

DISPATCHES™

Insights On Brand Development From The Marketing Front

Sunday, September 19, 2010

DIFFERENTIATING - WITH PREMIUM PRICING!

See if these recently (and frequently) heard quotes from brand marketers sound familiar to you:

“Private label brands—especially those marketed by our big key accounts, like Wal-Mart—are getting harder and harder to fight off...and almost impossible to prevent share loss from.”

*“In medical devices today, the name of the game with our big government agencies and hospital chains is **the tender** and winning the quote for the longer term contract as their primary supplier. How can we be expected to differentiate our brands in an environment where more and more it’s only the lowest contracted process that wins the tender?”*

Chances are, these remarks **do** sound familiar. Maybe, you’ve even caught yourself saying, or at least thinking, some similar things, from time to time. As longtime brand-builders, career advocates of differentiated brand positioning statements, and authors of Creating Brand Loyalty as well as of our just-now being published, Competitive Positioning books, we not only hear these kinds of remarks, we are often *challenged* by some of our clients to agree with them...to admit that the world has changed much, and that meaningful brand differentiation is no longer as effective as it once was in securing a market position. At times, some of the marketers we hear such things from are implying (if not actually owning up to it) that they should not be expected to find a solution to the private label or contract tender “dilemma.” Maybe you can sense some of what might be termed a defeatist mentality, as we have, in just the way the quotes above are stated: “almost impossible to prevent share loss,” and “How can we be expected...?”

With retailers’ and service-providers’ profit margins even further impaired by the global recession, has the lower/lowest price “positioning” now super-ceded the once “winning,” differentiated-benefit, brand positioning? Are marketers today being asked to do too much in crafting a brand proposition that is, despite a premium price, to be perceived by their customers as, nevertheless, a *better value*, and therefore a *better choice*?

We think not. We think the low price dilemma has always been around, and that as tough economic times come and go in cycles, there are periods when the brand differentiator’s job is harder. Harder, but by no means impossible. Sure, it is true that in some fast-moving consumer goods categories private label brand shares are higher than they have ever been. But most established brand sales volumes are also much higher than they have ever been. We think, going further, that much as ad agencies exhort their clients--“Clients with a *wanting* attitude get the best creative ideas,”--marketers with a wanting attitude will generate the best strategic thinking

to out-maneuver, de-leverage, neutralize, and ultimately overcome many of the pricing obstacles their brands face.

Naturally, we would never suggest that clever, “out-maneuvering” strategic thinking comes easy. And we would definitely acknowledge that, unfortunately, too many marketers are required by their companies to spend too much of their time executing, and too little of their time thinking...making getting to winning strategic thinking that much more difficult. So, given these circumstances, we thought we would offer, for this week’s Boats & Helicopters, some “winning strategies” that brands have used time and again to fight off low price pressures, to make a brand’s differentiation—either real or perceived—worth paying more for.

BOATS & HELICOPTERS - Some Successful Differentiation Strategies, with Premium Pricing

- 1. More/Better Outcomes Per Use Strategy:** One of the oldest anti-low-price strategies, this one was pioneered long ago by FMCG brands, typically those in “product performance” categories like detergents and household cleaners and paper goods. Procter & Gamble and Unilever brands have been especially effective with this strategy over the years: they compare the number of dishes that can be effectively washed with, say, one use of Dawn Dishwashing Liquid, versus the same amount of the cheaper, Private Label brand. Typically the number is dramatically more for Dawn. Yet another company that has successfully used a similar strategy is Amway. If you have ever used Amway brands (or, better yet, seen one of their many in-home demonstrations) you can instantly see how much can be cleaned or protected or shined with so little of their “concentrated” products. Yes, each Amway brand costs a good bit more...but each lasts so much longer, making the cost per use better and the outcome results visibly better too. Take a look at some of their well-known household cleaning products on their website; you’ll see, for example, for their *Legacy of Clean SA-8* Detergent brand this outcome promise: “Wash up to 100 loads per bottle. It’s triple concentrated to last you three times longer.”
- 2. Value-Added Experiences Strategy:** Of course, many marketers—especially those in the pharmaceutical, medical device, and high-tech industries—know of this strategy. Like the More/Better Outcomes Per Use Strategy, this one has been around for a long time. Who knows for sure where it got its start, but certainly IBM made effective and long-lived use of it some years back: to keep customers buying their upgraded, higher priced business machines, they found that adding servicing or consulting to the product was a value-added *experience* for the customer. More than that, most lower-priced suppliers, even if they tried to replicate some of these same value-added experiences to steal IBM customers, could not begin to compete with the IBM-smarts reputation that accompanied the IBM services. You might say that, for this strategy to work best, it’s a good idea to make the value-added service experience as *differentiated* (either on a real or perceived basis) as the brand-product it supports.
- 3. Innovate Ahead-of-Others Strategy:** Perhaps this strategy seems so obvious as to not need mentioning. After all, how often have we seen—across all kinds of branded categories and classes—that meaningful innovation wins? While this is obviously true, here’s the catch when it comes to employing Innovation Ahead against lower-priced options: the innovation needs to be a sequence, a series of interconnected upgrades and

value-added features; in this way it becomes more difficult for customers to bail-out of the brand's franchise...because they are already awaiting the next innovation. They are too hooked-in to on-going improvements, to a consistent trend by the differentiated brand of better meeting their current and emerging needs. Looking back to the mid and late 1990's, it's clear that Nokia employed this strategy beautifully as, through a series of "fashion changes," they transformed the way everyone—business mobile users and consumer mobile users alike—perceived the cell phone market (changing the perception from one of a multi-feature, high-tech communication *device* to that of a *personality accessory*). In changing this perception, they not only took share leadership from their two biggest branded competitors, Motorola and Ericson, but they also kept a lid on the lower-priced cell phone segment.

- 4. Cool-Design Strategy:** More and more, we believe, that **this** is the strategy we would lead with against today's low-priced competitors. The thrust of the strategy is simple but highly *creative*: add design elements, whether they be functional or not, to make the brand a "gotta have one" brand. Without adding a single new functional feature, what could you do with the product's materials, shape, colors, view-screen, and so on to make it something most of your customers drool over? You could argue that, along with Innovating Ahead, this strategy is precisely what Apple has been driving their market growth with. And Apple devices are surely premium-priced—a fact that seems not to have restrained their growth one bit. But forget Apple. A few weeks back we spoke in these *DISPATCHES* about some brands that had "cooled-up" their design via color, black color in particular. One of those is U by Kotex. The vivid, even shocking bright colors of the product wraps, set against the category-first, black primary package, makes this san-pro brand a lot more "gotta have it" than any Private Label, and maybe even any other premium-priced brand, in the market.

Are there some other differentiation-with-premium-pricing strategies? Sure. If you are facing a tough PL or contract-tender dilemma, it's high time to dial-up the effort devoted to out-thinking the not-so-premium alternatives.

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