

# It is all about differentiating ideas

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Manufacturers all over the world are adopting new marketing strategies to reach their target customers and prospects. Industrial marketing comprises critical tasks for better understanding a firm's business activities, analysis of the market potential of products & services, review and selection of the appropriate medium and development of a system to monitor customer service satisfaction, among other market dynamics. The first of a two-part series, this article highlights several aspects of marketing, which allows a company to redefine and reshape its business.

Read on...

**W**ill Indian companies be able to defend their markets against the invasion of foreign global players? Foreign competitors will not only go after the high-end market in this country but they will also target the middle and lower segments. Can Indian companies develop strong global brands? The main defense for India will be in developing stronger skills in innovation, differentiation, branding and service. In one word Kotler calls it 'marketing' and advocates that India needs to build a



stronger marketing. You know the famous saying 'a business has only two basic functions - marketing & innovation - all the rest are costs'. When the subject of marketing or sales comes up, it is hard not to think of names like Philip Kotler, Jack Trout, Al Ries, Edward DeBono, Zig Ziglar, Stephen Covey and many more. In the recent months we have seen two great seminars by Jack Trout and Philip Kotler themselves, and Kotler's mantra is to replace the old marketing with new marketing that is holistic, technology-enabled and strategic. These Gurus have made it very clear that marketing is too important to be left to the marketing department, and used the concepts with success. Besides, it also helps to redefine and reshape your business to compete for future customers and markets, make bold moves away from existing ways of doing business, reorganise for future business challenges and manage the change to create your future operations and processes.

The overseas perception is that in India we pay more attention to our Product Engineers, rather than concentrating on marketing and branding. Kotler says it should be the other way round as marketing is more important than production. So what then is marketing and how can we define it? The American Marketing Association defines marketing as 'the process of planning and executing the conception, pricing, promotion, and

distribution of ideas, goods, and services to create, exchange, and satisfy individual and organisational objectives.' If this is too complex a definition, let us say, 'marketing is simply figuring out what you have to do to sell your product or service for a profit'. Industrial marketing need not necessarily differ drastically from other product segments, because the process can be similar, modulated where needed to suit the 'star' in the whole process - the product, everything and everybody else is simply telling a story, why their product is better or different from others, and why should people buy them.

The essence of marketing is raising the bar or improving the existing, successfully budgeting marketing spends, knowing men stumble over pebbles but never over mountains, therefore following through is the bridge between good planning and good execution, and ofcourse distribution. The aim of marketing is to make selling unnecessary. 'While great devices are invented in the laboratory, great products are invented in the marketing department'. Marketing must become strategic and drive business strategy. Improving marketing efficiency and marketing effectiveness is crucial while responding to low margins and economic slow down. During an economic slow down it is better to attack to gain market share rather than retrench, as was demonstrated by one SBU of MKL during the recession of the 90s.

## Budgeting

Most people budget marketing expenses on a yearly basis or related to an event like a major exhibition, where as it should be done in terms of the products' marketing life cycle. One must address issues of new markets, established competition, your point of differentiation, the present awareness and perception of your product and its competition, etc. These plans should be based on hard facts and reality and not on wishful thinking. If you learn to adapt this long-term budgeting cycle, you will better support the product penetration and expansion of the market. This is called long term budgeting; I call it insuring the product.

## Product opportunities

These must be ranked. Which products offer the most profit potential if the job gets done properly? Can the product command a price premium? Is it a new generation idea? Can it help you establish leadership? Is there established competition? Use educated guess work, as it is difficult to predict the future. Rate each product to determine which one has the best chance to pay off. Rate your competition. Since advertising tends to be the most expensive part of marketing plan, spend that money where it can do more good. Assign advertising tasks. Then spend enough of that money to tell your story to your target market.

## Advertising

Advertising is hard sell. Some people confuse marketing with advertising. Advertising is especially useful in creating awareness about new ideas or new products. Most advertisements in the industrial product category are flat and dry. When one says their product is the smartest, communicate how is it the smartest compared to other products, say what makes it the star in the competition. Or if you want to say you are always listening to your customer, communicate how this has made a substantial difference to a cross section of your customers. Actually listening is basic, the customer may think to himself, "Were you sleeping all these days? When will you go back to sleep again?" Listening is not a differentiating attribute. Whereas saying 'an increasing global presence' tells the customer that your product numbers being exported is increasing, and elsewhere in

other markets you are gaining increased acceptability. What is a 'cutting-edge solution' anyway? I have quizzed many people and most don't receive any message from such advertisements. Jack Welsch once said in the mid 90s, 'if your product is the best and not the cheapest, then some thing is wrong.' That was a cutting edge message. The phrase of cutting edge was first coined and used by Sandvik in the 80s.

'If you don't think two is better than one, then ... try the MKL Twin Spindle Lathe' ran the catchy advertisement, which had intrigue and challenge built into it. The product went on to become a market leader in its category for the products life cycle. Catchy advertisements are always original creative ideas and not the scavenged or pirated ones. One advertisement I saw talks about manufacturing relationships. Relationships and partnerships are developed and



nurtured, therefore evolve over time, built on trust and integrity. Equipment is manufactured. Partnerships and relationships cannot be manufactured in the equipment sense. Remember, a confusing communication will either not be read or be misread.

Great ideas give great results. Most winning ideas are hard to spot, because they almost never look like big winners in advance. MKL took the message to their customers that challenged: 'A full fledged CNC Lathe at the price of a Retrofit? RUBBISH.' 'If you think it is Rubbish, then come and see the CNC Lathe.' The advertisement stood out with a powerful message and intrigue. Result: double digit share of market consumption in the year of

its launch, and became the highest selling machine in its category then for its life cycle (as per reported data). This made the effort effective and gave maximum returns for maximum effort. Opportunities are hard to spot because they do not look like opportunities. Marketing's responsibility is to spot and verbalise the idea and build it into a full-blown marketing strategy to unleash its power. Some times ads appear before the product goes into distribution or on the market. Do not overspend on advertising and go broke (happens in the FMCG markets).

## Distribution

'The purpose of a company is to create a customer, the only profit centre is the customer'. One golden rule to follow while working with a distribution network is 'never compete with your customers'. Good distribution requires loyalty to your channel. The more money your distributors can make on your products, the more attention you will receive from them. And it is your job to make your products as attractive as possible to their customers and users. Advertising is not as effective as when you try to change the mind of a prospect. Instead establish that difference in their mind.

## Branding

Is branding relevant in industrial marketing? Absolutely. Branding is about establishing a brand and a differentiating idea in the mind of your prospect or customer. Brands evolve out of the satisfaction, the customer's experience. It is not only about Ps and Cs customer satisfaction goes beyond. Great brands trigger emotions and represent promise of value - GE, BMW, Toyota, Honda, Siemens, Mazak, Mitsubishi, Mitsui, Haas, DMG, IBM, HP, Dell and the list could go on. Back home here - the regional brands, if you choose a pump, motor or a diesel engine, the Kirloskar brand is hard to miss. Every household relates to the brand name Tata, from automobiles to salt. What once used to be just the logo and the name of a product or company, has now become an almost mystic creation that encompasses unique identities and qualities separate from the product name.

While products are created in the factories, brands are created in the minds. A brand is nothing more than a word, a proper noun spelt with a capital letter. To

be successful, it helps to have a good name. MKL had good successes with brand names like 'Enterprise' and 'Turnmaster'. Naming the product is always equally important. A brand name is something that should remain stable through the products life cycle. A brand name can have sub-products or models, like the Enterprise or Turnmaster did. No global brand has ever evolved a name from Greek mythology, because names from mythology and the future life cycle of the brand are two separate things. Similarly Vedic graphics, ideas or extracts may not relate with your entire target segment. Never lose your corporate memory. What is your point of communication anyway? Remember, strategy is about perception where the mind is the battleground, and positioning is how you differentiate the product in the minds of the buyer. Minds hate confusion and will not wait to decipher your message if one doesn't get it straightaway.

Winning products are either number one or two in a category, or should start a new subcategory as the CNC 500 did with the low cost turning machines or as Air Deccan is doing with the low cost flying and has tapped into the personal spending travel market. Utilising a market situation and achieving growth in sales does not mean you have a brand. Brand building requires global recognition, like the 'Enterprise or Turnmaster' did. Global brands can have multi-country manufacturing activity - Sony, Motorola, Panasonic, HP, all auto majors, etc. Even the 'Turnmaster' was assembled in South East Asia besides India, and its winning strategy was 'cost reduction and improved customer experience'.

Donald Trump's family name is Drumph, but he cannot call it Drumph Towers. Chinese gooseberry was renamed kiwifruit. Paradise Island in the Bahamas used to be Hog Island. Allan Alda's name was Alphonso D'Abruzzo. What to name a product or brand? Trout says, 'name is the hook that gets hung on those little hangers in the mind on which people store brands'. Therefore a good name that is easy to remember gets a running start. So the trick is to figure out how to express that difference. Some times one has to use nonproduct attributes, which many companies fail to understand. Michael Porter said it very well, 'Competitive strategy is about being different. It means deliberately choosing a different set of



activities to deliver a unique mix of value. The essence of strategy is in the activities - choosing to perform activities differently or to perform different activities from your rivals. Otherwise, a strategy is nothing more than a marketing slogan that will not withstand competition'. Quality is no longer a differentiating attribute; as it is a platform to qualify on to compete. Some examples of attribute psychology that have worked with brands include: VISA - Everywhere, BMW - Driving, Volvo - Safety, Mercedes Benz - Engineering, Jaguar - Styling, Toyota - Reliability and Ferrari - Speed. A brand is a promise. It creates the expectations that the product has to deliver. Branding therefore is putting a brand in the consumers mind alongwith its point of differentiation. Kotler says, 'If you are not a brand, you are a commodity'.

Just to give you an idea of how important branding is; NUMMI in California produces Toyota Corolla and Chevrolet Prism. Toyota sold 230,000 Corollas compared to 52,000 Prisms and at US\$ 650 more. A strong brand improves demand and supply. The ultimate brand builders are your employees and operations and not your marketing communications. Brands are built by performance not by advertisement. The tools you can use to build brands are: Advertising, sponsorships, company visits, trade shows, webcast of presentations, distribution network, and celebrity spokes person.

### Law of leadership

It is better to be first than it is to be better. It is much easier to get into the minds first than to convince someone that you have a better product than someone who got there first. The name often

becomes generic - Kirloskar Pumps, Engines and Motors, Tata Trucks, Siemens Automation, Titan Watches, and so on. But if someone is already there at being the first, it is always possible to attack the leader with an improvement or a focus on a different segment or group of customers in that category. At some point the Law of Two (duality) or the Law of Three will prevail in the market. And when it does, you want to be there. The tyre industry in the west almost follows the law of three - Bridgestone, Michelin and Goodyear take over 80% of the market. The American, European and Japanese auto markets have almost followed this. Indian Airlines, Jet and Sahara rule the skies in India. Starting a new category or segmenting the market is a big deal. The same will happen in the low cost airline segment cracked open by Air Deccan. The recent Tata advertisements that use psychological attributes of cultural heritage and leadership, are very powerful ones.

### Price

This has probably been a big issue ever since humans began trading. 'A thing is worth whatever the buyer will pay for it,' wrote the Roman writer Syrus in the first century BC. Today, however, practical pricing considerations will revolve around what your competitors will let you do. One company I approached in India a year ago, tried to offer its machines for export at about 45% more price than it would cost the buyer to import similar equipment from real world-class companies in USA and Taiwan. This naturally did not work, and between then and now the manufacturer has lost the chance to supply over two dozen CNC machines, in what would have been new export markets. When markets are established, what the buyers will pay is established. If your price is out of the ballpark, you can trigger the customers into thinking whether they are paying too much and thus open doors for your competitors to take your business. The golden rule is stay within the ballpark. If a product has a perceived value, yes it might fetch a ticket in a pricier box. Higher quality may fetch a better price, only if it delivers a perceived (by the customer) value. The quality should be visible in some way in delivering that value. High price and profits always attract competitors. It is also hard to win only with a low price.

Since your competitor has a pencil, he can mark his price down too. When capacities grow, competitions increase or currencies tumble, the rules change and prices can go down. This calls for adding new values and finding unique ways to cut costs.

### Face reality

Marketing is about facing reality and finding a way to deal with that reality. It is not about trying harder, being cleverer or setting targets. A foundry struggling to be competitive, to increase turnover and profits best demonstrated this. They finally figured it out that to lower costs they had to increase productivity. Productivity was getting affected because of poor safety standards. Safety is a big factor in an industry where workers are hanging around molten metal, flying sparks and man-eating machines. They embarked on a goal to be 'the safest place to work'. Once they were convinced and put the corrective measures in place, their productivity soared, and in the seven years that followed their profits soared thirty times. Good managers trust reality and not illusions. So, the key to setting price is figuring out what a buyer will pay for your point of difference or added value.

### Growth

Do companies have a desperate need to grow or a desperate desire to grow? Trout says most bad marketing is driven by desire that in turn is driven by greed. Focussing on unrealistic growth or stocks may not lead you to where you want to be (I am not talking of providential growth that comes with market boom combined with exit of competitors). One has to take a long-term view. Should you venture too far from your basic business? Sure you can, but you need to stay connected with your original business. That way you bring along your credentials and your expertise. Staying connected minimises the threat of losing out. A brand has to live within its perceptions. The 'Enterprise' was an excellence in engineering, while the 'Turnmaster' rode piggyback on it with a low cost banner. That way both brands were a run away success. Marketing plans benefit from leaving out the impossible kind of thinking. Stay within your competence zone to grow a brand. Successful companies are obsessed with succeeding in the market place and not with growth.

### Research

The technique that researches things that people cannot tell you, because they do not know them is called good research. It has been found here that attitudes are not a reliable predictor of behaviour. Customers tend to talk one way and behave another. In some way customers buy what others buy, call it sheep like behaviour. This could also be due to lack of choice or other reasons. Although Kotler says there is little use of market research, my experience has been positive. MKL, who perhaps did the most extensive market research, went to get a



quick snapshot of the perceptions that existed in the minds of the customers and not their deep thoughts. They got hold of perceptual strengths and weaknesses of their competitors and themselves from the minds of their customers. A thorough competitor analysis helps when every attribute is rated on a one to ten scale. This is also called differentiation research. Every brand can have an attribute, but the trick is to figure out which attribute is the best to preempt in the customer's mind.

BMT struggled for five years trying to sell their machine differentiated by the parent brand name, but without success. They finally figured out that what preempted in the customers mind was Taiwanese prices. The research helped them to contrive a successful strategy that brought in abundant orders. Good research does not waste time figuring out what customers want, it is simply trying to measure their perceptions about what will make you different to competition.

Why do we find most of the industrial product advertisements taste like flat beer? An advertisement programme must start with the differentiation aspect you are trying to

communicate. Manufacturing partnership, cutting edge or listening, are not differentiating ideas. Why should someone buy your product rather than someone else's? Do not go after meaningless slogans. Your campaign must tell the difference and the benefit that goes with it. Your agency should be able to take the difference and dramatise it. People look at an advertisement for the information value (or entertainment value in case of TV media). They are not dying to see someone's advertisements. Use what works in the advertisement, but communicate the reason to buy your product. Be candid and make your message look like big news. People are hungry for big news. Keep it simple, obvious, build intrigue if you like but be patient. Pick the right medium for the right effect

Logos also play an important role. The logo design should be such that people recognise it even without the name. If you have a global brand logo, do not mess with it, because nobody will recognise it without the name. Companies like Xerox have learnt the hard way; their attempt to change identity with the logo was a disaster. If Ford attempts to mess with the Jaguar logo, it could become another marketing case study in the coming years. It takes years to establish the identity with a logo. The symbol should be designed around the name, which is far more powerful. ♦

*(This concludes the first article of a two-part series on industrial marketing management. Now that some of the basic concepts of new-age marketing have been explored, the concluding series to be published in the next issue will highlight some of the 'marketing sins' committed within an organisation.)*



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