

Applying the Tools of Marketing to a Growing Business

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Introduction

The job of marketing leather and leather products from the African continent is arguably one of the best jobs available in the leather industry in the 21st century.

And in explaining to you why I think this is the case in terms of both conventional marketing - if there is such a thing - and marketing starting to adapt to the world of e-commerce I am continually going to ask you to focus on two important areas - transaction and uncertainty.

Transaction - the act of transacting, the art of carrying on commercial activities; and uncertainty - something that is uncertain, is unknown.

Both of these are areas we tend to overlook, but have been part and parcel of the development of all industry and trade, not just ours over the centuries.

Here in Africa you have 17 per cent of the worlds' leather raw material, and amongst this high volume some selected volumes of extremely high quality, you have an underdeveloped industry ripe for expansion, and in branding and marketing terms you have the heritage of the origins of man, and here in the northern part of Africa was developed in the 8th century the technology that was to be the basis of all the top European technology.

The manufacture of leather is an old industry, and with the origins of man in Eastern Africa, and the wonderful parchment scrolls still to be seen in the museums in Addis Ababa we can well imagine the leather industry having its foundation in Africa.

We certainly know that the basis of European leather technology - the wonderful technology that was to make Spanish and Italian leather famous for centuries - and Santa Croce words to be revered by those of us who worked in the leather industry in the 1970s and 80s - that the European technology was evolved in Cordoba between the 8th and the 13th centuries. And we know that what drove the change and the evolution of both vegetable and alum tanning as competences in Cordoba was technical skills imported from here in Morocco.

From the beginnings of time man was an explorer and with exploration went trade. The spread of Islam, Christianity, Buddhism encompassed much of the world between the 1000 and 2000 years ago and the technology of leather was a major element - alum

tanned sails for ships, vegetable tanned garments, leather armour, leather carriers for water and wine. But key to it all was trade giving access to raw materials and access to technology. Not a lot different from today.

What this was really based on was what today we call the Transaction.

As businesses we prosper on the number, the size and the effectiveness of our transactions. The role of our marketing is to give guidance to those transactions and to ensure that the ones chosen will have a chance of bringing prosperity to the business; if possible not just today but also in the future.

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In the past where the ships arrived depended on winds and tides and a lot of unplanned events. What was constant from the beginning was that macroeconomics counts in the leather trade. Good tanners and shoemakers had to know what was going on the world. While tanneries chase raw hides and skins, and tanning materials, leather-using industries are labour intensive more than technology intensive. In our lifetime we have many examples of the shoe industries jumping from country to country in pursuit of cheaper manufacturing costs.

In the world today we have some major trends pushing an unprecedented level of commercial and business turbulence.

Technological change including communications, transportation growing ever faster. Reducing tariffs and greater linkages of currency giving us a much higher level of economic integration than ever before. Developed country markets getting more and more mature in most product categories, and the big political change that came with advancing privatisation and the end of communism around the world.¹

You have to assess the impact of all these on our industries - think just of what has happened in Turkey in the last few years directly related to political and economic changes in the former Soviet Union.

And then you have to look at our industry. What is going on here?

Is it mature? Yes probably since about the 13th century one way or another and very certainly if you look at the last half century. It is definitely price sensitive, and in almost every segment of the industry, except perhaps raw material supply itself there is 120% capacity or more. The industry is quite frighteningly cyclical. The last time I heard a tannery chairman pronounce that his company had found a way to overcome the cyclical nature of the leather industry within twelve months his company had made the biggest loss in its history.

Understanding this background position as the marketer in a growing leather business the first things you must realise is that the vast majority of marketing is business to business.

While the column inches in the press and on the television would have us believe that all marketing works like that of fast moving consumer goods sold to consumers most of you here will be selling to other businesses. The essence of this means that at the end of the day you are talking to people, not markets. As the Cluetrain Manifesto expresses "markets are conversations"², business markets are very much based on relationships and quality.

As a growing business you will have decided your product area and your market area. Adjustments are always possible but they usually involve a lot of risk. Even in 1900 the Twelfth Census of the USA argued, "a sole leather tanner can no more make glove leather than a blacksmith can make watches".

The starting point at this stage is the 5 P's. Product, Place, Price and Promotion. For business marketing the fifth P of packaging is clearly less important than the packaging of consumer goods and is often ignored. I leave it in if to say no more than how your product arrives at your customer is increasingly important, and is indicative of the attention you have paid to it during manufacture and the value that you put on it - and are hoping that your customer will put on it.

You might wonder why someone like myself made the transition from pure marketing to product development. Part of the reason is that there cannot be successful marketing unless you have a good product and more and more the marketer has to spend time at the foundations of the business to understand and become one with the product and be sure that it properly reflects what the market will respond to. Marketing has to start deep within the business and with the product. Do not find yourself marketing an inappropriate product.

What is your product? Really try to understand how good it is, how consistent it is. For leather how consistent is it in the pack, how consistent is it from pack to pack, from week to week and month to month. Is ISO 9000 relevant in your area of business? International customers of standing will want to know if you have steady access to raw material and to your chemicals.

Is your product a standard item or are you offering product development skills. Do you have the technology to sustain such an offer? What sort of service package comes with the offer? How are your communications, how fast will you respond to enquiries, how will you approach complaints and problems.

When you are looking at your product, I would ask you to be extremely critical. Look at your leather in the eyes of the customer and in the eyes in of the final consumer. Consider the technical aspects but also the aesthetic. Consumers love leather for its look, its touch, its feel and even its smell.

You should also benchmark your product against the competition. You can do so by looking yourself at trade fairs, but do also think to ask your customers, your trusted chemical suppliers, and any external advisers you may have.

You normally look to sell your product based on either price or quality. Sometimes I think tanners forget that there is more than one way to work out price, and pricing policy is, like leather making a mix of art and science, an issue worthy of some study. It seems we have lived our lives doing notional valuations by grade on raw material and then trying to sell on a cost plus basis.

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Indeed I think sometimes the only other pricing calculation that tanners do is marginal costing, when they are prepared to sell at low prices just to make a contribution to overheads and keep the factory running.

In fact what we are actually doing is responding to the reality of a mature and often saturated market. That is to say the products we make have tended to become commodities and the winner is the one with the lowest price, the most competitive price. So you may be busy doing cost plus analysis to be sure you do not make a loss, but you are actually selling on competitive pricing because if you do not you will not sell your product at all.

Over and above competitive and cost plus pricing is value pricing which is most common in areas such as luxury goods, fashion clothing and restaurants. This is where you place your price on the perceived value to the customer.

This value that a customer puts on things is very hard to measure. A typical area is high tech goods, which can achieve high prices when first introduced from purchasers that we sometimes label as "early adopters", but where the price drops very quickly when the technology is old.

The area of value is being much affected by the acceleration in the Internet and in technology. Many new technologies have a lifetime of eighteen months or less, before becoming not just old but obsolete: and for many goods sold via the internet the consumer is becoming used to accepting the distribution costs rather than the inherent value of the article.

So trying to make a profitable impact on an increasingly mature market is going to get harder rather than easier, and there is a point of view that would argue that the only way to make a difference is to innovate. This can be with product, with service or with delivery. Whatever you do or make with leather you are part of a value chain. I will refer to this later in more detail but in thinking about innovation think about where costs are incurred and value is added throughout the chain and look for opportunities to innovate.

Doing great things with the product would certainly be appropriate for a continent that had so much innovation 600, 1200, and 3000 years ago, but it is not the only area you need to look at.

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Placing your product relates to how you decide to access your customers; your distribution and sales methods. This is quite a big decision if you are selling on a price basis as 5% here and 2.5% there can wipe out your profit yet you won't have profit if you fail to sell at all. In a globalised world your ability to get close to customers without intermediaries is much greater, this is a process called disintermediation which is as relevant in the real world as the electronic one where the term is most used. You have to decide whom you are dealing with, and how you will get close to them. I love really focused market research and then directly targeting with unexpected methods - guerilla tactics you might call them - the key accounts. But you have to have everything in place to do that effectively, and for many a good local representative can do a lot to open doors and smooth relationships.

We are going to discuss promotion a little later but first I want you to understand that all these 5 P's have an overlay, which is your positioning. This is how your customer sees you and your product. Some of this is already dictated by the raw material you use, but it does also relate to knowing your product capability and your potential markets very well. This is the area where market research shows its value. The better you do your research the faster you will be able to move to implementation. Is your market local or international, and if international how wide a far are you looking? What sort of competitive environment are you going into, who are your competitors and what sort of pricing will you find? Will you be able to compete and prosper here? If you are trying to break into a new market what will be your point of differentiation to gain you access. Is there any compelling reason for your target customer to abandon existing suppliers and turn to you?

In doing this analysis you do indeed have to understand your technological competency, and in your analysis of place you need to understand how the relationships will work out. You also have to deal with a key subject in all transactions: Uncertainty.

Whatever you buy has an area of uncertainty about it. In computers was your first purchase a good one? Or did it actually provide learning that at best might be called trial and error so that it was the second purchase that you got right? Have you made a purchase by mail order or on the internet - were you worried that the goods might not turn up, or that they would turn up and be wrong and you would have the nightmare of having to try and send them back?

Uncertainties can be characterized as needs uncertainties - as when you are buying a computer but lack the technical knowledge to be able to specify what you want; market uncertainties where things are changing so quickly you are worried that what you are getting will be obsolete before you get it home - so annoying when you get a great deal on buying a new car, only to discover that the great deal was because they were introducing a new model the next month; and transaction uncertainties.

Transaction uncertainty is like the mail order situation - you have made a purchase, you are enormously keen to have it and use it, and you sit in panic that it will arrive in time, that it will arrive complete, that it will do the job you bought it for. In business let me tell

you these are problems you can do without. You want to be certain of all of these things and you will go a long way to checking them up before starting to purchase.

So what do you do when the biggest problem you have is intense customer worries about doing business with Africa at all; customers who are seeing negative headlines like this every time they open the financial press?

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So for me the biggest marketing issue for all of you here who are trying to grow and develop businesses successfully is Transaction uncertainty. You need to re write the book, you need to reposition Africa as a good place to do business. A small challenge for the world's oldest and most exciting industry.

What you have to do is quite simple:

You have to show your company unfailingly as a reliable partner, and then you have to play your part in demonstrating that your country is a dependable place to deal with.

Stage three you have to change the world's view of Africa into one as a good place to do business and to invest in for the future.

And more than this you have to change Africa from a follower to a leader.

Did I say that being a leather marketer in Africa was the greatest job in the world - or the toughest job in the world?

But there are precedents. Most of us can remember when Japan was known as the source of cheap junk and trashy transistor radios. How come so quickly it was able to dominate the world in consumer electronics? And not just that segment - how about Japan's success in motorcycles, in microfibres? An astonishing achievement.

I remember in the late eighties when rising labour costs were driving the footwear, glove and garment industries out of South Korea. Thailand was a considered destination where transaction uncertainties loomed high. "It may be half the cost of Korea, but it takes five workers to do the work of one Korean - and the corruption is so bad. You will never get reliable quality and delivery from there". Well I can tell you I was there this last weekend and we have just agreed to start on our third new FootJoy glove factory in ten years so successful has been our move there.

So transformations can happen and have happened. And certainly the African leather industry needs it to happen. That is why you have come to Casablanca this week. Not to be feeble and complaining, not to seek help and handouts, but to find a mission. I give you this - Let the African Leather Industry take a lead in the transformation of Africa.

Japan, Thailand, India did not wait for their governments to build them a perfect soccer pitch on which it was going to be easy to score goals. They showed that industries can

and should lead. That nothing succeeds like success and that if you can show some positive direction, you will find the politicians and governments will start to follow. "Well Made in Taiwan" is one of the neatest branding campaigns in recent years.

This is a good moment to start these initiatives. The world economy is pretty robust, oil prices willing. Globalisation means that people have got accustomed to travel and are willing to look wider for competitive advantage. Cellular technology means that you can leapfrog some weak infrastructure situations, and access to technology is very much easier than ever it was before - making your capability to compete globally much higher than it was even a few years ago.

I hope that you will choose to deal with this major market barrier in a positive and determined way. There is no doubt you face it to a greater or lesser degree throughout this Continent. Some of you nevertheless have still managed to set up fine long standing relationships with established service records, so it can be overcome. What you cannot do is ignore it.

You then will have to consider how you intend to promote yourself. Let us define selling as the task of persuading the customer to hand over their money, then marketing is about picking the targets and getting them interested to make a purchase.

This brings us to the part of marketing which is the most visible, promotion. For many this is what marketing is all about, but I hope you have seen that there are a number of profoundly important areas to consider before you are ready to undertake promotion.

The promotion that you do is going to make public your intentions and maybe your ambitions, it is about grabbing the attention of your target audience and telling them who you are. Effectively you are creating a brand. This represents who you are and everything about you. Your business mission, your business culture, and every aspect of the delivery of that culture to your customer must be consistent. It is no good selling an expensive product in the quality end of the market if the product is poor; it is no good offering great service if your telephonist is going to be off hand with your customers, or if you have no procedure to responding to complaints. There is no good pretending you are a market-orientated company if everyone in production and technical functions is in love with the product and has no interest in what the customer expects.

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There are ways to measure these things and you must take them into account. The one thing you will be sure of is that your customer will make the assessment in an instant.

You then have a large number of tools, which you can use which are on the slides and in the handouts so I will not go through. This is not a comprehensive list, some you might only consider for consumer products. My only point is that you must have a plan, you generally want to be innovative, and in this area there may be guidelines but there are certainly no rules.

Be sure you know your target audience and pick your tools accordingly, this is normally costly, but need not be hugely so. It is always fun.

Since you are almost all selling to the trade then PR and advertisements in the trade magazines can be a very cost effective way to start a campaign. Remember that to get at your target audience you may want quite a variety of trade magazines. If you are only looking for lead generation smaller text intensive ads repeated often are the most effective: to build brand image you need less text and more imagery. Trade fairs fully utilised are excellent for lead generation, but as a marketer don't let your boss dictate which trade shows to attend and how to conduct business. The leather industry has a long history of trade shows as a place to meet old friends and chat. What you are interested in is marketing not networking and nostalgia. Pick your shows with care and do your homework before and your follow up after. Be ruthless at cutting out shows that do not deliver benefit.

Whatever you choose to put into your mix what all this is doing is starting the process of brand development. Branding represents a snapshot of your company and is easy to do on the business-to-business level, especially if you have put together a consistent image and identity.

One of the big differences between trade brands and consumer brands is that trade brands can be built up quite quickly and they can die and disappear just as fast.

A lot of people who have asked me questions about marketing over the last few years have been seeking a quick and easy route to becoming a big brand and ask any price they like for their product. I hope you realise now that this is not so easy,

What they are looking to do is become an ingredient brand, like Intel or like Vibram. Ingredient branding is one of the most complex forms of branding there is. It involves recognising that your business is part of a channel, or chain, as I mentioned earlier. This chain has all sorts of members and inputs into it from raw material suppliers to manufacturers to retailers and hence the final consumers. As you will well know different players in this chain have different levels of power and one normally becomes established as the channel captain. Over the last century, as you look at a variety of consumer products you will see that different parts of the chain have tended to hold that power. In simplified terms it started with the producers and then progressively moved through the distributors to the retailers and lately the power has been held by the big brands.

If you want to establish yourself as some form of channel captain you have to compete with these big brands, you must be market oriented and able to talk to and understand the consumer, and you must be able to maintain sufficient visibility for your product that the big brands feel using your name helps them rather than you just using their market position to develop your own brand.

Thus is a very complex area and requires outstanding product planning, as well as outstanding marketing.

So here we are in a mature market, with a traditional industry, but in turbulent times.

So we have a huge opportunity to accept the challenge of influencing events from this continent, by taking the lead in marketing and building on a sound raw material base.

You have a great technological heritage to start building upon, everything a marketer could need to kick off some fine times ahead.

I ask the marketers amongst you accept the challenge, not just to overcome the recognized uncertainties but to actually create the need for customers to come to you.

Michael Redwood

Reference

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