

Applications of Specialty Gases and Cryogenic Liquids: Part I in a series of articles from the perspective of the customer

This article is the first installment in a continuing series that will shed some light on the applications of specialty gases, cylinder cryogenic liquids, and gas handling equipment. Subsequent articles shall focus on how packaged gases are used in laboratories, research facilities, and high technology industries.



by Daniel V. Byrne, P.E.
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The series will also offer a broad-brush look at the classes and types of customers specialty gas distributors should seek to serve. Also, the series will examine specific applications and associated needs within a particular customer class. Each application will focus on specific gas and equipment solutions, and will be supported by real-life case studies. The objective in producing this series is to help specialty gas distributorships and their employees achieve their goals by illustrating how they can succeed through the process of creating value for their target customers.

What Business Are You In?

All too often, we in the compressed gas industry define our businesses in terms of “product” rather than “market.” Apply the following test to yourself. Imagine

meeting someone at a social event who has little or no knowledge of our industry. The person predictably asks: “What line of work are you in?” How do you respond? Be frank with yourself. Think about the words that come out of your mouth. Block out the vivid images that you have conjured up in your mind. Do you respond with, “We manufacture compressed gases!” or “I sell welding supplies and safety equipment!”?

Do your words represent the rich reality of who your customers are and how you create value for your customers? Most likely, your words say little about your customer and the needs your company satisfies.

In a seminal article entitled “Marketing Myopia,” published in 1975 in *Harvard Business Review*, Theodore Levitt urged organiza-

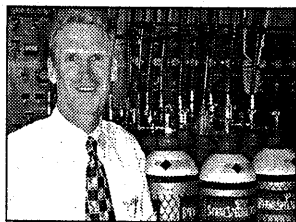
tions to define their industries broadly to take advantage of growth opportunities. Using the railroads as an example, he showed how that industry inevitably declined as technology advanced because the railroad industry leaders defined their “area of service” too narrowly. Eventually, the railroads went into a decline, but not because the demand for passengers or freight transport declined. Demand for both soared!

The railroads failed not because the needs of their customers and potential customers began to be filled by alternative modes of transportation and communication (cars, trucks, pipelines, airplanes, even the internet). Rather, customers turned away because their needs were *not* filled by the railroads themselves. The railroads let others take customers away from them because they viewed themselves as “the railroad business” rather than the much broader “transportation” business. They defined their industry too narrowly. They were railroad-oriented rather than transportation-oriented. They were product-oriented instead of customer-oriented.

Ask yourself whether you are a master of a technology for which you would seek a market, or a master of markets for which you seek customer-satisfying products and services. Unlike the stodgy railroad barons, the concepts advanced by Mr. Levitt were

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understood and embraced by many, as evidenced by the sale of more than 265,000 reprints of his article in the *Harvard Business Review*. Among the many industries that "got the message" was the "oil business," which redefined itself as the "energy business."

The first question that needs to be addressed is "What business are we in?" The best answer is to define your business by identifying the customers served.

Choosing your Customer

The single most important step any business can take is to *choose the right customer*. This question demands serious thought because your most scarce resource is your time. If we spread ourselves too thin in any endeavor, we simply never achieve "critical mass" or density of effort to achieve significant market penetration. The sales force must clearly understand the unique needs of each target market. The challenge then is to develop a strong value proposition to address a set of needs for each one.

The sales staff of any distributorship needs to fully understand the unique requirements of each target market—to develop a strong value proposition that addresses a set of needs. For example, if a company decides to focus on the environmental marketplace, it follows that its knowledge and capabilities in that marketplace must be sharply developed and focused. This requires an understanding of the fundamental regulatory issues such as the Clean Air Act that drive the demand and specifica-

tions for the monitoring equipment that consume calibration gases.

The production department needs to manufacture pure gases in grades that eliminate contaminants such as trace moisture and hydrocarbons to a level that is suitable for soil and water testing.

Equipment sold must meet the pressure, flow, contamination, and automatic supply requirements for each specific end use application. Each market segment such as environmental compliance, analytical laboratory, or biopharmaceutical has a unique set of needs. Distributors must develop a limited set of "core competencies," become masters in a limited number of areas, not a "jack of many trades."

Ideal Customer

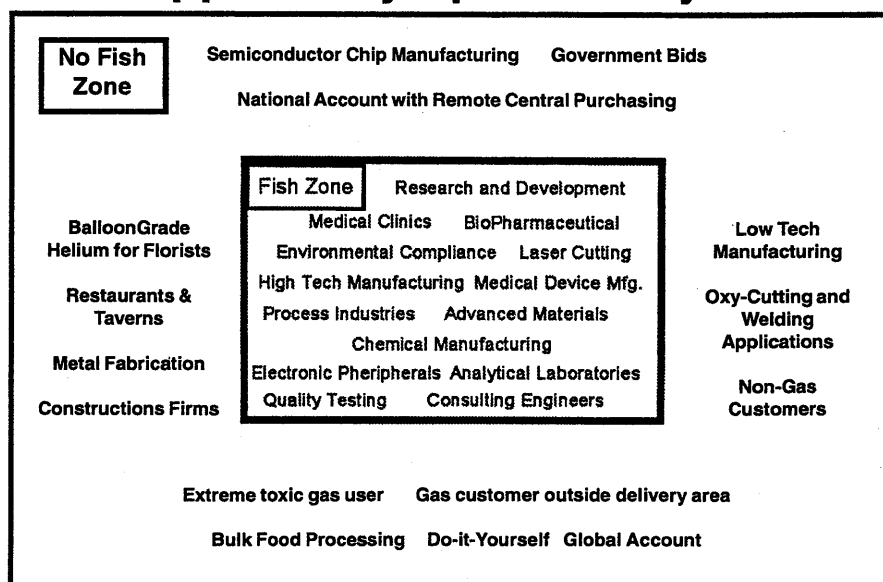
One useful tool that helps narrow the focus: list the characteristics of "the ideal customer." What are the attributes that make a customer one that you should choose? Where can your company be most successful?

Where can you be most "different" to the extent that your competition has little chance of displacing you? Each company has unique strengths and weakness and accordingly, each company should prepare its own list.

Characteristics of the "Ideal Customer" for distributor

- Alignment is strong: customer; needs are satisfied by your capabilities.
- Customer requires equipment, gases, and cryogenic liquids
- Customer has high tech capabilities.
- The capabilities you offer are superior to those of your competitor.
- Customer is healthy in a vibrant, growth industry.
- You can learn from this customer.
- Customer is loyal—a relationship can be built.
- End-users value your services.
- Customer understands the cost of his own time.

Opportunity Space Analysis



- Income from repeat orders of gas can be developed.
- Customer has potential to be in the top quartile to you in profitability.
- Customer has low diminishing factors, such as safety and credit risk.
- This customer will help you get other customers.

Strategy Defined by Saying "NO"

Basic marketing states that even more important than the items listed in the preceding list is the ability to emphatically decline to serve certain types of customers. If you say "yes" to every inquiry, you will do nothing well. Disciplined and tightly focused efforts, defined by saying "no," will free up your sales, production, and technical service teams and permit them to spend all of their time serving and growing with your ideal customers.

Characteristics of "**Undesirable Market Segments**" the Independent Specialty Gas Distributor should avoid.

- Buyer is bound by law or policy to buy from lowest price supplier
- Industry is low technology and mature
- Target customer is too big—(e.g., a national account with many locations)
- Target is too small—(e.g., mom and pop)
- Customer needs are too sophisticated (e.g., semiconductor chip manufacturer)
- End-users are too service intensive (e.g., bars and taverns)
- Customer needs cannot be met

by your core strengths

- Market segment has low growth potential
- Risk is high—safety, credit, injury to delivery person
- Distance too great to efficiently deliver

Once you have evaluated these issues, you can make an opportunity space map (See nearby box). Everything inside the box is fair game for the sales force. Everything outside the box is off-limits—"no fishing is allowed!"

Summary

The idealized model for success in the Specialty Gas industry outlined in this article is drawn from a universal paradigm. This introductory installment outlines the first two steps (of three) in crafting a program that builds well on your strengths and avoids stressing your weaknesses, all the while protecting you from competitors.

- The first, and most important, step is to become market oriented and eliminate your

natural "product" orientation.

- The second step is to choose the right customer while at the same time actively ignoring others. Customer segments should be explicitly and precisely defined.
- The third step is to develop a value proposition that uniquely addresses the needs of the chosen customer. Just as all people have weaknesses and strengths, so do organizations.

Part II in this series will address the issue of "How to create customer value in specific market segments." Customer value is the total "goodness" or utility that a customer perceives in the purchase of a product or service. It will examine target customer types outlined in the "Fish Zone" and identify the unique characteristics of "need sets" for each segment. Your company derives and builds power from a program that evades your rivals, capitalizes on their weaknesses, and in total, constructs a distinctive market personality and rank. **SGR**



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