

EFFECTIVE MARKETING STRATEGY FOR BRANDING A COMMODITY WITH SPECIAL REFERENCE TO CONSUMER GOODS

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ABSTRACT

Commodities are goods for which there is demand, but which is provided without qualitative differentiation in the market. Thus a product becomes a commodity when it has no identity of its own or it is not able to differentiate itself in the market. In such situation, consumers do not have any preference for a particular item or brand. The focus of commodity branding is to provide intangible benefits to the customers that would differentiate the product or service. Hence the key to the achievement of marketing commodities in today's market place is a concentrated effort on creating true economic value for those consumers who are ready to pay for it and a branding strategy based on product, delivery or service differentiation. Brand names play a fundamental role in the marketing of commodity. A superior brand name creates high levels of brand awareness, stimulate strong consumer preference and contribute to the success of the product. The present article focuses on how a commodity can be effectively developed as a brand.

KEY WORDS: commodity, consumers, brand, product, value.

INTRODUCTION

Commodities can be goods like gold, silver, salt, sugar, rice, flour, diamond, petrol, water etc, which have a value attached to them. The value of a commodity varies depending on its accessibility and consumer needs. For many years, the manufacturers of raw materials and commodity products ignored the massive potential of these products to boost their profit margins and create consumer demand by adopting the branding strategies. During the 19th century and much of the 20th century, as the industrial era evolved, wealth was found in commodities. Today with the dawn of the era of intellectual capital, wealth resides in knowledge based assets such as brands. Amul, Sudha dairy, Bisleri have successfully demonstrated this fact with their packaged milk and bottled water respectively. Today, branded bottled water has become a business of millions. Commodities are goods for which there is demand, but which is provided without qualitative differentiation in the market. Thus a product becomes a commodity when it has no identity of its own or it is not able to differentiate itself in the market. In such situation, consumers do not have any preference for a particular item or brand. Consumers only put

emphasis on the value to price ratio. Higher is the ratio better is the deal. Thus price becomes the important facet in consumer decision making process. In such scenario the commodities do not have any identity of their own and all products have the same utility, this makes the consumer decision making either very straightforward or very difficult. If the consumer do not have any preference for brands, then it becomes very easy for him to select any product which satisfies his needs at the minimum probable price. For instance, potato wafers or other snack items like namkeens were treated as commodities long ago. But now the marketers have given them an identity and have positioned them accordingly in the market. Uncle chips was the first one to launch the branded potato chips in India. Haldirams also did the same for different snacks. If someone put Bisleri and Aquafina in two different bottles without labels, then it would be very difficult to identify which bottle contains which brand. Thus water is a commodity, but the brand names Bisleri and Aquafina gives them their identity. Similarly we can take the example of milk products. Milk is one of the most uniform products in the world. But companies like Amul and Sudha dairy has converted this commodity into a very popular brand by its marketing efforts.

When we talk of commodities, the very fact that all the tangible features are undifferentiated makes the product or services a commodity. The focus of commodity branding is to provide intangible benefits to the customers that would differentiate the product or service. The span of commodity branding extend from the product categories viewed as commodities like food items, cement, steel, etc to branded products which become commodities after a period of time. The two extremes of commodity branding may look dissimilar, but in realism the marketer needs to make sure that the consumer picks up his brand amongst other brands with similar attributes. Commodities are products that consumers perceive to be similar. If the manufacturers choose not to differentiate themselves, either through their products/services, or through their brands then a market becomes a commodity market. Curd is the second largest form of milk usage following tea and coffee usage in households. The estimated consumption of curd is a whopping 2900 million ton a day i.e. in revenue terms Rs 6.5 crore a day. That makes the market worth Rs 2100 crores. The market is mainly dominated by regional players and more than that households make their own curd using milk. The business sense that prompted Nestle to enter this segment is that there is no national player in the market. Nestle has launched the brand with a positioning based on the taste. The competition was in the form of Mother Dairy, Amul & Sudha dairy (Bihar & Jharkhand). The brand is positioned as calcium rich and creamy product with lot of emotions added to it. The brand is following the typical technique of differentiating by value addition (rich creamy and calcium rich) and emotion. Similarly, any market can become a branded market if the manufacturers choose to differentiate themselves.

Important issues in commodity branding

An important question which needs to be answered is that if both the products are same as the attributive level, then why should a rational consumer choose a specific product or brand?

Many benefits can be derived from branding strategies. A brand, connected with superior or distinctive characteristics can significantly improve profitability by commanding a price premium. Branded goods hold greater margins and create end user demand. There is a massive market for commodity products, particularly in food categories that organizations are targeting. Most of these are consumed by greater part of Indian households both in urban as well as in rural sectors. Brands have benefits for both, the brand owners as sellers and the customers (Table 1).

Table 1: Benefits of brand for seller and customer

Benefits of a brand for	
Seller	Customer
Identifies the company's product, makes repeat purchase easier	Helps identify a product
Facilitates promotion efforts	Helps evaluate the quality of the product
Fosters brand loyalty- establishes market share	Helps to reduce perceived risk in buying, provides assurance of reliability, quality etc
Allows to charge premium prices and thus to get better margins	Is dependable(consistent in quality)
Allows to extend the brand to new products, new market and new geographical areas	May offer psychological reward (status symbol)
More leverage with middle men	Saves customer time

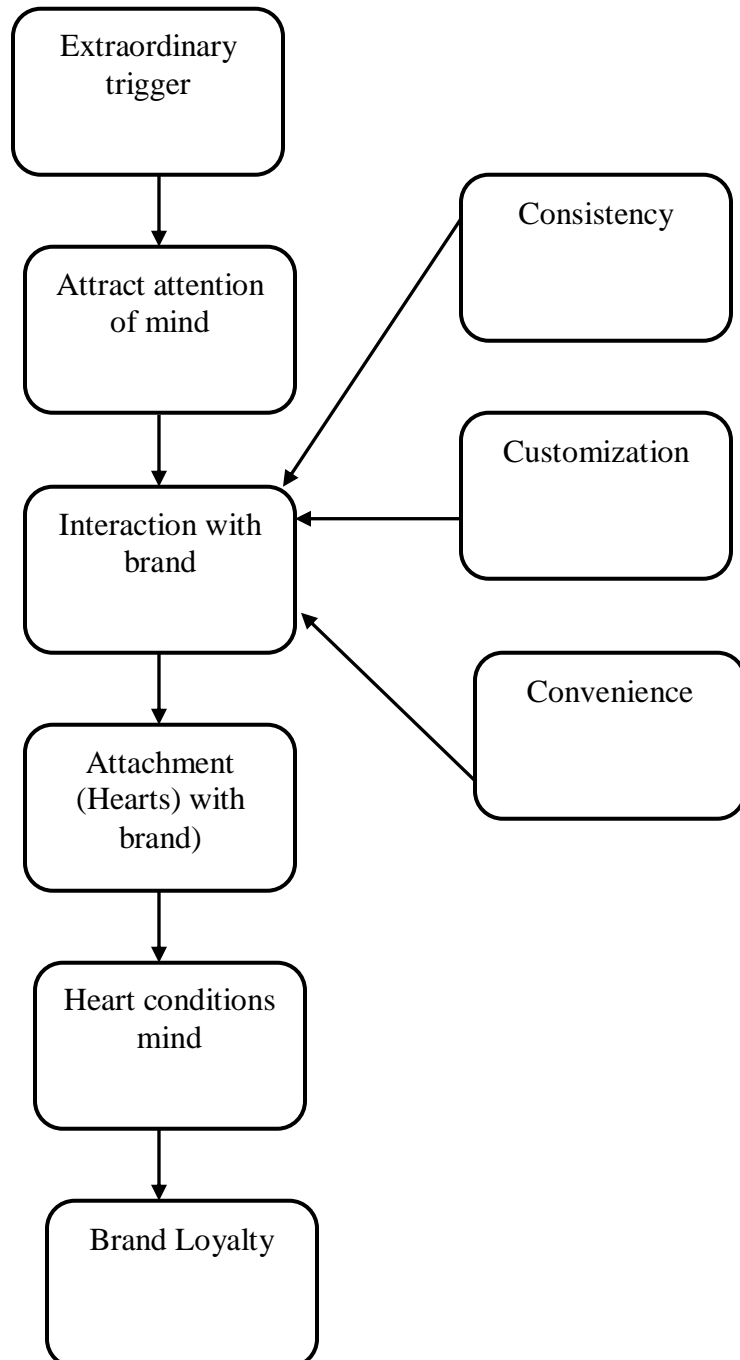
Source: (Dibb (1997), Biel (1990), Murphy (1990), Court (1997))

The branding of these products has opened up vast prospects for marketers. The mounting hygiene and health consciousness among the urban middle and upper middle class has enhanced the prospects of these manufacturers. For instance ITC's Aashirwad atta has established its place in the households as a good quality, hygienic and easy to carry (flour) atta. Since the loose commodity available at retailers shop raises doubts about the quality of food items. Along with that, the retailer's manual handling of the commodities raises serious questions on the hygiene factor. This is why many consumers especially the health conscious ones, increasingly prefer branded commodities. The major challenge facing manufacturers today is how to differentiate their commodity so that their business climb above the commodity market place to benefit from the margins and premium allied with consumer packaged goods markets. Hence the key to the achievement of marketing commodities in today's market place is a concentrated effort on creating true economic value for those consumers who are ready to pay for it and a branding strategy based on product, delivery or service differentiation. In FMCG(Fast moving consumer goods), among the present categories of commodities offered by businesses to retail consumers are staple food like atta, salt , milk, dairy products, bottled water, tea, coffee, food grains, edible oil, frozen meat, etc.

A brand is a hallmark of authenticity and quality. It adds value by promising reliability and helps to create repeat buying patterns. For e.g. in case of Sudha dairy, the branding has helped in establishing it as quality producer of milk and milk-related products when compared to other producers in the same category in Bihar & Jharkhand. Consumers prefer brands that reflect the individual values that they have as individuals. They do this to communicate the preferred signals in the highly socio-cultural environment to which they belong. Over and over again a

brand creates two fundamental associations of past consumption in mature categories like milk. First one is the culture which is the traditions of consumption of that category being passed for years and the second one being nostalgia of carrying forward the heritage of pasts. Consuming the product for many years and availability of number of suppliers to offer, the commodities offer a great difficulty in branding. This is because consumers have strong past associations and consumption patterns which are difficult to change. Figure 1 shows the mental process of decision making for commodity.

Figure 1: Mental process of decision making for commodity

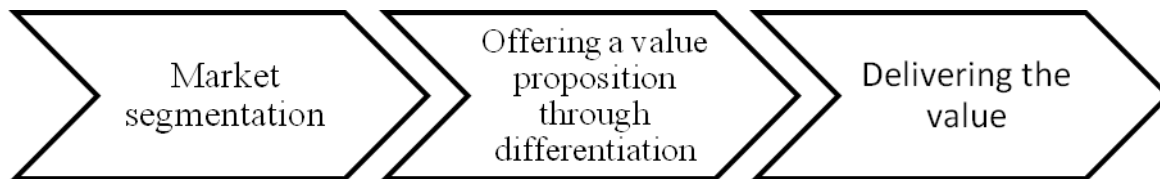


This model (Figure 1) is the summarization of the mental process of consumer decision making. It shows the branding process in commodities from the consumer's end. This model attempts to capture the value that the consumer derives out of a commodity brand. It is extremely important to realize the importance of factors like convenience, customization and consistency in the delivery of the brand promise. This is due to the fact that when a consumer interacts with the brand, the rational decisions are usually made on these grounds. These become very crucial when a consumer makes up his mind chiefly due to intangibles that come along with the brand association. As a result these factors reduce the dissonance associated with the decision and help the consumer to favor one brand over other.

Strategy for commodity branding

Literature gives several definitions of the term brand. The common themes are that a brand is more than just a combination of a name, a design, a symbol or other features that distinguish a good or a service from others. (Dibb 1997). It is a unique set of tangible and intangible added values that are perceived and valued by the consumer. In addition a brand is said to have personality, an emotional bond to the customer that grows out of the perceived characteristics. (Court 1997, de Chernatony 1996, King 1991, Murphy 1990, McDowell Mudambi 1997, Biel 1990). These definite features of a brand develop out of a complex set of added values that can comprise of history and tradition, additional services, marketing messages, quality, popularity of the product amongst a certain group of users (status) and others. These bases of a brand perception establish that a strong commodity brand cannot be developed over night. The development of a commodity brand takes time, strong financial marketing power and superior marketing skills such as understanding the consumer needs, ability to offer products or services that meet those needs, creativity to produce exiting and compelling advertising and ability to communicate differentiation in a way that customers understand and that motivates them (Court 1997).

Brand names play a fundamental role in the marketing of commodity. A superior brand name creates high levels of brand awareness, stimulate strong consumer preference and contribute to the success of the product (Chan and Huang, 1997). Actually, many note the importance of brand names in consumer evaluations of brands, in that, brand names assist the consumer in recalling brand benefits (Janiszewski and van Osselaer, 2000), in making product inferences and evaluations (Zinkhan and Prenshaw, 1994) and they play an important role in reputation and choice (Holden and Vanhuele, 1999). That's why, the proposition that brand names are a precious source of information to consumers cannot be disputed. In fact, Zinkhan and Martin (1987, p. 170) found that based on product name alone, customers form instant, non-neutral attitudes about the product that may prove difficult to change through the use of subsequent communications. Without this process we do not have a brand but only a name and a sign for a product.

Figure 2: Strategy for developing a commodity brand

The first step in developing a commodity brand is to segment the market from all possible perspectives, be it demographic, psychographics, needs, wants or benefit structuring to identify the set of most beneficial consumers who are receptive to the differentiation from a branded commodity (Figure 2). These consumers are those whom the organization should try to reach out to in the initial stage. It is imperative to understand that within these sets of target consumers, there could be difference in terms of needs, wants and interests. The marketers should be able to track these and embrace the feedbacks in their offerings. Take the case of Tanishq which is a prominent jewellery brand of India. It pioneered the concept of branded jewellery and ornaments in India. It is a division of Titan Company Limited, a company promoted by the Tata Group, Tanishq started in 1994 and challenged the established family jeweller system prevalent in India. They have set up production and sourcing bases with thorough research of the jewellery crafts of India. They spread awareness to the public about alleged impurity in Gold. Tanishq introduced innovations like Karatmeter, the only non-destructive means to check the purity of gold and machine made jewellery.

In the second step marketer should offer a value proposition through differentiation and then communicate that brand consistently and powerfully. Differentiation could be created at various stages of product development and delivery while bundling the offer. It may include the quality of the product, the price, the SKUs (Stock keeping unit), packaging and its availability in the retail outlets. The strategy of product differentiation originates from the basic product attributes. For instance Tata salt highlights attributes like iodized, free flowing, non sticky etc, to the consumers to differentiate from other brands. Similarly the branded flour manufacturers (ITC Aashirwad) sell the concept of fortification with minerals, vitamins and pure hygiene. These features easily distinguish the branded products from the corresponding unbranded player. Third step is to deliver the value in terms of service and after sales services and maintaining long term relationship with customers. In case of commodities, branding can take place at two levels. First is the category level where the entire category is promoted by a association of producers to mutually garner the benefits of branding. Such products are usually produced by a huge number of producers and their product is jointly marketed by a central processing authority (eg milk and eggs). The other level of branding can be at the individual organization level where an organization aims to gain a critical size by branding and differentiating factor (e.g. salt, flour, diamond). Among the branded jewellery Gitanjali group is the front runner. It is one of the largest branded jewellery retailers in the world and enjoys a market share of over 50 per cent of the overall organized jewellery market in India. Prominent brands housed by the group are Nakshatra, D'damas, Gili, Asmi, Sangini, Maya, Giantti, World of Solitaire, Shuddhi, Diya to name a few. Gitanjali is engaged in the cutting and polishing diamonds as well as in jewellery manufacturing, branding and retailing. It exports its cut and polished diamonds, as well as its

diamond and other jewellery products to various international markets. The group remains a dominant player in the diamond and jewellery segments.

Generally such categories don't have a central processing structure. With this approach a brand can present an important competitive advantage for a seller who has decided for a differentiation strategy. Even in markets with many similar products or services a brand can provide some sort of uniqueness to a certain product. Depending from the strength of a brand the branded product thus can be positioned towards a more monopolistic situation. Ambuja Cements formerly Gujarat Ambuja is one of India's largest cement brands. Ambuja Cements is a classic example of a successful commodity branding. Ambuja Cements is one of the companies that realized the potential of brand as a differentiator. According to Super brands report, Ambuja cements is the first cement brand to start advertising in television. Ambuja Cements also used the outdoors extensively to reinforce the brand image and enhance brand recall. Ambuja Cements also focused on influencing the other players in the business like the contractors/masons and engineers through camps and meets. While branding the cement commodity, Ambuja Cements concentrated on its core brand promise of strength. In its campaigns, the brand was very consistent on reinforcing its positioning as the strongest cement. While branding a commodity, the critical question is whether these advertisements can influence the consumers to change their commodity mindset towards this category. Many home owners buy these products for their home construction because they don't trust the contractors.

Since the associations with a product categories are well established in the mind of consumer and it is very difficult to change those brand associations it is important that those associations are not challenged by a drastic change in the association of the commodity. Thus, it is important that the brand depth (ability of consumer to recall easily) is given more importance (then breadth i.e. range of purchase and usage situations that come to mind). After the initial promotion of commodity has been successfully accepted in the marketplace the breadth should be enlarged by innovating in the product category. Often the spokespersons are used to reflect the values represented by the product category and promote the category. Many a time's commodities are associated with consumption of other commodities. Due to this joint consumption the branding has to be done along with those products. For instance in milk or tea promotion campaigns consumption is often shown with other product category consumption. Take the case of Sudha dairy in Bihar. The Bihar State Co-operative Milk Producers' Federation Ltd. (COMPFED) came into existence in 1983 as the implementing agency of Operation Flood (OF) program of dairy development on Anand pattern in the State. All the operation or erstwhile Bihar State Dairy Cooperation was handed over to COMPFED. With a view to improve the financial viability of dairies, broaden the product mix to serve a larger section of the population and improve the disposal of milk procured by the DCS (dairy cooperative societies), the dairies have resorted to the production of long shelf-life, value added and fresh milk products (indigenous milk based products / sweets) under the brand name Sudha. It has used the strategy of umbrella branding and the product mix comprises of Ghee, Table Butter, Ice Cream, Dahi (Mishti and Plain), Lassi (in sachets and Tetra Bricks), Flavoured Milk, Peda, Kalakand, Gulabjamun, Rasogulla, Paneer (vacuum-packed), Milk Cake and Khoa. Some of the former commodity categories have been successfully converted to product categories by use of adequate branding on the basis of existence of meaningful product differences. In these categories customers was convinced that that the product had appreciable quality differences. Take the case of parachute hair oil. Hair oils and its use are deeply ingrained in to the Indian customs and tradition. This is a 1700 crore industry which is dominated by unbranded oils. The branded category accounts to around 800

crore. The majority of the hair oil segment is occupied by Coconut oil. This is a market that have very low entry barrier and that is the reason why the market is dominated by unbranded oils. Parachute is a major player in the branded hair oil market with a good market share. Marico has positioned Parachute in the platform of purity. This focus on purity clearly differentiated the product from the rest of the unbranded oils. The purity was reinforced by careful packaging and communication. The brand was established emphasizing the caring relationship. Parachute knew the pulse of the urban market and highlighted that the oil is non greasy and prompted the target group to experience the brand. In case where the product differences are virtually non-existent it is imperative to differentiate the commodity on non-product related measures. For instance Bisleri was able to generate a premium brand image in mineral water segment.

CONCLUSION

Branding of commodities offers additional value both to the consumers and the producers. Branding leads to commodity differentiation and hence enables consumer preference. This translates into greater choice and quality for the consumers. To the producers branding provides the opportunity to increase gross margins by increasing the value perception of their product. Creating, developing, implementing and maintaining successful commodity brands is at the heart of marketing strategy. Thriving commodity branding requires a strategic perspective whereby strong brand concepts are presented and communicated to well targeted segments resulting in favorable brand images which reflect the brand's identity. The most successful brands will always be those that deliver not only the tangible functional value but also the intangible value that is the implied guarantee of a branded product. The promise of the brand will always be seen as the most valuable benefit because when confronted with two choices of apparently equal benefit, the consumer will always choose the one that feels right. Trusted brands are not established overnight but are built up as a result of long-term investment in delivering on the brand promise. If a manufacturer can manage this, branding provides an escape from commoditization as it moves the buying decision away from solely price factors and therefore can generate a strong return on investment and long term sustainable advantage.

One could look at the processes involved in successful branding from two perspectives-- those under the control of management (e.g. developing a vision and brand values) and those controlled by consumers (e.g. forming associations, images and perceiving usage situations). There is a sequential process interlinking brand managers with brand consumers in so far as activities and information from the corporate side feeds into the consumer market, initiating a decoding, interpretive and responding process.

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