



When it comes to selling commodities, Dow Corning knows what its customers want. As well as what they do not.

Its Xiameter Internet-based business unit's 'Easyjet' approach to selling commonly used silicones means that customers pay for exactly what they get, with no frills attached. Unless, that is, they are prepared to pay for them. Over the past two and a half years since it was launched, Xiameter's inventiveness has rewarded the firm well. In an industry plagued by low-profit margins, Xiameter's success stands out.

With competition and consolidation squeezing prices about as low as they can go, and virtually zero leeway for realising any hikes, most others in the commodity sector have had to be content with achieving little more than meagre profits. Given oil prices as high as \$50/bbl, things look set to stay the same for some time to come.

Outside the chemicals sector, the picture is somewhat different. Despite facing many of the same problems, many in the consumer industries seem to have weathered the difficulties rather better. Major league companies of the likes of IBM, Dell, Coca-Cola and Gillette are not only admirably fending off the competition, but are making healthy profits for themselves into the bargain. Phil Allen, chief executive of marketing excellence practice MarketAbility, is in no doubt why this is: successful firms focus on their customers, not on their products, he says.

What chemical companies ought to be focusing on, Allen contends, is 'where their customers are in their market life cycles', in other words on what new applications and technologies will help them in their business. The trick that companies such as Gillette

The screenshot shows the Xiameter website interface. At the top, there are navigation links: FIND PRODUCTS, BUY PRODUCTS, MEET US, TOUR SITE, READ NEWS, LEARN THE RULES, GET ANSWERS. Below this is a section titled 'XIAMETER® BENCHMARK PRODUCT PRICING: (Members only)'. It features a table with columns for Product Name, Price, and Info. The table lists four products: XIAMETER® PMX-0001 SILICONE FLUID 350CST (\$3.30/kg), XIAMETER® PMX-0156 SILANOL FLUID (\$3.30/kg), XIAMETER® PMX-0110 CYCLOSILOXANE (\$3.30/kg), and XIAMETER® SLT-5100 SEALANT ACETOXY (\$2.58/kg). Below the table is an 'ACCOUNT LOGIN' section with fields for E-mail and Password, and a 'GET SOME INFO' section with a link to 'learn more'. A small image of a rabbit is visible on the left side of the page.

Dow Corning focuses on customer needs

– which has 80% of the global market for shaving products – have pulled off is to understand the movements in the market and to position themselves accordingly, he elaborates.

For example, Gillette's *GII* sensor razor was a huge success in the early 1990s as a male shaving product, but when interest waned the company was already prepared for the launch of its *Mach 3* brand, at the same time cleverly repositioning the *GII* sensor for the female beauty market. It is what is known in marketing speak as 'dominating the cycle'.

Better yet, Allen says, is to 'reinvent a market' creatively. Companies need to think of doing things no-one else has thought of. IBM's spectacular come-back after suffering losses in the early 1990s is widely attributed to the re-emergence of the company in 1994 as a 'services and solutions business'.

As the then chief executive, Lou Gerstener, put it at the time of the relaunch: 'We're no longer in the business of selling complex adding machines, but in providing solutions to our customers needs.'

Allen says: 'If you reinvent a market, you can dominate it'. Few in the chemicals sector have been quite so quick on their feet. One notable exception, Allen points out, is Unilever, which recently borrowed an idea

from the company's own haircare division to produce a fabric conditioner for clothes. As Allen sees it, the firm stopped thinking in terms of products and began thinking about 'how we make life better for people who wear clothes'.

One lesson that the consumer industries can teach the chemicals sector is about building brands, says Paul Hague, managing director of market research consultancy B2B International. 'We in the industrial markets confuse products and brands,' Hague says.

In chemicals, many of the brands we refer to are not true brands – such as *Coca-Cola*, *BMW* and *Kodak* – but locators by which we label products, he argues. 'We live in a world where brands are becoming more and more important... Instead of becoming better at building our brands in the chemical industry we are getting worse.'

In the luxury goods sector, statistics show the brand name accounts for 70% of the buying decisions. For those buying industry products, that figure is only 5%, with an overriding 70% of the reasoning down simply to the product (the remainder is down to services). This is a costly mistake, Hague believes. 'If we can build brand differentiation and desirability we can reap profits even in a commodity industry.'

'How much more will people pay for *Coca-Cola* than a supermarket brand? The answer is we will pay 35% more,' he says. 'How much more for a *BMW* than a *VW*? £3000.' The challenge is 'to be in the shelf-space of our customer's minds', Hague says. To do this, firms need to have what he calls a bigger 'share of voice' – to advertise and promote products more widely via media such as the Internet.

It is easy to see how it works. Brands that get lodged in people's minds lead to other competitive brands being rejected, Hague says. 'How many buyers have changed suppliers for commodity chemicals? Over a third have never switched.' This figure is also revealing, he acknowledges. 'People do business with people they like doing business with. Emotional influences may only account for 5% of the buying decision in commodity products, but can we ease it up to 7%? Building the brand might be another way forward.'

Phil Allen also has views about customer loyalty. It costs 20% more to find new customers than to service old ones, 'which is why you don't want to lose customers'. The value of relationships, he continues, can only be captured by learning to understand their needs. 'No one ever has a wholly satisfied customer. The trick is to figure out what is wrong and what you can do about it.'

This article is based on some of the ideas discussed at a briefing organised by the ECMSA and co-sponsored by MarketAbility and B2B.

No frills approach

Marketing is a tricky business, but focusing on customer needs and strong branding can pay dividends, reports **Cath O'Driscoll**

