

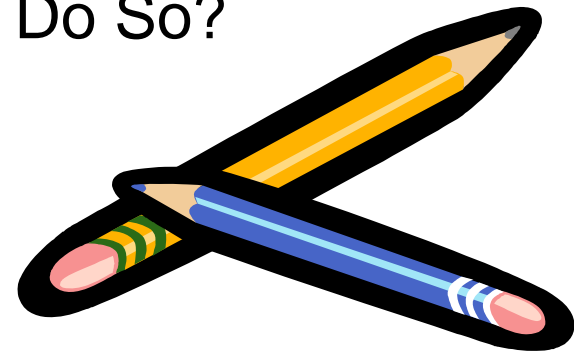
# A Quick Test...Pencils up

Who Was the First Person to Fly Solo, non-stop  
Across the Atlantic Ocean?

Who Was the Second?

Who Was the Third?

Who Was the First Woman to Do So?



# What is Marketing?

AMA Definition:

Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

# What is Marketing?

## More Pragmatic:

Marketing's job is to separate opportunity from  
Distraction

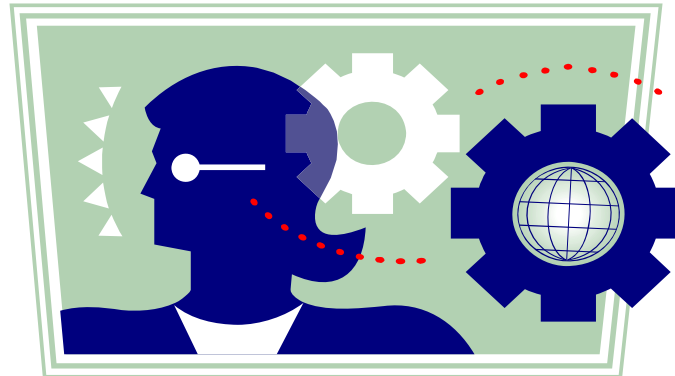
Marketing's job is to make customers buy  
more, not to make sales sell more.

Monty Python.....

# What is Marketing?

Marketing is the department which answers all unanswerable questions from the corporation!

# How to Think About Customers...



How would you categorize or segment your customers?

How would you bucket them?

# Market Segmentation - Behavior

End User Specified	N/A	Process Fab Press Centrifuge Molding
OEM Specified	Commercial HVAC Eng. Gen Pump	Commercial Compressor Woodworking Appliance
	Repetitive Manufacturing	Design/Build

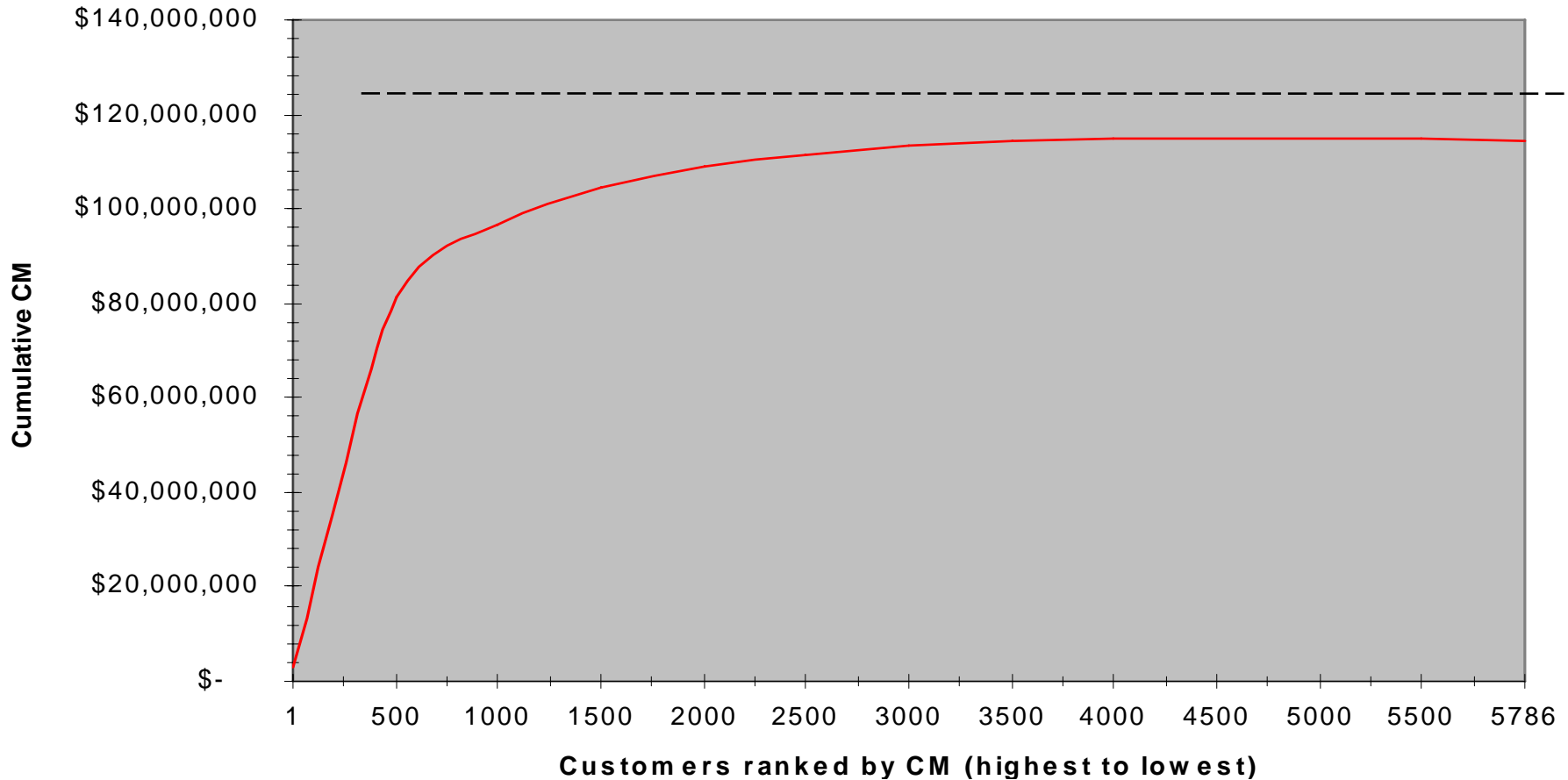
It's What They Do! Not What They Buy!

# What Is a Good Customer?

# A Good Customer is:

- A Good Customer Is Any Customer Who Meets Your Criteria for Good Customer Selection
- What Are the Criteria for Account Selection?
- Does \$\$\$ Opportunity = “Goodness”?
- Does past performance = “Goodness”?
- Do long valued relationships = “Goodness”?
- **What is the Mortal enemy of Marketing?**

# Target Customers with FACTS!



**The Top 1,300 Accounts Represent Approximately 90% of the Total Margin**

**When Is a \$40,000 Customer  
Worth More Than an \$80,000  
Customer?**

**When the \$40K Customer Is at 50%  
Margin  
and the \$80K Is at 20%**

**Are these the only factors to consider?**

**Of course not, there are a variety of factors  
that constitute a selection model called  
“Opportunity and Fit”**

### "OPPORTUNITY" ASSESSMENT

Major Account Name: Adams Company [hypothetical customer]

Criteria*	Rating Interpretation*	Rating	Rating Applied	Weight	Total	Rationale/Explanation
A. Future Sales Volume (Realistically Achievable)	<ul style="list-style-type: none"> <li>• Less Than \$1 M</li> <li>• \$1 M-\$2.5 M</li> <li>• \$2.5 M-\$4 M</li> <li>• Greater Than \$4 M</li> </ul>	1 2 3 4	2	7	14	Stuck in procurement
B. Total Potential at the Account	<ul style="list-style-type: none"> <li>• Less Than \$1 M</li> <li>• \$1 M-\$2.5 M</li> <li>• \$2.5 M-\$4 M</li> <li>• Greater Than \$4 M</li> </ul>	1 2 3 4	4	6	24	Customer resists partnering with one supplier
C. Switching Cost/Competitive Situation	<ul style="list-style-type: none"> <li>• High Switching Cost and Entrenched Competition</li> <li>• High Switching Cost but Competition Vulnerable</li> <li>• Low Switching Cost and Competition Vulnerable</li> <li>• Low Switching Cost and Competition Disliked by Account</li> </ul>	0 1 2 3	2	5	10	
D. Estimated Growth in Customer's Product in Their Markets (Over the Next Three Years)	<ul style="list-style-type: none"> <li>• Less than 5%</li> <li>• 5-10%</li> <li>• 10-20%</li> <li>• Greater Than 20%</li> </ul>	0 1 2 3	1	5	5	
E. Trend of Square D Share at the Account (Over the Past Three Years)	<ul style="list-style-type: none"> <li>• Declining Share, Lost to Competition, or Other Reason</li> <li>• Stable Share, No Change</li> <li>• Increasing Share, Square D Gaining More Business</li> </ul>	0 2 3	2	5	10	Declining Trend
F. Estimated Time Frame to Achieve Incremental Business	<ul style="list-style-type: none"> <li>• Longer Than 24 Months</li> <li>• 12-18 Months</li> <li>• 6-12 Months</li> <li>• Less Than 6 Months</li> </ul>	0 1 2 3	1	4	4	Current supplier reduction efforts are a concern
G. Account's Position in Marketplace	<ul style="list-style-type: none"> <li>• Non-Industry Leader</li> <li>• Not the Industry Leader but Innovative Product</li> <li>• Industry Leader Although Mature Product</li> <li>• Industry Leader with Innovative Product</li> </ul>	0 1 2 3	0	3	0	

**Total Possible Potential: 118**

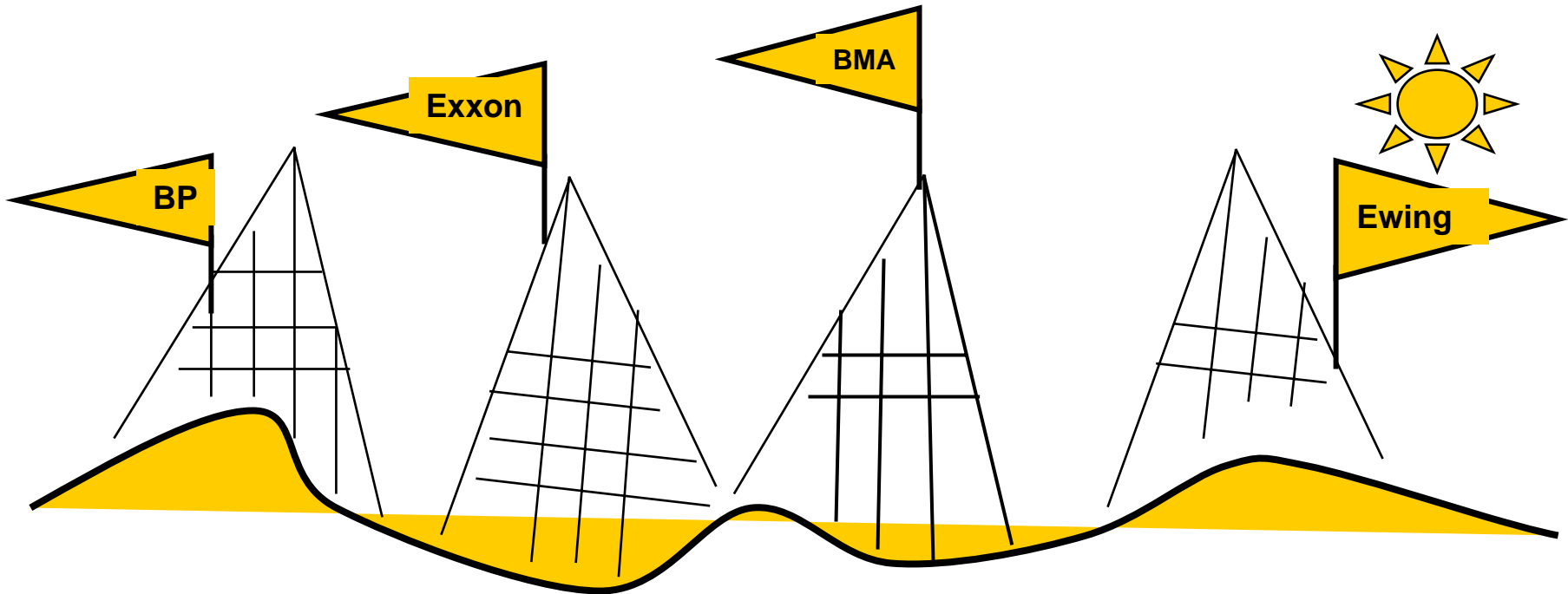
**Total Fit Score =**

67

# Opportunity Model Bullets

- What Is the Volume of Business Projected?
- What Are the Future Volumes Projected?
- What Are the Estimated Margins?
- Is Customer's Industry Expanding or Declining?
- Trend of Your Share at the Account for Past 3 Years?
- Accounts Industry Position (Leader, Follower, Laggard)
- Specification Influence - High or Low?
- Purchasing Decisions Made Locally or Centrally?
- Your Region's Economic Strategy? Customer Fit?
- Do They Display at Trade Shows?

# Opportunity Versus Fit West Texas Oil Patch - Oil Strike!!!



Research Rules!

### "FIT" ASSESSMENT

Major Account Name: Adams Company [hypothetical customer]

Criteria*	Rating Interpretation*	Rating	Rating Applied	Weight	Total	Rationale/Explanation
1. Current Relationship at Account	Account Relationship with Single Function at One Level Relationship with Two Functions at Two Levels Relationship with > Two Functions and > Two Levels Thorough Relationship with Executive Contacts	1 2 3 4	1	7	7	At procurement manager level
2. Primary Market Segment for the OEM	Not a Target OEM Segment for Square D Target Segment for Square D OEM	0 3	0	6	0	
3. Account Profitability (Contribution Margin Rate at the Account)	< 30% 30-40% 40-50% > 50%	0 1 2 3	1	6	6	Trend is slight profit erosion
4. Multiple Location Activity	One Location for All Functions Two Locations for Manufacturing Design Engineering and Manufacturing Different Locations More Than Two Manufacturing/Engineering Locations	1 2 3 4	1	6	6	Chicago plant
5. OEM Business Type	Project Job = > 50% of OEM's Base Business Project Job = 30-50% of OEM's Business Repetitive Manufacturer	0 1 2	0	5	0	
6. Potential for Lead Product Sales	One Main Product Line Two to Three Main Product Lines Four to Six Main Product Lines	1 2 3	1	5	5	Primarily switches
7. Specification Influence	OEM Has 30% or Less Influence in the Specification OEM Has Some Influence Over Spec. (50-70%) OEM Has Total Control Over the Specification	0 2 4	0	5	0	Mainly driven by HVAC provider
8. Supplier Initiatives (Openness to a Partnership)	No Programs Supplier Reduction Is a Goal Supplier Reduction Program with Vendor Qualifications Actively Pursuing a Supplier Partnership	0 1 2 3	1	4	4	Currently on third supplier reduction effort in four years
9. Support Requirements Versus Square D Resources/Capabilities	Customer Expects Square D to Engineer Solution and Options Expects Ongoing Technical Support and Problem Resolution Customer Expects Limited Technical Support Customer Expects Little or No Technical Support	0 1 2 3	2	4	8	Historical trend
10. Decision Making/Purchasing	Decentralized Decision Making and Purchasing Centralized Technical or Purchasing Decisions Centralized Decision Making, Purchasing, and Control	0 2 3	2	4	8	
11. Product Development Needs	Requires New Products to Be Developed Multiple Product Modifications Needed Requires One Product Modification Requires No New Product Development	1 2 3 4	1	3	3	Tends to offer customized configurations
12. International Scope	More than Two Manufacturing/Engineering Locations OEM Sells < 50% Outside U.S. OEM Does Not Sell Outside U.S.	0 1 2	1	2	2	≈10% to Europe
13. Accounts Organization Stability	Ownership Change Expected No Change in Ownership/Organization Changed Expected No Change in Ownership/No Organization Changes Anticipated	1 2 3	2	2	4	

Total Possible Potential: 191

Total Fit Score=

53

Rating criteria have been disguised.

Source: Square D; Sales Executive Council research; Marketing Leadership

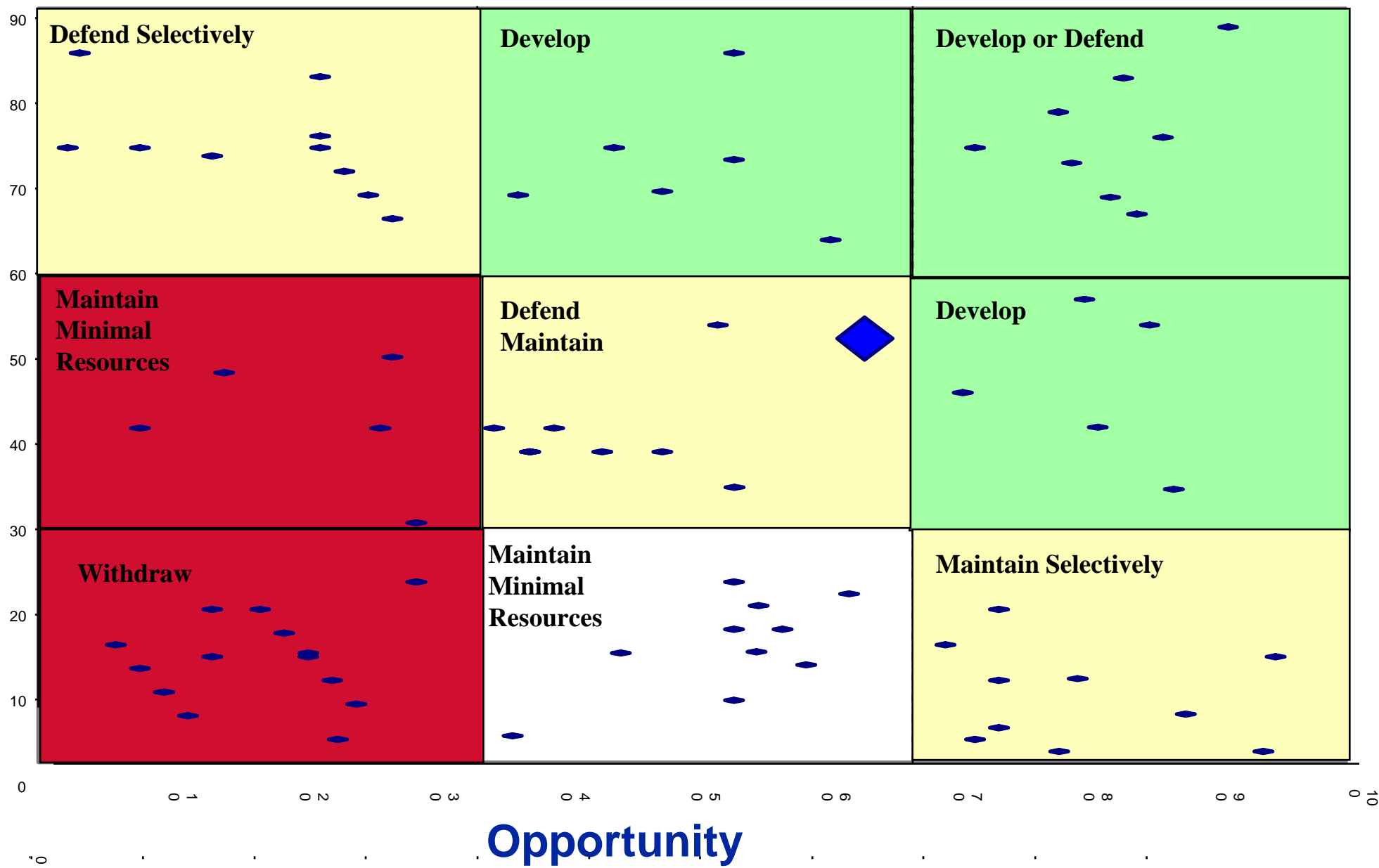
# Fit Model - Bullets

- Is Business Project Driven or Repeat?
- Does the Customer Fit Your Competencies?
  - Sales Expertise                      Modification
  - Delivery                                      Packaging
  - Expedite
- Does the Customer Require a Lot of Support?
- Does the Customer Buy Your Most Profitable Products?
- Is the Customer a Convenience Buyer? (Branch Location)
- Do Supplier Initiatives Support This Audience?

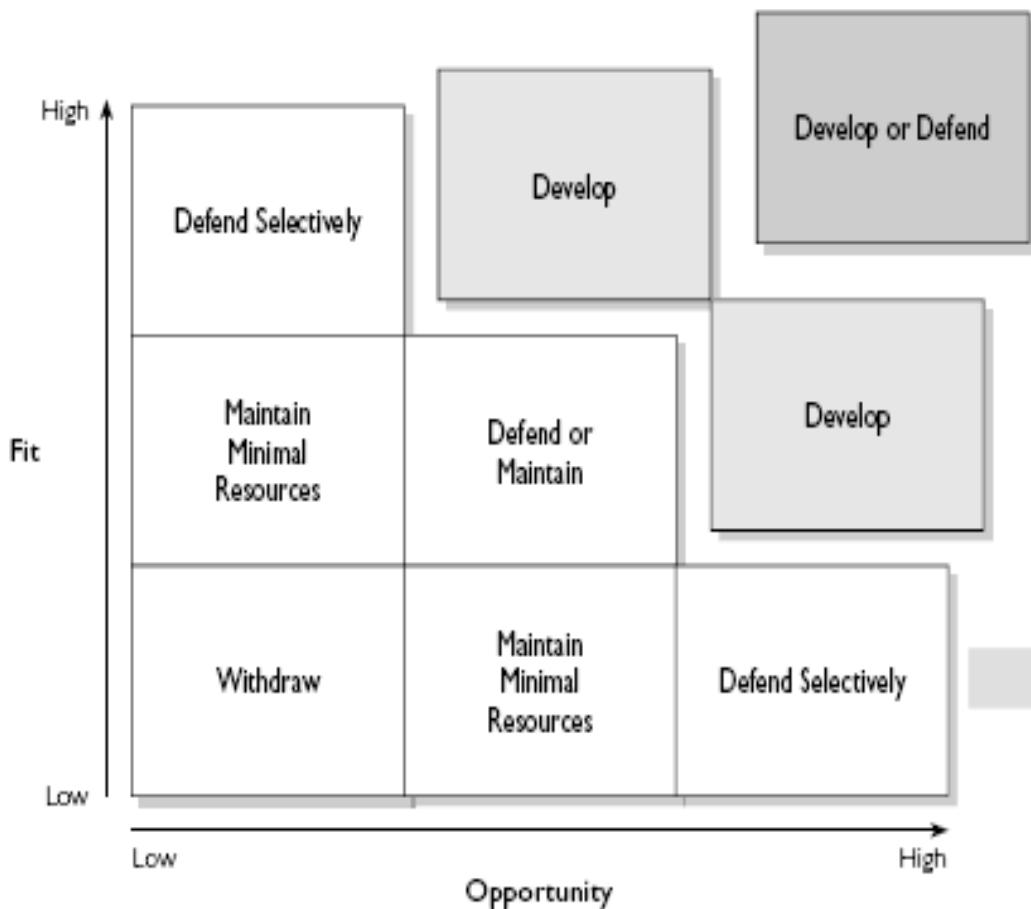
# Major Accounts



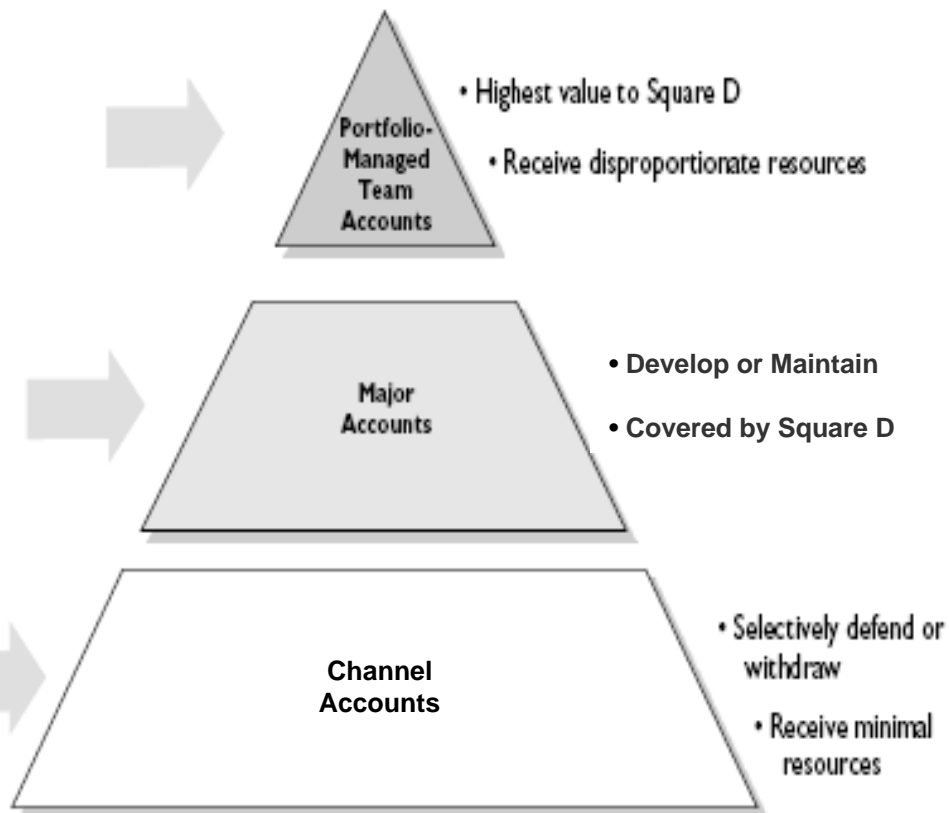
**FIT**



## Opportunity/Fit Matrix



## Service Strategy for Account Segments



# Implications of Major Account Strategy

## Major Accounts

### Square D OEM Sales Force - Primary (FSE)

### Square D Distributors - Supporting

Electronic Machinery	Panel Building	Back-Up Power	HVAC/Pump/Compressor	EDEM	Mat Handling
Semiconductor	Control Panels	Computer Pwr.	HVAC	EDEM	Packaging
Metalworking	Square D Panels	Engine Generator	Refrigeration	EEM	Conveyance
Printing		Telecomm	Pump	Retrofitters	Elevator
			Compressor		Escalator

# Implications of Major Account Strategy

## Major Accounts

Square D OEM Sales - Primary

Major Acct Marketing Manager

Square D Distributors - Supporting

### Responsibilities:

- Major Acct. Plan Development/Msrmnt.
- Drive Major Acct. Needs/Priorities
- Drive Productivity/Specialized Services
- Manage multi-site coordination
- Policy Deployment

Electronic Machinery	Panel Building	Back-Up Power	HVAC/Pump/Compressor	EDEM	Mat Handling
Semiconductor	Control Panels	Computer Pwr.	HVAC	EDEM	Packaging
Metalworking	Square D Panels	Engine Generator	Refrigeration	EEM	Conveyance
Printing		Telecomm	Pump	Retrofitters	Elevator
			Compressor		Escalator

# Go to market Implications of Channel Strategy

**Channel Accounts**

**Distributor Sales Force - Primary**

Square D Channel Sales (OCSE) - Supporting

Electronic Machinery	Panel Building	Back-Up Power	HVAC/Pump/Compressor	EDEM	Mat Handling
Semiconductor	Control Panels	Computer Pwr.	HVAC	EDEM	Packaging
Metalworking	Square D Panels	Engine Generator	Refrigeration	EEM	Conveyance
Printing		Telecomm	Pump	Retrofitters	Elevator
			Compressor		Escalator

# Go to market Implications of Channel Strategy

**Channel Accounts**

**Distributor Sales - Primary**

**Square D Channel Sales - Supporting**

Field/Channel Marketing Support

- Responsibilities:**
- Distributor Business Development
  - Policy Deployment
  - Sales Plan/Program Support
  - Price/Profitability Management

Electronic Machinery	Panel Building	Back-Up Power	HVAC/Pump/Compressor	EDEM	Mat Handling
Semiconductor	Control Panels	Computer Pwr.	HVAC	EDEM	Packaging
Metalworking	Square D Panels	Engine Generator	Refrigeration	EEM	Conveyance
Printing		Telecomm	Pump	Retrofitters	Elevator
			Compressor		Escalator

# The Model

Customer Focused



<----GO HERE

THE OFFER "Lead Applications", "Differentiated Customer Service"

<----Sell This



75 FSE's, 85 Branches



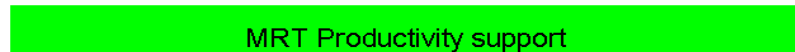
38 OCSE's, 3 MAMM



4 Field Channel



3 Program Managers



4 MRT

Programs

Market Oriented

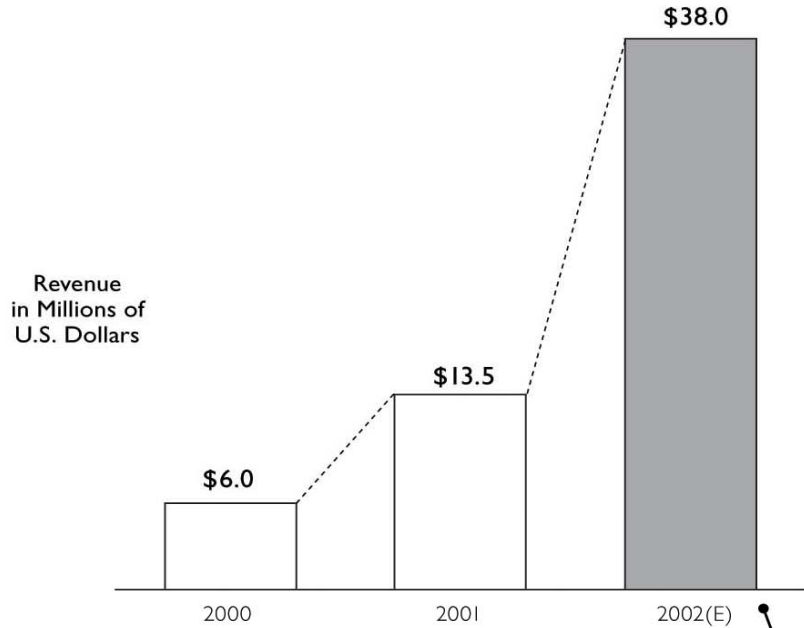
Electronic Machinery	Panel Building	Back-Up Power	HVAC/Pump/Compressor	EDEM	Mat Handling
Semiconductor	Control Panels	Computer Pwr.	HVAC	EDEM	Packaging
Metalworking	Square D Panels	Engine Generator	Refrigeration	EEM	Conveyance
Printing		Telecomm	Pump	Retrofitters	Elevator
			Compressor		Escalator
					Crane/Hoist

6 Segment Marketing

# ELECTRIFYING RESULTS

**Reassessment of high-value customers opens new opportunities for Square D...**

Revenue Growth: Jefferson\* Account  
2000–2002(E)

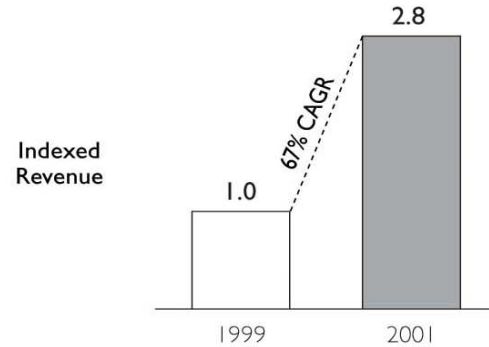


Application of top-tier account team to formerly unrecognized high-potential account results in spectacular share-of-wallet gains.

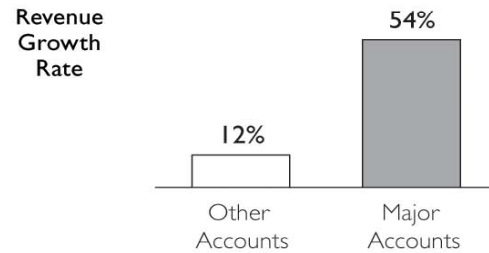
\* Pseudonym.

**...and leads to impressive segment growth**

Average Revenue Growth per Major Account, OEM Segment  
1999 Versus 2001



Three-Year CAGR, OEM Segment  
1998–2001



Source: Square D; Sales Executive Council research.