

Customer Segmentation

Customer Segmentation



Objectives

Customer segmentation serves as a critical input for the below topics:

- Adapt servicing models by segment in light of customer needs and their strategic interest for Solvay
- Optimize resources allocation (front line and support functions) and cost-to-serve
- Define optimal channel mix (e.g. use of distribution) to serve our customers, in particular long tail customers
- Develop relevant baseline, KPIs and dashboards to monitor these initiatives

Service Model creates value through:

- Increase efficiency of the organization through the standardization of internal rules and priorities
- Define optimal service level to serve our customers (Standard or Premium) for each segment
- Help prioritize customers supply in times of allocation as part of S&OP
- Develop relevant baseline, KPIs and dashboards to monitor these initiatives

Definitions

Segmentation enables us to group customers in different segments according to their relevance and growth potential; Segments are divided into 8 categories.

Segment Name	SAP code	Description
Strategic	CS1	<ul style="list-style-type: none"> • Critical for realization of GBUs and Solvay's growth & strategy. CM>5M€ today with CM growth ambition of 5M€+ in the next 5y.
Key	CS2	<ul style="list-style-type: none"> • Important accounts for the GBU (e.g. critical). CM > 5M€ by 2022/26
Critical	CS3	<ul style="list-style-type: none"> • Each GBU is able to decide the level of granularity and sub-segment with the aim of: protecting high margin on small volume, optimize cost to serve (e.g. inside sales; digital platform), etc.
Standard	CS4	<ul style="list-style-type: none"> • Critical: CM> 500K€ / TBD: 100K€<CM<500k€ / Standard: CM< 100K€ • Critical accounts usually represent between 75% to 85% of total CM of Critical and Standard
Key Distributor ¹	CS8	<ul style="list-style-type: none"> • Distributors with high sales (Sales threshold set up by GBU, Decision Tree) • Distributors with strategic fit and high growth potential
Standard Distributor ¹	CS5	<ul style="list-style-type: none"> • Distributors with low sales level and little growth potential • Distributors with high sales but little strategic fit / partnership performance
Not valid	CS6	<ul style="list-style-type: none"> • This segment is assigned accounts and corporate groups that are not active, marked for deletion or still active but should not be segmented because of divestitures, bankruptcy, internal sales (Solvay Corporate Group must be segmented as Not Valid) etc.
Not yet Assigned	CS7	<ul style="list-style-type: none"> • Any new accounts (if not assigned to a corporate account group) will default to this. GBUs will closely monitor to update this to the correct customer segment

GBU specific thresholds (quantitative) have been defined to define Critical and Standard accounts:

GBU	Guideline: Quantitative Threshold for Critical Accounts
Specialty Polymers ²	2019 Sales > 750k and CM > 500k EUR since review under ECCO
Peroxides	2023 CM > 500k EUR
Novacare	2019 CM > 100k EUR. Except for NAM 2019 CM > 250k. Critical accounts represent ~80% of the total 2019 CM value of Critical and Standard
Technology Solutions ⁵	2023 CM > 400 or 700 depending on potential growth. Critical accounts represent ~70% of the total 2019 CM value of Critical and Standard
Aroma Performance	2019 CM > 200k EUR. Critical accounts represent ~80% of the total CM value of Critical and Standard
Special Chem	2023 CM > 200k EUR
Coatis	2019 CM > 200k EUR. Critical accounts represent ~70% of the total CM value of Critical and Standard
Composite Materials ³	Active account management vs non. Critical accounts represent ~90% of the total 2019 CM value of Critical and Standard
Silica	2019 CM > 900k EUR. (except NEXEN - Tire business). Critical Accounts represent the top ~75% of the total CM value of Critical and Standard
Soda Ash & Derivatives ⁴	Critical accounts represent ~90% of the total 2019 CM value of Critical and Standard

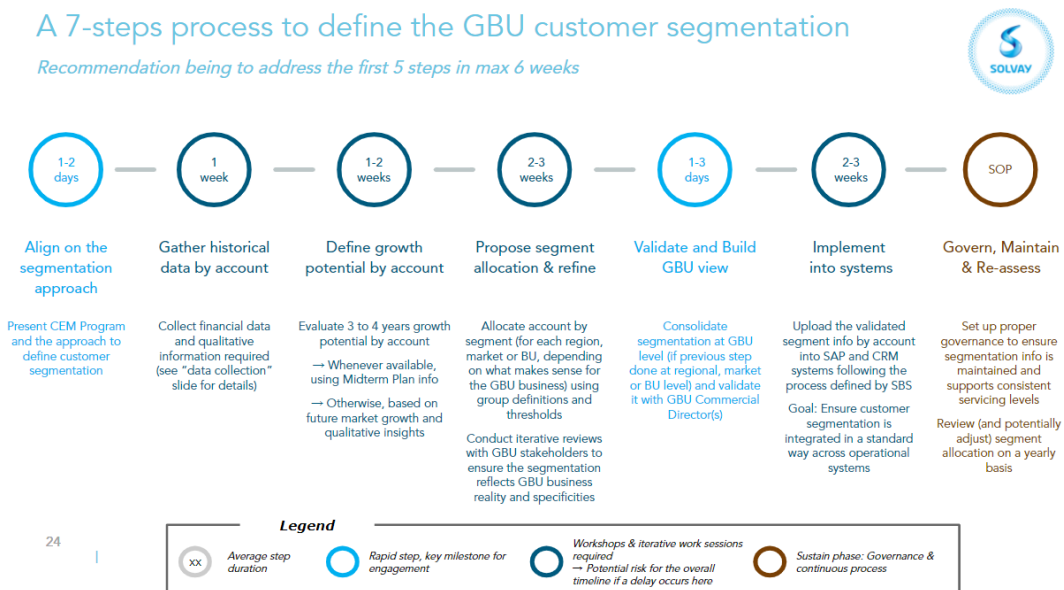
Service Models then focus on developing a set of standardized rules of how to serve, prioritize and manage these segments in different functional areas such as Supply Chain, Marketing and Sales, R&I... (click on the link below to see concrete GBU examples)

GBU	Link
Specialty Polymers	Link
Novacare	Link
Technology Solutions	Link
Aroma Performance	Link

Implementation and best practices

Customer Segmentation

We define customer segments following a 7 steps process (duration ~6-12 weeks)

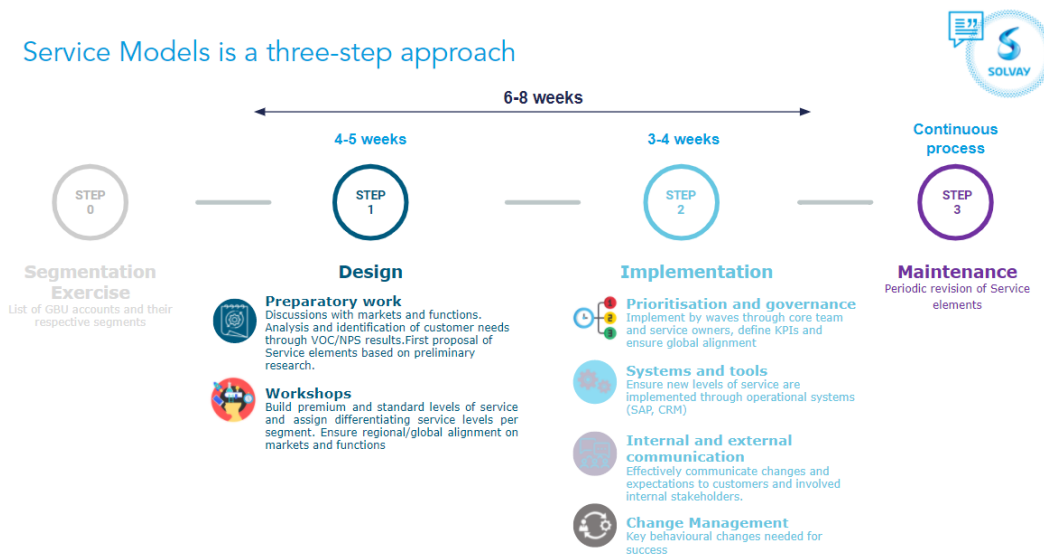


For further details on how to integrate these segment in Solvay's systems follow the How-to guide ([link here](#))

Service Model

We define Service Models following a 3 steps process (duration ~7-9 weeks)

Service Models is a three-step approach



For further details on how to integrate these segments in Solvay's systems follow the How-to guide ([link here](#))

Main KPIs

Assessment of Customer Segmentation and Service level

KPI related to Customer Segmentation

Once customer segmentation has been performed at a given GBU, you should meet the below indicators:

- 97%+ of the GBU sales and contribution margin is mapped to the different segments
- 90%+ of frontline FTE time can be allocated between segments to assess the frontline resource intensity of each segment and help indication resource allocation optimization options

KPI related to Service Level

Monthly maintenance and KPI tracking through the Service Levels page of the Customer 360 Dashboard (SC related elements) - [Click here](#) for more details

Responsible by GBU

GBU/Function	Contact Person (segmentation)	Contact person (service model)
Aroma Performance	Simon Delens	Simon Delens
Composites Materials	Natacha Prenen	NA
Novicare	Géraldine De Visscher / Pam Accardi	Géraldine De Visscher
Specialty Polymers	Tim Macharis/ James Flock	Tim Macharis / James Flock
Technology Solutions	Laurie Sabbath / Evita Markus	Laurie Sabbath
Transformation Center	Sarah Looverie	Sarah Looverie

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- [Novecare](#)
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- [Long Tail Management](#)
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