

Value Placed on the Customer Returns Value to the Business

Part 1 of 2 on Customer Relationship Management in Marketing Value-Added Grains

by Joan Fulton, Frank Dooley and Kathleen Erickson

Whoever said, “The customer is always right,” as a guiding rule for business success was on the right track. But there is so much more to that story. Customer Relationship Management (CRM) as a business tool has been around for more than a decade. Yet many companies are still learning where and how to apply CRM to add value to their business.

In terms of a long-term partnership with a customer, Customer Relationship Management is defined as a collaboration to identify customer needs and a means to find solutions for customer problems.

CRM is a *long-term strategy*, not a tactic. It starts by looking at the end, the marketplace, instead of beginning with a certain product in mind. No longer is it profitable to think, “If I build it, they will come.” Thus, the focus is on consumer needs instead of your existing product line. The end result is measured more in terms of customer satisfaction and success in building a relationship rather than sales volume. This requires a more communicative marketing approach, as opposed to the traditional marketing approach that focuses on sales and promotion.

Begin with the End in Mind!

Consumers sit at the end of the food chain. All food and agricultural businesses provide products or services for *customers*, but most don’t produce products or services directly for food *consumers*.

To create more value for the end-consumer, or for your customer further up the food chain, you must understand their needs. Most needs are not inherently visible, which means you must do some exploration.

- Who are your customers?
- What are the product/service needs of your customers?
- When and how do your customers need the product/service?
- How do your customers prefer to be marketed to — are personal sales calls important?
- How do your customers perceive you?

With a CRM strategy, this information is used to tailor your approach to both accurately and effectively meet your customer needs. Your approach can be to all of your customers in general, or to specific, identifiable seg-

ments, perhaps grouped by geography, amount purchased or the personality of the purchaser. The more you learn more about your customers, the better you can differentiate your products/services from those of your competitors.

Invest in Your Customers — Now Savvy. Choosy

In any business, understanding what customers value is key to both retaining a customer and in preserving more of the worth from a long-term relationship with that customer. For a seed or grain firm a long-term relationship with a farmer may hinge on coordinating delivery time of seed. A long-term relationship with a grain processing company may depend upon delivering consistent quality.

Customers can be viewed as investments made by your business, and like other investments, some pay off more handsomely than others. Finding ways to hold on to your customers, perhaps by adapting your approach, can help you provide each customer with a maximum amount of value, and also maximize your returns from that customer over the course of time.

Opportunity in Producing Foods for Consumer Needs

When it comes to getting their food right, Americans are more health conscious, are more concerned about food safety, have higher demands for product consistency and are more concerned about preparing meals quickly than ever before. These fundamental shifts in consumer preferences are driving changes all along the food chain.

Purdue Seminar Sharpens CRM Focus

Building and maintaining profitable customer relationships is an absolutely never-ending job. Ongoing change — at the customer level, in technology, and in competition — means that there’s no single right answer for CRM.

In the Purdue University CRM seminar, “Strategic Customer Relationship Management,” agribusiness participants explore a set of important elements to bring clarity to, and sharpen the focus of their CRM effort. “Past participants have used the tools offered in this seminar to formulate results-based solutions for the long run,” says Jay Akridge, director of Purdue’s Center for Food and Agricultural Business and CRM seminar co-instructor. “We explore how agribusiness managers can craft focused strategies for their businesses in response to critical marketing management questions,” he adds.

Paul Wang, Associate Professor in Integrated Marketing Communications at Northwestern University, co-leader of the seminar, says, “We want to help you determine what you have to adjust, coordinate or support in order to satisfy a customer’s need better than anyone else.”

From market segmentation to customer lifetime value and the role of technology in CRM, Wang and Akridge illustrate a set of CRM elements and seminar participants consider how they will equip their organizations to respond.

Who should attend a CRM seminar? — Marketing managers, sales managers, CRM managers, communications and information managers. Where: Purdue University campus in West Lafayette. Contact: Center for Food and Agricultural Business at 765-494-4247, e-mail Sharon Wall, swall@purdue.edu, or visit www.agecon.purdue.edu/cab/programs/scrm.

Recent science has established more credible links between what is eaten and a person's subsequent health. But even while consumers are more discerning, Americans are also more obese than ever, living sedentary lives with jobs that for most don't demand much physically. This illogical mix of reality is creating a demand for foods that function in promoting a healthier life.

End-consumers' demand for such qualities as reduced fat, more protein, less saturated fat, higher fiber and fewer calories leads to shifting demands upon grain and animal producers. Functional foods will come with new demands for specific food ingredients, such as low saturate soybeans. New research and development, combined with changing consumer sentiment, can quickly change the marketplace, as happened with foods that lower cholesterol, or low carbohydrate diets.

American's impatience in food preparation has increased the demand for pre-prepared foods and changed inventory management for food companies. Due to the limited shelf life of many of these meals, processors must be highly responsive to grocer and consumer demands. In turn, their suppliers are becoming more responsive to processor needs. Delivery of food inputs such as grains is more and more on a Just-In-Time or an on-call basis.

The increasing number of restaurant chains and national brands of ready-made foods aim for a consistent look, feel and taste from plate to plate and from state to state. The resultant domino effect is that food processors need consistent ingredients, and ingredient makers need consistent raw commodities from farms. On-the-go testing technologies such as near-infrared sensors for measuring grain protein will better enable the sourcing of consistent ingredients.

Consumers are increasingly aware that security can be an issue at many points along the food chain. Some companies offer more information about the origin and pathways of their food products. In Europe, consumers can scan the bar codes of certain meat brands to learn about breeding, rearing, feeding and processing. Any supplier to those brands will need to provide that information.

Engage a CRM Strategy

Effectively engaging CRM in your business requires thinking of it as a process, not a project. With a CRM

strategy, the focus is on how to improve your products and service offerings to customers over time. With a sales mentality, the focus is on how to finish.

In our next column, we'll explore some of the key differentiators in successfully capturing what the customer perceives as value. In addition, we'll focus on calculating Customer Lifetime Value, a valuable tool in implementing an effective Customer Relationship Management strategy.

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Economics, Purdue University. Kathleen Erickson is President of Erickson Communications, Clarks Hill, Indiana. This column is based on a new distance education program on Marketing Value-Added Grains offered by Purdue University through the Cooperative Extension Service and Agricultural and Biological Engineering, Agricultural Economics, Agronomy, Animal Science, Botany & Plant Pathology and Entomology. For more information, contact Dr. Joan Fulton at fultonj@purdue.edu.

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