



CREATING VALUE THROUGH MARKETING EXCELLENCE: Getting the best from information and market research

1. Marketing – the basis of REAL and SUSTAINABLE competitive advantage

In my last article for the ECMRA Newsletter, I argued 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.

Marketing is **fulfilment of customer needs at a profit**. If you aim to fulfil customer needs at a profit, you must:

- Understand the market place and discover opportunities.
- Identify target customers who have needs that you can satisfy better than any competitor.
- Exploit or develop your competencies and resources to deliver a superior offering to those customers.
- Then DO IT and obtain the recognition for the value to the customer by getting paid.

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.

2. Information Overload

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 journals, 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. More recently we have been inundated with information via the Internet, MAID, Profound and CNI.

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

True, but it also helps if you work out what you really need to know and 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?

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3. Whom to ask: analysing the value chain

In fact, from my discussions with marketers in the industry, I would question whether many so-called marketers in the chemicals and plastics industry even know who their REAL customer is.

So, my advice is to start at the beginning and describe the value chain of the product, tracking it from producer to final user or even to the eventual disposal. Then look at each level in the value chain and try to work out who adds what value and how much do they get back for adding that value. This analysis will start to shed light on who is really driving demand for your products and who is getting the most value out of the chain.

It should also prompt you to start asking questions like:

Who is the REAL customer?

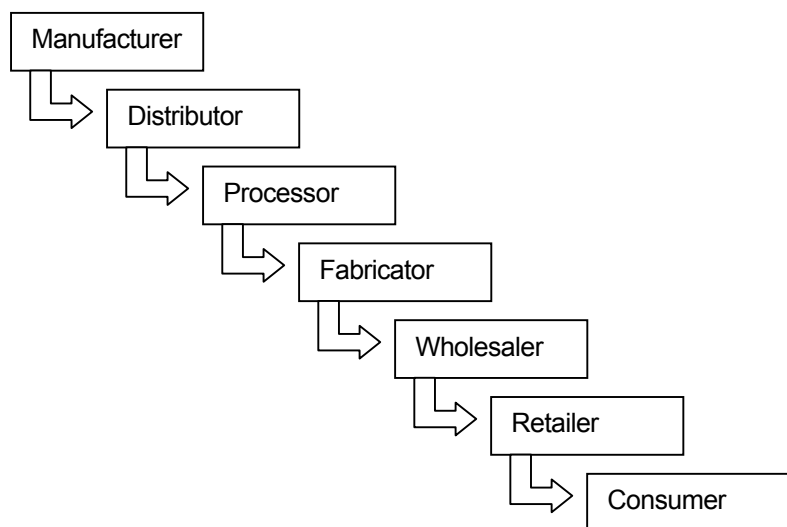
What really drives their buying decision?

What drives their preference for one supplier over another?

What unmet needs do they have?

In my view, the target of your marketing - the REAL customer – should be the last person in the value chain who derives a recognisable benefit from your product. This may be the person to whom you sell the product, but in many instances in chemicals and plastics markets it will be someone further down the value chain.

A typical value chain might look something like this:



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Having described the value chain, the real challenge is to identify who is really the target customer.

I am convinced that in many cases the chemicals and plastics manufacturer is marketing to the wrong target and is not looking far enough down the value chain to discover whom really benefits from their product. This results in the manufacturer often not recovering the true value of the product, but giving away that value to someone else in the value chain.

4. Asking the Right Questions

Most of the information delivered by the regular reporting to the chemicals and plastics industry is centred on the suppliers and their costs.

Hardly ever do we read in ECN or Chemical Week or Chemical Insight or any other industry organ about the NEEDS of CUSTOMERS. We read about whom is investing how much in which plant where. We analyse the supply/demand balances. We commission detailed studies of production costs down to the last pfennig.

But none of these reports or studies begins to tell us why people demand the products that the industry makes. Nor do they address the question of why a customer will choose to buy from one supplier in preference to another.

Should we not be trying to develop a better understanding of our customers, their needs and what drives their preference for one supplier over another, if we are to develop winning marketing strategies?

The closest most chemicals and plastics manufacturers come to this is to conduct a customer satisfaction survey.

5. Customer Satisfaction?

Customer satisfaction has enjoyed a wave of popularity in the chemicals and plastics industry during the past eight years or so.

Did you include customers and non-customers in your survey?

Did you regard distributors as customers?

Did you survey any of your distributors' customers?

Did you ask respondents to identify what were important factors for suppliers to qualify for consideration?

Did you ask customers what criteria actually determine their preference for one supplier over another?

Did you give customers the chance to express openly and freely how they felt and about what they were satisfied and dissatisfied?

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Did you generate an internal list of what you thought was important to the customer and ask them to rank you and competitors on those items?

What did you actually do differently as a result of the customer satisfaction survey?

How much money did you spend on customer satisfaction?

Have you really changed the way you treat customers and have you both gained as a result?

Getting feedback from customers about their needs, their unmet needs, their areas of dissatisfaction is one of the most crucial pieces of information for any marketer. Understanding why business has been won and lost and what really drove the decision of the customer should be the first information priority of every marketer. Armed with this knowledge the enlightened marketer can develop winning strategies.

6. The balance of information

How much do you spend on multi-client studies? How much do you spend to understand supply/demand balances? How much do you spend on competition analysis?

How much do you spend on understanding how customers decide on their supplier preference?

If the balance is in favour of the former, I would urge you to re-consider your budget allocation.

A detailed understanding of the drivers of customer demand and customer preference of supplier are the most crucial pieces of information in the development of winning marketing strategies. This should also be the basis around which you segment your market. More about that in the next newsletter.

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.

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