

Dick Maggiore: Seven ways to win in a commodity market

By [Dick Maggiore Special](#) to The Canton Repository

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Many of the more than 5 million businesses in the United States compete as commodities hamstrung by not understanding how to grow and thrive.

On the monopoly-to-commodity continuum, the closer one is to the commodity side, the more price becomes a key factor. If customers can't tell the [difference](#) between you and your competitors, then you'd better have a low price.

Sooner or later, most products and services become commodities. What can we do after falling into the commodity trap? One solution is cashing out and moving on.

But for those who want to fight to win in a commoditized market, read on. The winning formula for your situation will be a combination of the following strategies.

1. Customer discovery

Do voice-of-the-customer research. Talk to as many prospects and customers as you can. Consider focus groups. You want to discover as much as you can about your customers and prospects.

Learn the issues surrounding your customers' wants and desires, pain points, must haves, price tolerance, competitor intelligence and perceptions of your company or brand.

Then validate. Use the information to develop a survey (online, phone or mail). Get enough responses to ensure reliable and actionable results. Consider working with a research firm to get the expertise necessary for reliable surveying.

Research is the single-most valuable investment you can make to win in the marketplace. Survey data will guide everything that follows. It's your roadmap. With good information, most companies are able to segment their customers, allowing for varying the mix of strategies that follow.

2. Product or market adjacency

Your research can help you decide whether you should work on making your existing products or services more appealing or look for new markets beyond your core — known as “market adjacency.” You might have found an unmet need. Or you might have identified an “ingredient” to

add to your product to make it stronger, lighter or faster. Maybe you found a way to add remarkable convenience for your customer.

You might decide to focus on a market, industry or geography currently not served well by you or your competitors. Conversely, you might decide there are some customers, markets or geographies that no longer fit with your new direction. Fire them. You can't be all things to all people.

3. Bundle (or unbundle) your offerings

Based on the research about your customer segmentation, make customized products or services available. Give 'em what they want, the way they want it. Don't give them what they don't value. And price accordingly.

4. Distribute your brand in a unique way

Analyze your data and decide how to put your product in your customers' hands. Did you discover that your customers, or segments of your customers, want to work with you exclusively online and don't ever want to see your salespeople? Did you discover other customers want to buy your product through a third-party along with other products they already buy from them? Does licensing your brand make more sense?

5. Customer service

Perhaps you learned your customers, or a segment of them, want a more personal experience. Increasingly, customer experience can be a differentiator. The ability to meet each customer's specific needs is more easily and economically achievable by use of a customer relationship management tool.

Reducing the size of the battleground, such as focusing on a tighter geography or a segment of an industry, demographic or psychographic, enables you to understand the unique needs and communicate accordingly.

You might have found customer segments that have their own unique needs. Today's popular term for each customer segment is customer persona. Based on your research, develop your customer service experience around each persona. Be sure to measure results and make adjustments accordingly. Adjustments might include quitting service to one of the segments and boosting efforts on another.

6. Unique promotion, packaging and advertising

Your research can help you decide which customers to focus on with your strongest differentiators and develop targeted communications for each customer touchpoint.

Any commodity can be differentiated. About 200 bottled water brands compete in the U.S. Water might be the ultimate commodity. Through targeted packaging, promotion and advertising, many are doing exceptionally well.

Chicken is a commodity, but don't tell that to Frank Perdue. He said, "It takes a tough man to make a tender chicken." Frank sells a lot of chicken. Chiquita branded bananas. Dole branded pineapples.

In the commoditized insurance industry, Geico's gecko, Progressive's Flo, Farmer's "We know a thing or two because we've seen a thing of two" and Allstate's Mayhem all created icons or brand badges to stand out from the crowd.

7. Adjust price

We purposely placed price as our last strategy. Only after going through the other six strategies will you have the information you need to be able to optimally price your products or services.

There are creative ways to incorporate price into your offering. They include payment terms, a subscription model, quicker turnaround, custom stocking and fulfillment, technical support and a warranty program. Also consider incenting your own sales force on profit margin versus sales revenue.

We all want to sell more of our products or services, and we want to sell them at a higher price. That is the reason for building a brand. The differentiators you find must be unique — as different from your competitors' offerings as possible — and meaningful to your customers. This is the basis for your brand position.

The degree to which your differentiators truly differentiate your product or service will determine where you are on the monopoly-to-commodity continuum. Setting your optimal price is reflective of where you are on the continuum.

This process is both science and art. It's not perfect, but it is a good roadmap to help your business win in a commodity market.

Bonus strategy: Acquire a competitor.

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