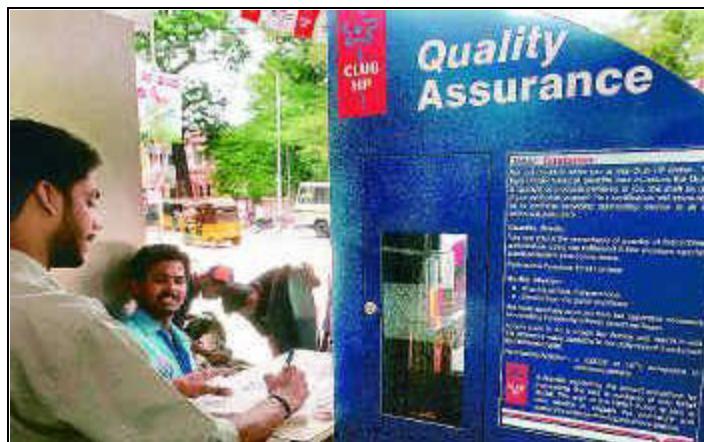


Catalyst - Strategy

Dealing with commoditisation

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A marketer should focus on providing a great brand experience for the product to stand out in a highly cluttered market.



COMMODITISATION is something all marketers dread. When it gathers momentum, the scope to differentiate reduces. Price wars begin and quickly drive away the profit margins. Customers capture all the value leaving little behind for the marketers. Clearly, this is not a desirable situation for marketers.

Marketers must learn to deal with the phenomenon of commoditisation decisively and proactively. Unfortunately, more often than not, they resign themselves to the fact that they are in a commodity business. This effectively becomes a self-fulfilling prophecy. The best marketers are those who turn what is generally perceived to be a commodity into a highly differentiated offering. To understand how differentiation can be achieved, it is useful to understand the process of commoditisation.

In a service economy, people consume less of goods and more of services. Goods get standardised, the scope for differentiation reduces and commoditisation sets in. To escape this trap, manufacturers often wrap services around their core goods. Initially, these services may be given away free to boost sales; later, manufacturers realise that customers value the services highly and charge separately for them. Eventually, clever manufacture

shift the focus away from making goods to providing services. Oil refining companies such as Indian Oil, Hindustan Petroleum and Bharat Petroleum, for instance, are transforming themselves into retailers. Titan is more of a retailer than a manufacturer. Similarly, IBM is more of a service provider than a computer manufacturer. General Electric's resurgence in the past two decades has been driven by a tremendous emphasis on services.

The commoditisation trap that attacked manufactured goods is now attacking services. For example, many telephone companies and airlines compete primarily on price. Fast-food restaurants stress 'value' pricing. What can marketers do under these circumstances? The solution is to go beyond providing services to creating experiences which are memorable and which engage the customers. This is the theme which runs through the book, *The Experience Economy*, by marketing consultants B. Joseph Pine II and James H. Gilmore.

Therefore, automakers must focus on enhancing the driving experience. A furniture producer must aim at improving the sitting or reclining experience. A washing machine manufacturer should enhance the washing experience. An educational institution must focus on the learning experience. A hotel should improve the dining experience. If marketers start thinking in these terms they have tremendous opportunities to differentiate their offerings.

How can goods be converted into experiences? Perhaps the most straightforward approach is to add elements that enhance the customer's sensory interaction with them. Doing so requires awareness of which senses most affect customers, a sharp focus on those senses and the sensations they experience, followed by the redesign of the products to make them more appealing.

In 2002, Hindustan Lever Ltd (HLL) extended its well-known brand Liril to a new variant, Liril Icy Cool, a glycerine-based translucent soap. HLL paid special attention to the sensory effect because this menthol variant claimed to have a cooling effect on the skin. The commercial showed a young woman with a dog and her baby on a hot day. Scenic glaciers in the pictorial book took her into a bathing fantasy and from the parched surroundings she was transported to Iceland. She started bathing amidst chunks of ice with Liril Icy Cool.

But staging experiences is less about entertaining customers and more about engaging them. An experience must engage guests on a number of dimensions. The first corresponds to the level of participation. At one extreme lies passive participation. For example, moviegoers go through the experience as pure observers or listeners. At the other end of the spectrum lies active participation. A good example is a gym.

The second dimension of experience describes the kind of connection between the customers and the event or performance. At one extreme, a person's attention can be occupied by bringing the experience into the mind. At the other end, a person can become physically (or virtually) immersed in the experience itself. In other words, if the experience 'goes into' the guest, as when watching a movie, then he is absorbing the experience. If, on the other hand, the guest 'goes into' the experience, as when working out at the gym, then he is immersed in the experience.

The four facets of an experience are entertainment, education, escape, and aestheticism. Entertainment is the most developed, the most commonplace and familiar experience. It needs no further explanation. Unlike entertainment, education involves active participation of the individual. Educational experiences must actively

engage the mind and the body. Escapist experiences involve much greater immersion than entertainment or educational experiences. In aesthetic experiences, individuals immerse themselves in an event or environment but have little or no impact on it, leaving the environment essentially untouched. While guests involved in an educational experience may want to learn, in an escapist experience to do, in an entertainment experience to sense, those involved in an aesthetic experience just want to be there.

When deciding on the experience to offer, companies should consider the following issues:

What can be done to improve the aesthetics of the experience to make guests want to come in, sit down, and hang out? What can they do to make the environment more inviting, interesting, or comfortable? Titan showrooms are a good example. They are conspicuous, well designed, comfortable, and have a pleasing ambience. Titan has placed the entrance on the left as market research has revealed that customers like to wait along the left in unfamiliar surroundings.

- Once they are attracted to the setting, what would the guests do? The escapist aspect of an experience draws guests further, immersing them in activities. The company must focus on what it would encourage guests 'to do' if they were to become active participants in the experience. In 2001, Lux announced its Lux 22-Carat Gold Star offer, themed 'Chance hai' endorsed first by Rani Mukherji and then by Raveena Tandon. Consumers had a chance to find a gold coin inside their Lux soaps. Among those who found one, up to 10 could win an additional 30 gm of gold each week if they called up a telephone number before others. The offer was available on 100 gm Lux (Pink, White and Black) packs, which contained a 3 gm gold coin and in 150 gm Lux (Pink and Black) packs, which contained a 5 gm gold coin. Lux's market share, in value terms, increased from 13.3 per cent in 2001 to 16.2 per cent in June 2003. More recently, Coca-Cola launched its 'Mega Star Chiru, Guest Star Miru' campaign to promote Thums Up. The winners were given a chance to act as guest actors alongside Telugu film actor Chiranjeevi.
- The educational aspect of an experience must be designed taking into account that learning requires the full participation of the learner. What information or activities will help to engage customers in the exploration of knowledge and skills? A good example is Marico's Saffola Healthy Hearts Foundation (SHHF) set up to educate consumers about heart care. SHHF provides easy-to-read-and-understand consumer information booklets and useful reference material such as emergency directories. It also conducts free heart check-up camps which offer testing and advice from eminent cardiologists and dieticians. It participates on important days like World Health Day, World Heart Day and Doctor's Day to spread awareness about preventive healthcare. Marico's Web site, <http://www.healthykhana.com/> targeted at health-conscious consumers, offers a personalised diet plan and general information on heart care and healthy food habits.
- Entertainment, like aesthetics, is a passive aspect of an experience. When guests are entertained, they're simply responding to the experience. How can a company make the experience more enjoyable? In 2001, HLL attempted to create excitement by leveraging Cornetto's association with romance through special contest during Valentine's Day. The contest, titled 'Cornetto Khao Jodi Banao', invited couples across the country to buy two Cornetto ice-creams, affix the lids on the contest form along with their pictures and send them by post. Clearly companies need to move from offering products to staging experiences. The scope to create experiences is much greater than is normally believed. How cleverly they can use their imagination to stage memorable experiences will determine how effectively companies

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