



## CREATING VALUE THROUGH MARKETING EXCELLENCE

### 1. Cost cutting for competitive advantage

The recent history of the chemical and plastics industry in Europe and North America is littered with cost-cutting, downsizing, right-sizing, lay-off, early retirements, redundancies, sorrow and worry. Why? The European and North American chemicals and plastics producers and sup

pliers are encountering increasingly effective, efficient, threatening and damaging competition from producers and suppliers based in economies with a lower cost base, lower wage rates and lower energy costs. A war is being waged on the price front and the only answer the European and North American companies have is to reduce costs by more than they have been forced to reduce price. This is a MUST, if they are to sustain the apparent health of the corporation, as reflected by the shareholder value and the stock price.

Does the content of this first paragraph sound familiar to you? Does it sound right to you?

If you answer “Yes” to either of these questions, please read the first paragraph again; and whilst you read it, ask yourself what is missing. If, after re-reading it, you cannot find anything missing, then PLEASE read on.

### 2. Marketing – the basis of REAL and SUSTAINABLE competitive advantage

Of course, what is missing is any reference to the market-place, to customers, to customer needs, to market value, to value chain, to target audience, to positioning, to value propositions, to competitive offerings, to differentiation.

“But how can these help me if my competitor keeps cutting the price?” you ask.

Well, I hope to be able to answer that question and several others in this series of articles for the ECMRA Newsletter.

I would argue that marketing, NOT cost-cutting, is the TRUE basis of SUSTAINABLE competitive advantage, because it is through marketing that you understand how to respond to those factors that are really driving the demand for what you have to offer.

So, let's start with a few basics; what IS marketing.

Marketing is **the fulfillment of customer needs at a profit**; yes, I am sure you have all read something similar, but let's examine what this really means. If I am to fulfil customer needs at a profit:

First of all I must identify my (potential) customers and then I must identify the ones with whom I can most successfully do business.

Secondly, I must understand what the customer really needs and then I must develop an offering which can fulfil those needs better than anyone else.

Thirdly, I must make sure that I can do all of this and still make a profit.

*Practical Marketing for Value Growth*

*WE DO ..... while others only talk*

*©Copyright Phil Allen's MarketAbility*



So, what marketing really is might be better defined as follows:

- Effective deployment of resources and competencies
- to satisfy target customers by delivering superior value
- at a profit .....
- ..... and going out and DOING IT.

So marketing is about understanding the market place, discovering opportunities, identifying target customers who have needs that you can satisfy better than any competitor, exploiting or developing the competencies and resources to deliver that superior offering to those customers. Then DOING IT and obtaining the recognition for the value to the customer by getting paid.

Nothing new in this, I hear you think.

Well, if there's nothing new in this, WHY are so many of Europe's and North America's chemicals and plastics producers and suppliers FAILING to do this?

Marketing demands a combination of **high quality information, insightful analysis** and **creative interpretation and response** in order to develop sustainable competitive advantage through differentiated offerings. These are the elements that are lacking in many North American and European chemicals and plastics companies.

Let's explore these points one by one.

### **3. Understanding the market-place – seeing what everyone has seen**

Most companies in the chemicals and plastics industry have access to a wealth of information about their market place. In fact, the industry is in information overload. All see the same information, in multi-client market studies, in reports from industry bodies, from conference papers, in the published statistics of the consuming industries and so on. Some supplement this data by commissioning ad-hoc market studies in an attempt to gain greater insight into the demand for specific products and services.

The challenge for most managers is to sift and interpret this wealth of information effectively.

True, but it also helps if you ask the right questions of the right people in the first place.

The real issue is not the amount of information available, the real issue is whether that information is HIGH QUALITY; i.e. does it REALLY tell the marketing strategy decision-maker what she or he needs to know?



Who is the REAL customer?

What really drives their buying decision?

What drives their preference for one supplier over another?

What unmet needs do they have?

My next article will start to address these questions and many more, when I tackle the challenge of getting the right and meaningful answers from information and market research.

#### **4. Selecting the target customers – thinking what no-one else has thought**

Once we have gained a better understanding of the market, we are better positioned to make meaningful decisions about where we can best deploy our resources and competencies; in other words we can choose where we want to compete and where we do not want to compete. This decision should be based on a direct comparison of the needs of specific market segments and our own unique skills and competencies, in order to find the best match and to find opportunities to exploit any uniqueness in our skills and competencies (which our competitors cannot match).

The basis for segmentation is a key factor in this process and is fundamental to the success of the resulting marketing or business strategy.

On this subject, I'm afraid I have some bad news for all chemists and chemical engineers in marketing and business management positions: there is no formula nor any right or wrong answer to help you to discover the best segmentation scheme for your business.

Notice, also, that I used the word "discover". Segments exist out there in the market place; we do not create them in our office or ivory tower. However, they are waiting to be discovered and to be properly and successfully marketed to.

In my third article, I will tackle this most crucial and poorly practiced subject of segmentation.

In my view segmentation is one of the most difficult challenges for any marketer in the chemicals and plastics industry and the most critical success factor in any marketing or business strategy.

#### **5. Developing a differentiated marketing strategy – doing what no-one else has dared**

Having decided where we are going to compete, we must stimulate our creative juices to work out how we are going to develop a sustainable competitive advantage. The second most difficult and equally critical success factor in developing winning marketing strategies (after segmentation, see above) is that of creating a winning value proposition.

The value proposition is the expression of superior customer benefit that you offer, together with the value that you expect to gain in return for delivering those customer benefits better than your competitors.

***PRACTICAL MARKETING FOR VALUE GROWTH***

***WE DO ..... WHILE OTHERS ONLY TALK***

***©COPYRIGHT PHIL ALLEN'S MARKETABILITY***



The value proposition is the foundation stone for the development of your marketing mix. It summarises what you will offer and (equally important) what you will NOT offer. It explains the superior customer benefits and MUST address the key needs upon which the customer bases her or his buying and supplier selection decisions.

Value propositions and the development of winning marketing and business strategies will be the subject of my fourth article in this series.

### **6. Sustaining competitive advantage – making it happen**

Once we have identified and understood the market place, chosen where we wish to compete and defined how we are going to compete, we must make it happen. This may seem a rather obvious statement, but many excellent strategies have failed due to poor implementation.

Successful implementation is dependent upon excellent planning and communication. In order to develop and implement winning marketing and business strategies it is essential to have a clearly defined, well thought-out, understood and accepted process. This process must be comprehensive in its coverage and description of what needs to be done, by whom and in what sequence. The process must also be compatible with the other processes needed to run a corporation and interfaces must be clearly understood and seamless.

The driving elements of these processes must be absorbed into the culture of the corporation, if they are to be truly effective.

My fifth article in this series will explore the subjects of process and implementation.

### **7. Staying ahead through continuous improvement and change management**

Even after we have successfully done everything I have outlined above, I must inform you that it is not enough. The world is becoming a faster changing place every day, technology becomes obsolete the day after it has been discovered or developed, people are bombarded with more and more external exhortations to do or behave in a certain way. The same is true in the market place for chemicals and plastics. What was a competitive advantage yesterday is the common standard today.

The winning market or business manager will be the one who can stay ahead of the competitor by anticipating the next standard and being the FIRST to create that offering as a differentiator.

This demands a level of open-mindedness, creative thinking and willingness to change, which is alien to many in this industry.

***PRACTICAL MARKETING FOR VALUE GROWTH***

***WE DO ..... WHILE OTHERS ONLY TALK***

***©COPYRIGHT PHIL ALLEN'S MARKETABILITY***



True innovation and creativity is

SEEING WHAT EVERYONE ELSE HAS SEEN

THINKING WHAT NO-ONE ELSE HAS THOUGHT

DOING WHAT NO-ONE ELSE HAS DARED

In my sixth article, I shall examine ways to build a sustainable competitive advantage through continuous improvement and change management.

Biographical note.

The author, Phil Allen, runs his own marketing excellence practice, Phil Allen's MarketAbility, creating value for his clients by helping them to apply marketing excellence to their businesses. He has acquired a detailed knowledge of the chemicals and plastics industries during a fifteen-year tenure in sales and marketing positions at Bayer AG, Albright & Wilson Ltd and The Dow Chemical Company. His career spans more than 20 years experience in industrial and business-to-business sales and marketing.

This article first appeared in October 1997 in *In Touch*, the official newsletter of ECMRA.