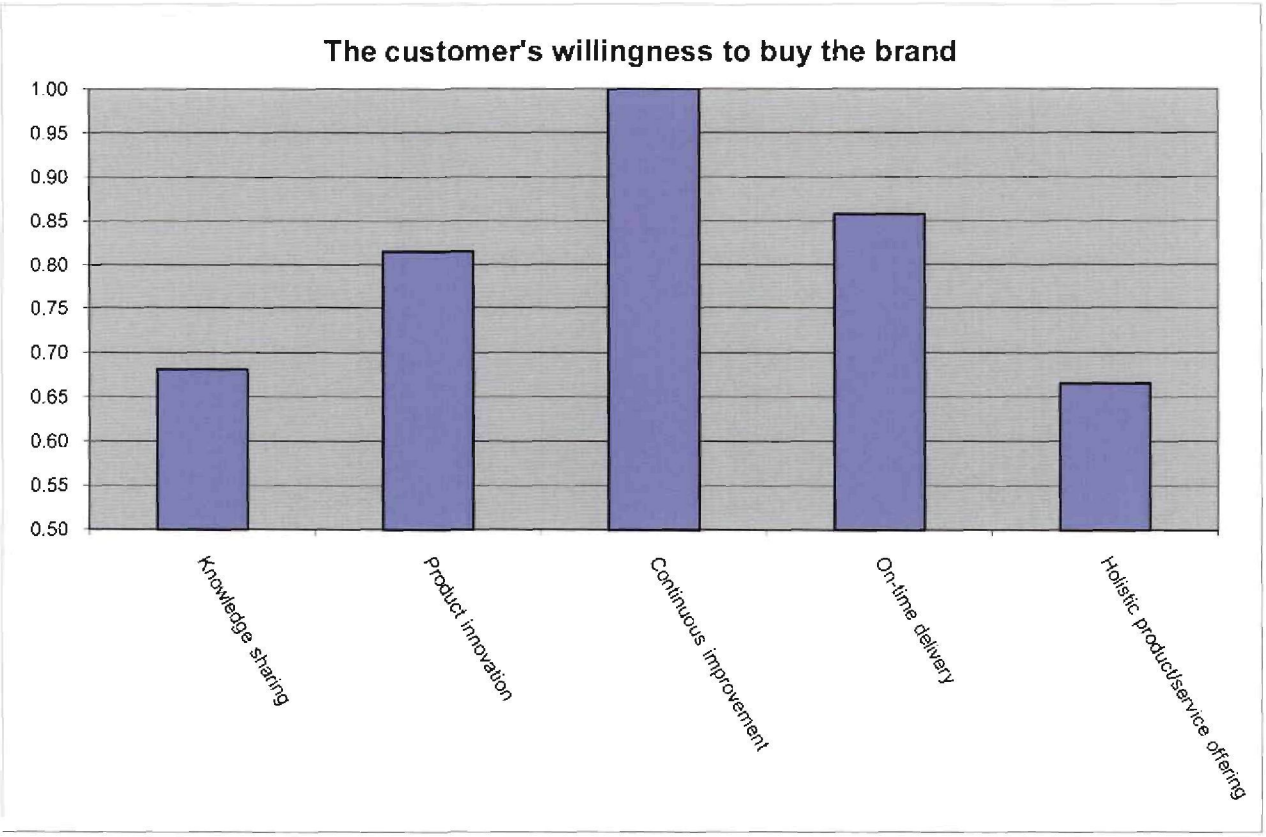
Table 3.5: Customers' willingness to buy the brand

Driver	Willingness to buy brand (ranked)
Product quality	0.20
Technical support	0.52
Knowledge sharing	0.68
Product innovation	0.82
Responsible handling of chemicals	0.35
Continuous improvement	1.00
On-time delivery	0.86
Product application technology	0.27
Alliance partners	-0.17
Ethical business conduct	0.26
Knowledge-able people	0.46
Holistic product/service offering	0.67
Trustworthy business partner	-0.32
Product cost	0.00
Inventory cost	0.00
Service cost	0.00
Equipment cost	0.00
BEE compliance	-0.11
Compliance with environmental legislation	-0.02
Global commodity influences	0.21

Taking the influence of the competition into account, the following brand drivers will convince the customer to buy the Buckman Laboratories brand (Figure 3.5):

- Continuous improvement (1.00);
- On-time delivery (0.86);
- Product innovation (0.82);
- Knowledge sharing (0.68); and
- Holistic product/service offering (0.67).

Figure 3.5: Customers' willingness to buy the brand



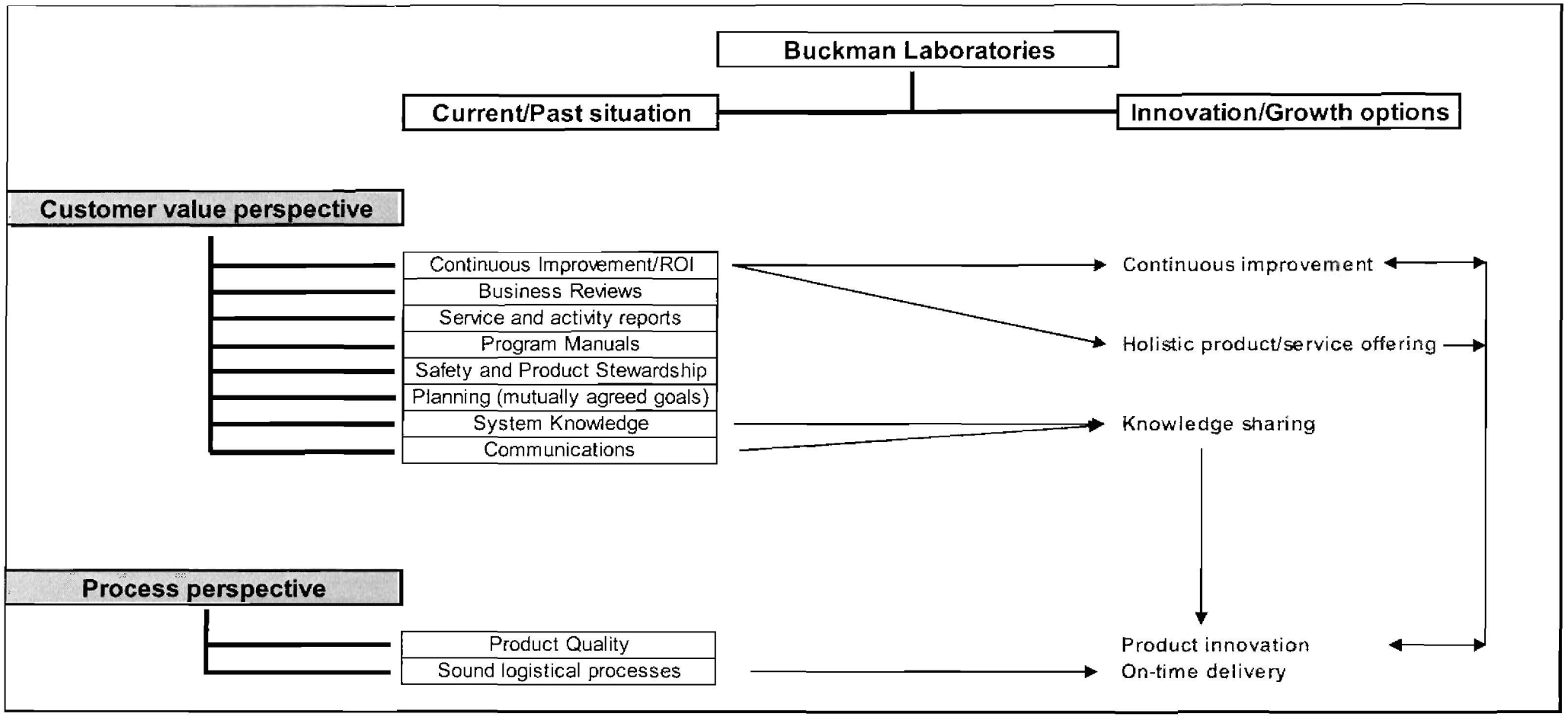
Regarding the drivers that will convince the customers to buy the brand, a number of drivers have been omitted from the figure above due to unimportance (value = 0). (See also table 3.5). These drivers are:

- Continuous improvement;
- On-time delivery;
- Product innovation;
- Knowledge sharing; and
- Holistic product/service offering.

3.3.6 Model for the innovative brand management for Buckman Laboratories

The results obtained through the implementation of the Logical brand management model indicated certain brand drivers that will ensure innovative growth of the brand (Figure 3.6). Continuous improvement, holistic product/service offering, knowledge sharing, product innovation and on-time delivery were the brand drivers identified from the customers' perspective.

Figure 3.6: Buckman Laboratories brand management model



In the past/current situation Buckman Laboratories focused on what is coined the 8 Business Management Standards. These standards were obtained from a global customer survey done in the early 1990s. The important drivers for the customers are:

- Continuous improvement;
- Having regular business reviews;
- Regular reporting;
- Having a program manual on-site that described the business relationship (and ensures business continuity);
- Be responsible in terms of safety and product handling;
- Need to align goals;
- Important that the supplier knows their systems; and
- Communication.

For Buckman Laboratories to stay competitive in the market and sustain the advantage, it is of utmost importance to innovatively grow in the current markets or explore new markets. The research reported here indicates that customers, in relation to importance rates and satisfaction rates, will buy the brand if Buckman Laboratories excel in the brand drivers identified in Figure 3.6.

Buckman Laboratories, from a customers' perspective, should intensify their continuous improvement efforts and prioritize their marketing strategy accordingly. To support continuous improvement, innovation should be driven to produce new products and services. Innovative products and services should be able to provide a holistic, customized package to the customer. Buckman Laboratories' internal processes should be able to support the product/service offering by supplying on-time.

The customers will also buy the brand if knowledge is shared. This may be attributed to the current skills shortage and lag in skills development in South Africa. The value

of knowledge sharing will influence product innovation and interact to provide continuous improvement and vice versa.

3.4 SUMMARY

Gap analysis, the Opportunity Algorithm and the Logical brand management model were used to determine that:

- Responsible handling of chemicals, ethical business conduct, knowledge sharing, on-time delivery, technical support and product innovation are important for the customers buying from Buckman Laboratories;
- The overall satisfaction rates of the customers in relation to the selected drivers are perceived as positive for Buckman Laboratories. Product cost and black economic empowerment are not perceived by the customer as differentiating drivers for the brand;
- On-time delivery, continuous improvement, responsible handling of chemicals, knowledge sharing, technical support, product innovation, knowledge-able people, compliance with environmental legislation, ethical business conduct, holistic product/service offering, product quality and product application technology are opportunities for innovative growth;
- On-time delivery, continuous improvement, responsible handling of chemicals and knowledge-able people are the brand drivers perceived by the customer as being valuable in the specialty chemical industry served by Buckman Laboratories; and
- Continuous improvement, on-time delivery, product innovation, knowledge sharing, and holistic product/service offering will convince the customer to buy the Buckman Laboratories brand.

A Logical brand management model was derived from the results and an innovative growth marketing strategy was proposed.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The concluding remarks and recommendations, based on the results as presented in Chapter 3, will be discussed in this chapter.

4.2 CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations are organised and presented according to their area of relevance. For example, the conclusions and recommendations below relates to *Importance rates*, while the next set relates to *Satisfaction rates*.

4.2.1 Importance rates

4.2.1.1 Conclusions

- The customers perceive the handling of chemicals, ethical business conduct, knowledge sharing, on-time delivery, technical support and product innovation more important than Buckman Laboratories perceive the same drivers.

- Buckman Laboratories perceived black economic empowerment (BEE) and global commodity influences more important than the customers.

4.2.1.2 Recommendations

- The gap between the perception of the customers and Buckman Laboratories indicates that the company needs to invest resources to close the gap and to

satisfy the customers' needs. The marketing communication strategy should also focus on these aspects to improve the customers' perceptions.

- BEE is essential for companies to engage in business in South Africa. Implementation of policies relating to BEE has not been totally effective due to various reasons and perceptions. Buckman Laboratories, following a customer intimate strategy, has to manage this polarity on a case-to-case basis. Important to note though, is that change is inevitable, and customer demographics will change with an improvement in skills levels. Thus, BEE mechanisms have to be in place to accommodate sudden changes in customer demographics.

- The customer will steer away from global commodity influences as this related to increased costs from the supplier. To maintain profitability in a turbulent commodity market, Buckman Laboratories has to maintain regular price adjustments relating to commodities. The customers' resistance to price increases may be counteracted by making the customer part of Buckman Laboratories' business processes (increase transparency) and add more value to the product offering.

4.2.2 Satisfaction rates

4.2.2.1 Conclusion

The customers are satisfied with Buckman Laboratories versus that of the competition. Product cost is not a differentiating driver though. Satisfaction rates should not be taken into account in isolation. External market factors, for example, lower demand for customer goods, might force the customers to re-evaluate costs. The latter will then add pressure and importance will then weigh more than satisfaction.

4.2.2.2 Recommendation

The company should not become complacent. The brand should be continuously "re-invented" and positively re-enforced in the customers' mind. Opportunities to add value should be evaluated and implemented as market conditions change.

4.2.3 Opportunities

4.2.3.1 Conclusion

The interaction between importance and satisfaction rates defines more clearly what the customers' needs are. The brand drivers identified will assist in focusing not just the company's marketing efforts, but also the company's internal processes.

4.2.3.2 Recommendations

- Resources should be made available to capitalize on the opportunities identified.

- Interactive teams representing all the departments in the company should be trained and exposed to innovation and continuous improvement processes. The latter will assist in aligning the internal processes of the company with the opportunities identified from the customers' perspective. It is also important to note that all actions should be aligned with the overall company strategy and direction.

4.2.4 Value drivers

4.2.4.1 Conclusion

The value of the brand has been defined by the determination of the difference between the benefit and cost drivers as specified by the Logical brand management model. The process concludes that on-time delivery, continuous improvement, responsible handling of chemicals and knowledge-able people are valuable from a customer's perspective.

4.2.4.2 Recommendation

The Buckman brand should be managed to grow in the industry by focusing on brand drivers that are valuable to the customer. Value innovation can then be implemented and Buckman Laboratories will then be able to grow within the industry and sustain profitability.

4.2.5 Customers' willingness to buy the brand

4.2.5.1 Conclusion

The difference of benefit and cost drivers between Buckman Laboratories and the competition is an indication of the customers' willingness to buy the brand. The customer will buy the Buckman Laboratories brand when the company excels at continuous improvement, on-time delivery, product innovation, knowledge sharing and providing a holistic product/service offering.

4.2.5.2 Recommendations

- Based on the principles of the Logical brand management model, the brand drivers identified to such an extent that the customer will be convinced to buy, are the factors that will drive innovative growth in the company.

- Buckman Laboratories should focus and apply resources to ensure that the company is the best at continuous improvement, on-time delivery, product innovation, knowledge sharing and providing a holistic product/service offering.

4.2.6 Buckman Laboratories brand management model

4.2.6.1 Conclusions

- The final conclusion of this study is that the Logical brand management model may be utilized to identify and manage brand drivers to innovatively grow the Buckman Laboratories brand.

- Interpreting the diagrammatical presentation of the model it may be concluded that the past/current situation may be adopted to utilize future brand drivers for the innovative growth of the company.

4.2.6.2 Recommendations

- A value proposition should be formulated aligned with the company's overall strategy, vision and mission.

- The identified brand drivers should be compiled in a Balanced Scorecard format. The brand drivers should be assigned quantifiable measures with targets.

- All the perspectives defined by the Balanced Scorecard should be aligned to one another.

4.3 AREAS FOR FUTURE RESEARCH

Future research may include the definition of a Logical brand management model for each division within Buckman Laboratories. The divisions serve different markets, with different wants and needs, thus a marketing strategy may be customized per industry.

The development of the marketing strategy should also include factors influencing globalisation. Buckman Laboratories operates on a global scale and each world region and country differs in various ways. Thus a unique Logical brand management strategy may be designed depending on the specific global situation.

4.4 SUMMARY

The Logical brand management model, as developed by Marc Logman, may be successfully utilized to identify brand drivers to grow the Buckman Laboratories brand innovatively in future.

The model includes continuous improvement, on-time delivery, product innovation, knowledge sharing and providing a holistic product/service offering as brand drivers that will ensure innovative growth of the Buckman Laboratories brand.

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APPENDIX A

RGBB Internal Survey Questionnaire

On opening if you don't get a "WELCOME" message before you start entering data - click the **Windows Button** chose **Excel Options - Trust Center - Trust Centre Settings** and ***Disable All macros with Notification***

Follow the following steps

1 Please rate each driver by filling every yellow cell from the drop downs provided
2 Hit Tab key to move to the next driver/statement
3 Click on grey block at the bottom & data will be sent anonymously. YOU must be connected to Intranet (VPN if away from Office)

The following drivers give Buckman Laboratories a sustainable competitive advantage in the market

A Sustainable competitive advantage is the competitive Edge sought by a company allowing it to satisfy customer needs while maintaining an advantage over its rivals due to the uniqueness of its products or its lower production or marketing costs

Rate each driver (from1 to 23) in regard to the statement in the BLUE box above

No.		Rating
1	Product quality	
2	Technical support	
3	Knowledge sharing	
4	Product innovation	
5	Responsible handling of chemicals	
6	Continuous improvement	
7	On-time delivery	
8	Product application technology	
9	Alliance partners	
10	Ethical business conduct	
11	Knowledge-able people	
12	Holistic product/service offering	
13	Trustworthy business partner	
14	Other (Please Specify)	
15	Product cost	
16	Inventory cost	
17	Service cost	
18	Equipment cost	
19	Other (Please Specify)	
20	BEE compliance	
21	Compliance with environmental legislation	
22	Global commodity influences	
23	Other (Please Specify)	

Call Pat Sullivan on 031 7368876 if you experience any difficulties

RGBB External Survey Questionnaire

On opening if you don't get a "WELCOME" message before you start entering data - click the **Windows Button** chose **Excel Options - Trust Center - Trust Centre Settings** and ***Disable All macros with Notification.*** ***XL 2007.*** *If you are using* **XL 2003** or less Click Tools Macros Security tick medium - Exit XL and go back into XL

Follow the following steps

1 Please rate each factor by filling every yellow cell from the drop downs provided
2 Hit Tab key to move to the next factor
3 Click on grey block at the bottom & completeness will be checked. Please email completed file to the person who sent this file to you

Please rate the following factors (below) based on the statements (columns to your right) in yellow, green and pink.		The following factors are IMPORTANT to me in choosing Buckman Laboratories as a chemical and service supplier.	Buckman Laboratories, as a chemical and service supplier, SATISFIES my needs.	OTHER chemical and service suppliers satisfy my needs.
No.		Rating	Rating	Rating
1	Product quality			
2	Technical support			
3	Knowledge sharing			
4	Product innovation			
5	Responsible handling of chemicals			
6	Continuous improvement			
7	On-time delivery			
8	Product application technology			
9	Alliance partners			
10	Ethical business conduct			
11	Knowledge-able people			
12	Holistic product/service offering			
13	Trustworthy business partner			
14	Other (Please Specify)			
15	Product cost			
16	Inventory cost			
17	Service cost			
18	Equipment cost			
19	Other (Please Specify)			
20	BEE compliance			
21	Compliance with environmental legislation			
22	Global commodity influences			
23	Other (Please Specify)			
24	Are You A Current Buckman Customer ?			
25	What Industry is your Company Working In ?			

APPENDIX B

Driver	Buckman Laboratories	BL weighting	Customer importance	Customer satisfaction	Customer competition	Customer weighting	Opportunity algorithm	oppert Weighting	Value drivers	Cost drivers	V-P	V-P Weighting	deltaV	deltaP	deltaV-deltaP	Weighted	Paverage	Pdelta ave
Product quality	4.55	0.96	4.80	4.71	3.21	0.88	4.89	0.87	0.87		0.19	0.60	-0.01		0.09	0.20	0.68	-0.10
Technical support	4.55	0.96	4.93	4.64	2.93	0.80	5.22	0.93	0.93		0.25	0.79	0.13		0.23	0.52		
Knowledge sharing	4.20	0.89	4.80	4.43	2.64	0.73	5.17	0.92	0.92		0.24	0.76	0.20		0.30	0.68		
Product innovation	4.00	0.85	4.33	3.50	2.43	0.67	5.17	0.92	0.92		0.24	0.76	0.26		0.35	0.82		
Responsible handling of chemicals	4.36	0.92	5.00	4.64	3.29	0.90	5.36	0.96	0.96		0.27	0.86	0.05		0.15	0.35		
Continuous improvement	4.34	0.92	4.47	3.43	2.36	0.65	5.50	0.98	0.98		0.30	0.95	0.34		0.43	1.00		
On-time delivery	4.34	0.92	4.80	4.00	2.64	0.73	5.60	1.00	1.00		0.32	1.00	0.27		0.37	0.86		
Product application technology	4.57	0.97	4.27	3.93	2.93	0.80	4.60	0.82	0.82		0.14	0.44	0.02		0.12	0.27		
Alliance partners	3.52	0.75	3.53	3.64	2.86	0.78	3.42	0.61	0.61		-0.07	-0.22	-0.17		-0.08	-0.17		
Ethical business conduct	4.39	0.93	5.00	4.86	3.29	0.90	5.14	0.92	0.92		0.24	0.74	0.02		0.11	0.26		
Knowledge-able people	4.73	1.00	4.93	4.57	3.07	0.84	5.30	0.95	0.95		0.26	0.83	0.10		0.20	0.46		
Holistic product/service offering	4.48	0.95	4.60	4.29	2.50	0.69	4.91	0.88	0.88		0.20	0.61	0.19		0.29	0.67		
Trustworthy business partner	4.73	1.00	4.40	4.64	3.57	0.98	4.16	0.74	0.74		0.06	0.19	-0.24		-0.14	-0.32		
Product cost	4.09	0.87	3.86	3.50	3.43	0.94	4.21	0.75		0.75	0.00	0.00		-0.19		0.00		
Inventory cost	3.50	0.74	3.43	3.46	2.43	0.67	3.40	0.61		0.61	0.00	0.00		-0.06		0.00		
Service cost	4.09	0.87	4.00	3.92	3.07	0.84	4.08	0.73		0.73	0.00	0.00		-0.12		0.00		
Equipment cost	3.50	0.74	3.14	2.69	2.43	0.67	3.59	0.64		0.64	0.00	0.00		-0.02		0.00		
SEE compliance	4.25	0.90	3.00	2.64	2.71	0.75	3.36	0.60	0.60		-0.08	-0.26	-0.15		-0.05	-0.11		
Compliance with environmental legislation	4.66	0.99	4.86	4.71	3.64	1.00	5.00	0.89	0.89		0.21	0.66	-0.11		-0.01	-0.02		
Global commodity influences	4.25	0.90	3.71	3.07	2.86	0.78	4.36	0.78	0.78		0.10	0.30	-0.01		0.09	0.21		