



CREATING VALUE THROUGH MARKETING EXCELLENCE: POSITIONING AND VALUE PROPOSITIONS: CREATING SUSTAINABLE COMPETITIVE ADVANTAGE

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

Throughout this series of articles for the ECMRA Newsletter, I argued that marketing 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 **fulfillment of customer needs at a profit**. If you aim to fulfil customer needs at a profit, you must:

- Understand the market place and the customer well enough to be able to 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. Positioning to delight the customer

Having researched, analyzed and segmented our market, we should be in a position to make some important CHOICES.

- Choices about where to compete
- Choices about which customers to target and which to leave alone
- Choices about where to deploy resources
- Choices about what competencies to develop

A detailed understanding of the market and the key drivers of customers' choices and preferences lead us to a market segmentation that should make the eventual choice of strategy a simple and obvious one.

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Our segmentation is based upon what drives the customer in the buying decision, our interpretation of the customer needs and behaviour should have enabled us to identify some specific opportunities:

- opportunities to target customers who value what we can do best, or
- opportunities to develop competencies to deliver what the customer needs or values most.

This is the basis of our positioning. Our positioning must:

1. communicate to the target customer in terms that are relevant to the customer
2. convince the customer that our offering is better than any competing offering
3. demonstrate that our offering delivers SUPERIOR value to the customer

Creative marketers see what everyone else sees, but THEY THINK WHAT NO-ONE ELSE HAS THOUGHT and THEY DO WHAT NO-ONE ELSE HAS DARED.

3. Identifying the customer

In my last article I talked about identifying the REAL customer. I also mentioned that it is quite possible that we are dealing with more than one customer if our value chain is complex (as many are).

It is essential in marketing that you are able to convince the ALL of the target customers who benefit from your offering that they should prefer your offering to any other. How do we identify our customers?

Let's return briefly to the value chain I referred to in my last article. We must identify the company or person furthest down the value chain who still derives a benefit from our offering and recognises it (or can be convinced to recognise and value it). This person or company IS our TARGET customer. But, there may be another member of the value chain who controls and influences what happens in that market, who also should be targeted with an appropriate marketing message. Then there is our immediate trading partner, who also must not be ignored.

Returning, then to my simple example: Polyols & MDI for PU foam insulation in refrigerators

Energy supplier → Hydrocarbon cracker → Polyol & MDI supplier → Polyurethane foamer → Foam cutter → Refrigerator Producer → Appliance Wholesaler → Appliance Retailer → Industrial or domestic consumer

Our Polyol and MDI supplier must position to delight all levels in the value chain between himself and the Industrial or Domestic Consumer.

Those suppliers have patently failed to do this, and in the process they have allowed someone further down the chain to reap extra value or to destroy some value in the chain.

What we must also recognise is that different members of the value chain have very different needs, which MUST be addressed by our positioning.

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4. Value Propositions: The basis of good positioning

The concept of the value proposition is simple.

The value proposition is our offering in response to the needs of the target customer, expressed in terms both relevant and meaningful to the customer.

The value proposition is a combination of the benefits offered and the price at which they are offered to the customer.

In order to differentiate ourselves from competition, it is essential that our value proposition be expressed as superior customer benefits that we offer, delivering those customer benefits better than your competitors.

As we may have to market our offering to more than one target customer in the value chain, it is likely that we will have a different value proposition for each target customer in the value chain. The value proposition to the PU foamer will be different from the value proposition to the appliance producer which will be different from the value proposition to the industrial or domestic consumer.

In each case, the value proposition must address the specific needs of the target customer.

The value proposition is the foundation stone for the development of our marketing mix. It summarises what we will offer and (equally important) what we 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.

5. Creating powerful value propositions

The basis for developing our value proposition takes us back to our segmentation and our value chain analysis. Here we identified customer needs at each relevant level in the value chain.

The value proposition must respond to those needs in a convincing and meaningful way, providing the customer with the reason to choose and prefer our offering to those of our competitors.

I use a very simple framework to capture this:

Target Audience: who is the target audience for this value proposition

Value: what are we offering that the target audience values, expressed as a benefit to them

Superior value: what makes our offering superior to our competitors' offering in the customers' eyes

Profit: how will we profit from this offering (remember marketing is about making a profit!)

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So, what might a good value proposition look like? Here are a couple of examples:

FEDERAL EXPRESS

To business managers and professionals in firms where deadlines are common, Federal Express is the delivery service you can count on not to let you down, that is better than other carriers because of its high technology and reputation for reliability.

US FILTERS

Food and Beverage

To ensure consistent product taste and clarity, we clarify fruit juices, purify liquid sweeteners through chromatographic separation, and de-ash fruit juice and sugar syrups. We also recover fermentation beverages from lees, and remove salt through membrane separation

To ensure environmental compliance, we offer economical biological treatment of high strength organic waste and solids, recycling of cleaning chemicals, sludge reduction and efficient pre-treatment technologies

To ensure low microbiological activity in process water, we supply water suitable for rinsing, product blending and ingredient formulations

Municipal Wastewater

To reduce operating costs, we use biological fixed-film and suspended growth technologies that minimise operator assistance, downtime and energy consumption. We also offer own-and-operate alternatives to minimise capital investment and personnel requirements

To reduce nutrient levels (nitrate, phosphorous), we use biological nutrient removal, de-nitrification, tertiary filtration and fixed-film processes

To allow for limited land/space available for expansion and upgrades, we offer space-efficient equipment designs

Notice that in each case

- there is a clearly identified target customer group
- the benefits to the target customer group are clearly defined in terms relevant to the customer

Notice in the case of US Filters, that the two value propositions are very different and clearly targeted at the specific needs of the target customer group.

The development of powerful value propositions demands innovative and creative thinking – an attitude driven by and oriented to the development of creative solutions to satisfy customer needs, especially their UNMET needs:

Kodak produce photographic film, but they market MEMORIES.

Revlon produces lipstick and cosmetics, but they market HOPE.

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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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