

## Form Follows Value Case Example

**This is a dramatic case of a Specialty Products Manufacturer (SPM) who was experiencing an annual loss of \$13 million on \$430million in sales in their European Division. Additionally, the losses had been occurring for 5 straight years and along with no sales growth.**

SPM was fighting the “commoditization” of their products and services in the market place. They provided a number of costly services bundled with their product offering to differentiate, but fierce competition forced all competitors to cut prices to close sales, regardless of the extra value offered.

SPM decided to develop a new strategy of operational excellence to: 1) unbundled the service components of SPM’s offering- such as custom coloring of SPM’s products, which also drove up SPM’s internal costs considerably, and then 2) pursue being the low cost provider of non-colored products. They believed if they cut costs, downsized and streamlined products offered, they could become profitable. However, a critical piece of their strategy depended upon SPM’s customers’ willingness and ability to bring color processing in-house. SPM developed an extensive marketing campaign and customer communication approach, but after 2 year of implementing their plan, SPM remained unprofitable and its flat sales only highlighted customers’ resistance.

At the time of our intervention with SPM, they believed their business was doomed. We quickly identified the customer behavioral barriers & issues with SPM’s offer. As a result, this understanding led to an approach to both convert and profitably sell SPM customers. Equally important we showed SPM how to overcome the customers’ technical barriers to using SPM’s unbundled approach. We then assisted SPM to restructure their service operations, so individual services were sold to customers, along with how they could simplify their production process. The sales force was trained in how to present SPM’s service value, thus saving the previously produced marketing materials from the dumpster.

Within one year, SPM was able to make a \$25 million dollar profit swing, turning \$12 million dollar profit that year and growing sales by 15+%. Additionally no employees were downsized. Their success story was a result of applying our framework Form Follows Value™.

