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March 08

Pricing, Branding and Communications – Key Elements of Excellent Marketing

Price is one of the most neglected elements of the marketing mix, despite it being the only "P" of the 4, 5, 6 or 7 "P's" of the marketing mix that actually captures value. Inadequate attention to price and inappropriate pricing strategies based on poor understanding of customer need and value are eating away at companies' bottom-lines. Just simple maths tells you that a small percentage increment in price (and, therefore, revenue) has a disproportionately BIG impact on profits. Despite this "known fact" marketers, business leaders and sellers spend far too little time on right-pricing their offerings to their customers, mostly out of ignorance, poor understanding of customer need and value and lack of attention to detail. Attention to a better and more detailed understanding of customer needs and value drivers combined with a more detailed analysis and comparison of your offerings with those of your competition (to understand the real basis of differentiation) are fundamental factors most commonly neglected or overlooked by commercial management in their pricing activities and approaches.

Reinforcing differentiation and price with a powerful brand is well-known to a few good and successful marketers. Unilever, for example, despite having reduced its total number of brands from 1600 to 400 leading brands over the past four years is no less a believer in the power of branding. Nestle is a constant proof of the power of local and global branding as a basis for differentiation, value creation and value capture.

Even in B2B markets, we can now see the strength of branding in the recent experience of Dow Corning following the February 2002 launch and stunning success of their Xiameter low-priced, convenience model for large customers of standard products combined with the re-positioning and reinforcing of their Dow Corning brand as the leading source of choice and added value for the discerning purchaser of products, services and solutions related to silicone chemistry. Until today not one of their competitors – GE Silicones, Bayer, Wacker Silicones, Shin-Etsu, Rhodia – has come up with an effective counter to the new Xiameter and Dow Corning brands, business models and pricing strategies. In fact, truth be told, most of them are now benefiting from Xiameter having become the benchmark market price for standard silicone grades. Why are such well-respected companies as GE Silicones, Bayer, Wacker Silicones, Shin-Etsu, Rhodia struggling to compete with and respond to the Dow Corning/Xiameter market approach? In my view – because they have failed to understand it. Dow Corning/Xiameter is a customer-driven, value-based approach to the market, which none of the other players have managed to understand. The cat is still in the bag.

Now we even see the great BASF developing its corporate brand as The Chemical Company and a recent initiative by the American Chemical Council to sharpen up the image of the chemicals industry as a critical provider of value, comfort, convenience and so much more to every facet of modern day life. Not a moment too soon. The chemicals and plastics industry has been inordinately slow to recognise, accept and adopt the power of good marketing in its commercial activities, despite its customers crying out for the same.

Perhaps Juergen Hambrecht can really take up the Olympic torch here and lead the industry into a new era. I certainly hope so and I admire BASF for trying to take the lead in such initiatives.

Attention to customer focus, to customer value and to customer needs is the ONLY way forward, if this industry is to prise itself out of the errors of the recent past and move itself away from a product and production-driven mentality into a future of serving customer needs for a value return.

I will not hold my breath in anticipation