

Avoiding the Commodity Trap

A blurred photograph of a supermarket aisle. In the foreground, a red plastic shopping basket is visible, its lattice structure creating a grid pattern. The aisle extends into the distance, with shelves on both sides filled with various products. A person is standing in the middle of the aisle, looking at a shelf. The background is a bright red wall, and the overall image has a motion blur effect, suggesting a fast-paced environment.

By Peter Leighton

When brands become products and products commoditize, corporate profits erode. Some claim this is part of a natural product lifecycle. But upon further investigation, it is really the result of uninspired marketing. So how do branded companies avoid the trap of commoditization? Here are four factors that will help you steer clear of commoditization and build better brands:

1 Innovation is the articulation of an unmet need.

Undifferentiated brands drive consumers to private label and they force the consumer to buy on price differentiators.

Innovation is the key component to differentiation and brand value. Innovation:

- › Insulates the brand from competition
- › Sustains sales velocity
- › Differentiates products
- › Extends product lifecycle

You don't build innovation through focus groups or by following others. Focus groups are like looking in the rear view mirror: consumers can only articulate what is already known. And if you are following the path of someone else, you are by definition a follower.

Segmentation grows market share and build brands.

Clif segmented the nutrition bar category with Luna, the first bar for women.

Through this strategy Clif is the market leader, even though the market has been flooded by imitators.



Use innovation to drive new growth by providing an unarticulated benefit.



Through ethnographic research, P&G found certain cleaning needs that were not being addressed by current products. Similarly they noticed some loyal consumers, who “loved” the current Tide packaging, but were afraid of breaking their nails on the box; this led to a new packaging solution and a new category segment.

2 Segmentation drives new users and defines a brand.

The days of mass marketing are history. And like the Oldsmobile, so are the marketing techniques of your fathers generation. Target a niche or specialized audience, one that is vested in the solutions you provide. It is better to be a leader of several small segments than a follower in the category. Segmented brands stand for something concrete, and they create a stronger bond with the user. Understanding consumer's lifestyles, needs and behaviors provides insight into how, what and when to market to them.

3 Leadership means taking a different path.

Either you are forging new trails and kicking up dust, or you are following others and eating their dust. Leadership requires a careful but realistic perspective of the environment, and a willingness to be first...and be exposed. But sometimes the winning idea is the simplest one. Apple, Southwest, Ikea, Nintendo, and many more companies trace their success to unlocking demand that was pent up because existing solutions were too expensive or too complicated. These companies found a market opportunity just sitting there, waiting for someone to develop a convenient, affordable solution.



Build leadership by defining the market, or create a new one.

Apple went from the verge of bankruptcy to the most valuable brand in the world by unlocking demand for something that had yet to be articulated. They found a way to deliver a better experience of technology in a simple solution.

4 Marketing is the core to sustained growth.

Make your product more emotional by turning it into something social; create a sense of shared ownership and participation.

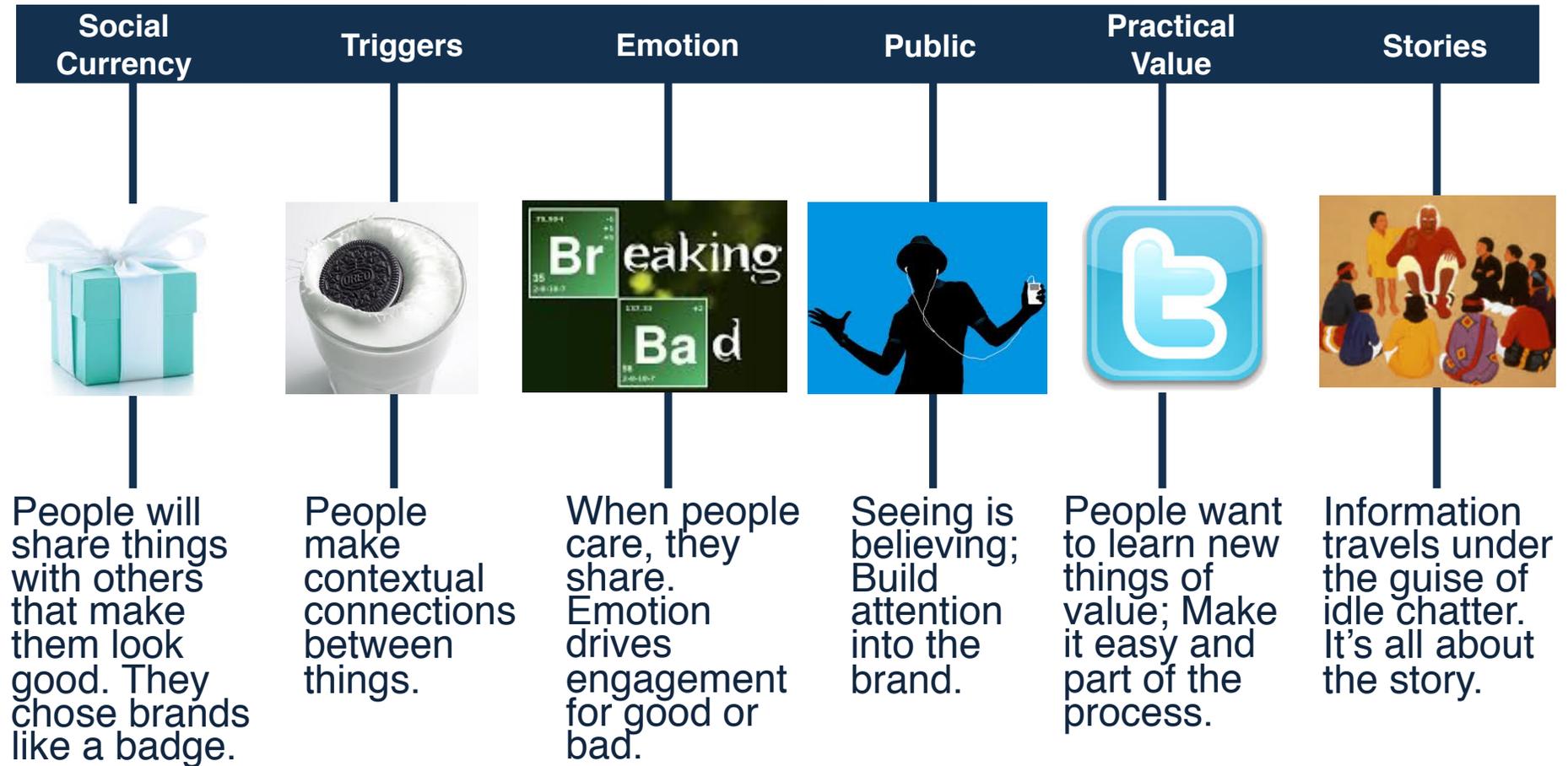
Jones Soda built a niche brand through authenticity. They merchandised in locations where other brands were not; they used consumer's own photos on the labels; they introduced unique flavors.



Marketing-driven brands build long term value. Marketing is the strategy that drives sales, merchandising, product development and builds brands that have meaning. Move away from a transactional approach (making a sale) towards an evangelical approach (building brand advocates and “raging fans”). Engage consumers. And the best way to do this is to focus on smaller, targeted consumer segments, and deliver relevant brands. The way people actually make decisions often violates the principles of standard economic assumptions. For instance, people don't evaluate things in absolute terms. They evaluate them relative to a comparison standard, or “reference point”. Smart marketing brands find these insights through a host of tools such as ethnography.

Ethnography is a set of tools used to study people and culture through deep immersion into everyday life; What people do and why. Unlike traditional market research, ethnographic researchers visit consumers in their own environment to observe and listen in a non-directed way. The following are some insights into “viral” or contagious marketing approaches.

Six Principles of Contagious Marketing



Everyday the average American engages in more than 16 word-of-mouth episodes, conversations or opportunities where they share an opinion about something pertinent in their life. A commodity product is not usually interesting enough to dominate a word-of-mouth episode (*stories*). But people want to boast about something they know (*practical value*) or a brand that says something positive about themselves (*social currency*). And brands drive meaning through context (*triggers*) and when they mean something to our life (*emotion*). And a good brand is distinctive in how it promotes itself (*public*).



Telling vs. Selling

Traditional marketing was all about “pitching” a product. But when you pitch something you are asking the listener or buyer to evaluate your sales pitch. With a story you are engaging the audience with an idea and asking them to participate. Stories focus people on potential solutions, which you hopefully have provided.

Communication is another area where it’s important to apply your segmentation strategy. Define the communication tools accordingly that best supports your targeted audience and leverages the six principles noted. Always remember to:

- Support existing perceptions and habits; don’t expect to train people to new behaviors.
- Clearly illustrate benefit, and highlight the simplicity of the solution you provide.
- Build upon existing knowledge, recognizing each niche audience has it’s own unique understandings.
- Limit scientific terminology; don’t sell a pitch, tell a story.



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Contact:

Peter Leighton
peter@abundasolutions.com
+001 (801) 550-6962
SKYPE: advana_science