

Insights from Needs-Based Research Redefine a Brand and Business

One of the most common and difficult challenges facing many organizations today is commoditization. Markets as diverse as specialty chemicals, appliances, commercial goods, and financial services are feeling the impact of commoditization and are finding that traditional product-based features, attributes, and benefits are no longer as meaningful and differentiating as they had been in the past. Businesses in these sectors are finding it increasingly difficult to drive customer behaviors and loyalty in the same way they have in the past and to maintain the type of growth and profitability to which they have long been accustomed.

The challenge is finding ways to stay relevant in a maturing market and to remain differentiated without relying too heavily on price. Overcoming these hurdles often requires strategic re-examination of the market, developing a better understanding of the segments that drive it, and redefining and re-branding offerings and customer experiences based on customer needs and behaviors.

While accomplishing this is often a long, rigorous, and sometimes painful process, the end result makes it necessary and worthwhile. So DuPont Performance Coatings (DPC), a leading supplier of paint systems to the global automotive industry and its aftermarkets, is repositioning its business and brands to offset increasing commoditization. DPC, which in 1920 pioneered the business and technology of sprayable coatings that dried in hours and were both durable and beautiful, was finding it increasingly difficult to differentiate itself from competitors based on the traditional measures. DPC worried this would limit its future ability to influence customer behaviors and loyalty and hamper its ability to maintain growth and profitability.

After 80 years of reliance on core competencies in research and development, science, and technology to achieve market dominance, DPC realized that dramatic changes were in order. To avoid the fate of many other commoditized businesses, DPC's management realized it must develop much deeper levels of understanding of its customers and then realign operationally around what was revealed—from business processes to product offerings to brands—in order to better anticipate, target, and serve their needs.

Traditional Approach Versus New Needs

For years, DuPont Performance Coatings took the fairly standard and traditional approach to defining its global market segments and brands, basing them on purely demographic characteristics, distribution channels, and geographic regions. This worked well with the company's product-based market approach and also took advantage of its pervasive network of channel partners and sales offices across the globe.

But the market had changed and matured to the point where this approach was no longer effective. Moreover, the regional and geographic variances in how products were branded and sold had to be re-evaluated if DPC hoped to be able to capitalize on opportunities and synergies on a more global level.

Management understood that future growth and maintenance of its global market position required the company to revisit how it viewed and served its customers. DPC needed to deepen its understanding of customers' attitudes, needs, values, and desired benefits. It needed to better understand how those characteristics influenced their behaviors and actions.

A better understanding of its customers would ideally yield a deeper and more realistic understanding of the current global automotive refinishing marketplace, paving the way for new market segments that would be better identified and defined. Further, it was hoped that these new segments would be "actionable," in that there would be enough meaningful differentiation between them to allow the organization to more effectively align around and serve them.

While it was believed that new insights regarding customer needs would incrementally help the business, the true value of this effort would be realized if it enabled the business to better define and prioritize those segments that could be most effectively targeted and profitably served.

Finding the Right "Lens" to View & Segment Customers

Once DPC identified that it must take a more customer-centric approach to its business, rigorous research was necessary to deepen its understanding of its customers

and their relationships with its products, brands, and business. Qualitative and quantitative research around the customers themselves and extensive analysis of DPC's various customer touchpoints would provide the essential underpinnings of its future repositioning.

Finding the right "lens" with which to view its customers was paramount. DPC ultimately opted for a proprietary research approach that provided DPC the ability to uncover comprehensive details on customer priorities (or benefits sought), product usage behaviors, and targetable customer characteristics for each identified segments.

This model asks customers to "trade off" product attributes in terms of their importance in the broader context of decision-making, where all attributes are weighted relative to each other and decisions made based on business priorities.

For example, product price and product quality may be deemed equally important when rated independently, but the reality is that high quality products often cost more. In the "trade off" exercise, customers are asked to give priority, as they would in the real decision-making process, to either product quality (and therefore higher price) or reasonable price (and therefore less than highest quality).

One outcome of this exercise might be the identification of a market segment that is price-driven and thus uses generic products. It would tend to be lower-tech, located in the inner city and owned by a young, working technician. DPC could view this segment as being less desirable with its lack of brand affinity and loyalty. Conversely, however, it could be seen as a significant opportunity to capture a larger share of wallet with the right price/value equation.

Applying the Research to Reveal Segments and Common Platforms

This model was used as the basis for comprehensive research to collect similar data across multiple customer sets and geographies around the globe. Initial qualitative research guided the development and scope of a larger quantitative research study that followed. In total, the qualitative research consisted of in-depth discussions with representatives from 100 body shops (collision repair

coatings being a major DPC market) and paint distributors across North America, Europe, and Asia.

Combined with the initial research on brand equities, these inputs helped DPC to:

- better understand current attitudes, needs, and behaviors;
- begin to define prevailing perceptions and equities of DuPont and its brands;
- identify attributes to be included in the more comprehensive, global research study;
- evaluate the effectiveness of various data collection approaches;
- begin to test the validity and effectiveness of the segmentation model.

It was understood that customer data would need to be gathered in each of DPC's primary geographic regions—the Americas, Europe/Mid-East, Africa, and Asia/Pacific. Even though these regions were far from monolithic, with significant variations across even bordering countries, the research would have to be limited to the most "representative" countries within each region. In total, the quantitative research involved 15 countries and took approximately six months to test, field, and analyze.

Within North America, five key market segments were identified and defined. Similarly, five key segments were identified in both Europe and Asia, and four in the Pacific. In addition to revealing that separate, need-based segments did, indeed, exist in each region, the research also showed that certain segments shared common characteristics on a global basis. Given DuPont's desire to create more global platforms and brands, the hope was that while each region would likely have its own separate and unique behavior segments, there would also be similar global segments to better enable the organization to make macro-level business decisions. One such decision could be, for example, what brand would receive a particular new product technology on a global basis.

Indeed, the research did yield and confirm three common platforms across each region—efficiency, quality, and cost. Each region had at least one segment that aligned against one of the platforms (see Exhibit A).

Americas	EMEA	Asia	Pacific	Global Segments
SEGMENT 1	SEGMENT 1	SEGMENT 1	SEGMENT 1	EFFICIENCY
SEGMENT 2	SEGMENT 2	SEGMENT 2	SEGMENT 2	
	SEGMENT 3		SEGMENT 3	QUALITY
SEGMENT 3	SEGMENT 4	SEGMENT 3	SEGMENT 4	COST
SEGMENT 4	SEGMENT 5	SEGMENT 4		
SEGMENT 5		SEGMENT 5		

Exhibit A: DPC Global Segments

Another benefit of this sort of research was its value in breaking out distinct behaviors and determinants that were critical in defining one customer segment from another. As DuPont found, some critical differentiators, as might be expected, were demographic in nature. For example, body shops fitting into the efficiency category tended to be larger, newer customers. However, unique insights were also provided by the psychographic profile of the customer, in this case the body shop manager. For example, whether he considered himself a “traditionalist” or “trend-setter” would be a strong indicator of preferences and future behaviors.

From a brand perspective, the research showed that DuPont and some of its brands were well-aligned and enjoyed strong penetration in certain segments. It also showed that other segments were not penetrated at all or were being equally penetrated by two DuPont brands that were essentially competing against each other rather than targeting or serving different segments. This reinforced some initial belief that the business may not be aligning or spending against its brand portfolio in the optimal ways.

Further analysis of the data allowed for creation of robust profiles of each segment, which defined the segment and its attributes, behavior, and characteristics. These also included a detailed financial profile with risk and

opportunity analysis, trends across several dimensions, business demographics, critical needs, opportunities for differentiation, a segment “persona,” and stereotypical sample body shops to help DPC management equate the research results to the real world.

After each segment was profiled and defined, all were then prioritized based on their attractiveness. This was done by comparing and evaluating each segment based on its overall size and growth potential, the cost and requirements to allow each to be served effectively, and the estimated ability to drive margins and loyalty among key segment customers.

Applying Research to Strengthen and Differentiate Offerings

Armed with its new insights into market and customer segments, the next step was to develop ways to use this knowledge as a means of strengthening and differentiating DPC’s offerings according to the needs of the unique customer groups.

Prior to this initiative, the organization did not engage in brand management, relying instead on science and product innovation to pull in customers. In its product-centric approach, a fairly universal value proposition—“leading edge product technology delivered through a

superior distribution network”—was delivered across segments. Marketing communication activities and messaging architecture created some variation in the positioning of its brands, but the elements of the brand offerings were quite similar.

To truly take advantage of the opportunities presented by the segmentation first required DPC to develop segment-specific value propositions. Management’s ideal state was a one-to-one, brand-to-segment relationship, but diverse market dynamics and institutional constraints presented a barrier. Often, a particular brand had significant share in two or more segments. A radical repositioning would have posed a risk to revenues. Moreover, brand organizations were reluctant to cede their position to another brand in the portfolio or narrow their scope to an individual segment.

To overcome these challenges, DPC chose to take a brand-neutral approach to value proposition development, with the intent of creating the best possible offering by segment. In later phases, brands would be examined in detail to determine which were best situated to deliver against the segment value proposition, and consider migration paths to get the target brand from its current position to the ideal identity state for the segment.

Developing Value Propositions by Segment

Value proposition development was based on the ideal experience for a typical bodyshop in each segment. A preliminary “ideal experience statement” was developed, then validated with a core group of sales representatives and technicians—the groups in the business with the most practical knowledge of the customer. This was further refined by direct input from key body shops within the segment in the form of individual interviews with field staff. The results were then compiled and refined.

Using the ideal experience as an anchor point, independent of current offerings, the next questions were, “What can we deliver to this segment?” and of equal importance, “What *should* we deliver?” The ideal experience in many segments, as expected, involved elements with little or no relationship to the actual process of repairing or painting a damaged vehicle.

For example, insurance companies pay for 93% of all

collision work. Body shops are the de facto customer service arm of the insurance company—essentially the only tangible benefit one receives from auto insurance premiums. Insurers recently recognized this fact and began forming networks of reliable body shops that they recommend to policyholders filing an accident claim. The ability to successfully market to insurers is seen as critical for multiple segments.

Based on the ideal experience work, value propositions were drafted by segment. These were broad enough to act as a framework to guide future development of segment-specific offerings. Value propositions included descriptions of what DPC would do for customers in the segment; what behaviors customers would exhibit if the value proposition was delivered successfully; and a financial growth target.

For example, the value proposition for one segment was developed around providing an industry-leading integrated painting and performance system that would be supported by on-site technical support and workflow management assistance. Successful delivery and execution was expected to provide measurable efficiency gains for body shops in this segment and incremental revenue and profitability gains for DPC through securing longer-term contracts.

Refining Offerings and Analyzing Customer Touchpoints

Next, the project team looked at ways to refine DPC’s offerings based on the newly articulated segment-specific value propositions. Market research provided detail on the experience that DPC was currently delivering. The new value propositions built on the research findings and framed a future-state customer experience.

Further work was required, however, to fully detail how DPC would profitably deliver a comprehensive offering that led to the ideal experience for each segment.

A customer offering is comprised of elements created, managed, and in many cases delivered by various functional groups within a company. Product, sales, and other groups each have roles to play in the total experience that a customer has with a company. If they’re misaligned, the customer experience and the brand are compromised.

To build consistency into future offerings, DPC functional groups with critical interactions with customers were identified. The importance of a particular function varied, depending on segment. For example, the efficiency segment tended to be more web-savvy than other segments, which made DPC's web-based touchpoints more significant than they were for the price segment, which tended to have fewer Internet users.

Functional groups were led through an exhaustive touchpoint analysis to first understand how they currently interacted with customers. Using Prophet's brand touchpoint model, the new value propositions were used as a filter to define how the functional elements and customer interactions would change to create the ideal future offering. Interestingly, the product function contained "table-stakes" elements that were critical to the success of the offering, but provided little opportunity for significant differentiation from the competition.

To improve the cost basis and ensure that resources were allocated for maximum impact, it was key to not only create or improve offering elements in particular segments, but also to reduce or eliminate existing elements that didn't address a critical need. In the efficiency segment in Japan, for example, DPC was actually over-servicing its accounts. These body shops would accept less frequent contact, but wanted longer duration consultative interactions when they did occur.

To increase performance against many valued touchpoints, existing offerings were simplified. For example, most body shops use a software program to identify the paint formula for a particular vehicle color. The program provides over 30,000 formulas and supports inventory management and environmental compliance, among other functions. In one of the United States regional segments, the level of sophistication required from this software tool was significantly lower than for other segments. For this segment, DPC trimmed its paint formula software back to its core elements, saving money for customers in the segment and for the company.

The touchpoint analysis was exceptionally valuable, and not only for its role in crafting the new offerings for each segment. The functional work sessions generated rich

discussion and brainstorming, and new opportunities often emerged. In some cases, new and unique strategies emerged that could be enacted as a key business thrust. If successful, these had the potential to exponentially increase DPC's presence in a segment.

Assessing Results to Date

The early success of DPC's work has affected the organization in three different, yet equally important, ways.

First, the initial qualitative research and segmentation work quickly resulted in the reprioritization of several initiatives and business practices. For example, DPC's shop customers were equipped with new marketing materials designed to be customized and targeted to a broader variety of their customers, particularly insurers. DPC was also able to move quickly to capitalize on certain competitive weaknesses that showed up in the research results. Additionally, DPC's sales organization was able to close a product-usage gap research revealed in one of the segments.

Secondly, the business is now equipped with, and already using, a much deeper understanding of which segments will create the most value for the organization; what is most important to each segment and why; and the offering and economics required to effectively and profitably serve each segment.

Finally, this initiative has been a catalyst for several broader organizational changes. Most notably, functional areas that had typically operated in silos and focused on relatively broad business objectives are now marching in lockstep with a clear understanding of their specific roles in the delivery of the value proposition and ideal experience to each segment.

Moving to the Next Phase

Refining DPC's overarching brand strategy and brand portfolio management approach remain the last remaining variables in the equation to transform the business.

DPC currently has a minimum of three brands competing in most geographic areas. Traditionally these brands had been managed separately. Using the new segmentation, it became apparent that in some segments DuPont

brands were lagging significantly behind the penetration of competitive brands, while in other segments, two or three Dupont brands were effectively competing against one another for share.

These insights confirmed and reinforced the opportunity for the business to focus on fewer and stronger brands, and to build more truly global brands aligned against high-priority global segments. This process is already underway. In South America, for example, several lower-end brands with little strategic value and poor segment alignment have been rationalized. Within Asia, similar rationalization is underway.

The greater challenge will be in more developed markets like North America or Western Europe, where the complexity of the distribution networks necessitates multiple brands in order to operate in multiple channels. Nonetheless, a series of carefully designed changes will re-align the existing DPC brands, transfer equities, migrate some brands and eliminate others, identify opportunities

for global synergies, and establish the foundation for managing the brands and portfolio more consistently on a global basis.

Conclusion

DuPont Performance Coatings undertook an extensive and rigorous analysis of its markets, brands, and—most importantly—its customers and the benefits they seek and how they should be delivered at all points of interaction. This was an undertaking that should serve as a road map for other businesses similarly seeking to counter the current and future impact of commoditization.

The specific research models and methodologies utilized for the qualitative and quantitative research will vary from business to business. Still, DPC's experience underscores the overall importance of finding new ways of understanding and leveraging customer behaviors and loyalties in order to re-establish relevance in meaningful ways that go beyond simply pricing. 📌

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