

REVIEW ARTICLE

Branding Commodity

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ABSTRACT:

The market for Commodities Branding in India is so large that no marketer can simply ignore it. It promises unlimited opportunity both in terms of size of market for a commodity to different types of commodities that can be branded. It is difficult to think of a commodity that does not have the potential to be branded. From essential commodities like water, milk, vegetables, food grains, salt, sugar to commodities like Gold, all have been branded. Tanishq's 24 carrot gold is just one example how even gold can be branded. The huge opportunity has brought in several companies into the fold of branded commodities, both domestic and multinational. The market for many branded commodity is cluttered with numerous brands fighting for a pie of the market. Competition is cut-throat and marketers are always on their toes to look for innovative methods to differentiate their brand from the other. But the most difficult task for the marketers is to use the differentiation to create value for the consumers so that the differentiation also results into increase in revenues. Commodity selling is a challenge that presents unique opportunities for creative marketing. When marketing and selling commodities, you must resist the urge to cut prices. Instead, seek ways to protect your price by offering more value, finding unique ways to differentiate yourself, and creating powerful brands that foster price inelasticity.

KEYWORDS: Differentiation, Opportunities, Promises, Value, Market

INTRODUCTION:

Commodity products are largely undifferentiated products that offer little or no perceived differences between competitive offerings. These are lowly differentiated products or services with high levels of substitutability and straightforward price discovery.

Without distinction, you're brand "X", or generic, or worse, a commodity. And we all know how commodities are traded – price. And when price becomes our only measurement of value, you loose – big time. Are you the low price leader? If so, you are fighting everyone in the marketplace. But if you have a claim of distinction then you rise above the fray. Many people keep bottled water at home and the office. What could transform a free, widely available, plentiful commodity product into a premium product, spawning a booming global industry? Branding, of course. The leading bottled water companies are Coca-Cola, Nestle and PepsiCo.

Together they control one third of the bottled water market. All are top-shelf marketers. All are experts in branding water.

A market becomes a commodity market if the suppliers choose not to differentiate themselves, either through their products/services, or through their brands. Equally, any market can become a branded market if the suppliers choose to differentiate themselves. But companies that sell products such as bulk chemicals, paper, and steel or milk, salt, cement, etc. tend to emphasize operations and sales over marketing, striving to unload as much inventory as possible at the prevailing market price. Viewing themselves as commodity producers, they particularly overlook the nonfunctional features of their products—delivery speeds, after sales service, distribution, Pricing, Customer servicing, Segmentation, Positioning and Communication. What these producers lose out on is the opportunity to increase their gross margins, create consumer demand for their specific items(s), and build valuable Brand Equity by employing the branding practices made successful by consumer packaged goods enterprises.

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With little-to-no perceived difference, consumers shop for commodities primarily on a low price basis. Producers of commodities are driven to compete on low price and high volume. In general, the product life cycle is at the point where significant customer education and assistance is not required, customers have widely adopted the product, the market is mature enough to have attracted multiple competitors, and the market expands while prices decline as consumers demand price concessions

The biggest challenge facing manufacturers today is how to differentiate their commodity so that their business rises above the commodity market place to enjoy the margins and premium associated with consumer packaged goods markets. Therefore the key to the success of marketing commodities in today's market place is an intense focus on creating true economic value for those customers who are willing to pay for it and a brand strategy based on product, delivery or service differentiation.

What Is a Brand?

Today what rules? A single word, "BRAND".

"Branding adds spirit and a soul to what would otherwise be a robotic, automated, generic price-value proposition. If branding is ultimately about the creation of human meaning, it follows logically that is the humans who must ultimately provide it" – **David Aaker**

Branding is not new. Around 8,000 years ago in ancient Mesopotamia, villagers created stone seals that they used to mark the caps and stoppers of food and beverages. As long as people traded within their villages or the next village, the relationships were personal. People knew old Baba the oil merchant personally and knew he made good stuff. They trusted Baba.

Over the next several thousand years, Mesopotamian villages grew into cities. Around 5,000 years ago 20,000 people lived in the city of Uruk, located in present day Iraq. With that many people the personal trust relationships were broken. Products may not have been made by the seller. No one knew what kind of quality was being purchased. The Mesopotamians came to rely on the stone seals impressed in the caps and stoppers of oil and wine. **According to Archeologist David Wengrow**, these were the first brands. This means branding is at least 5,000 years old. Branding gave order to a confused world. It simplified communication. It indicated quality. It was a promise.

It creates a space in the minds of the customer which has been blocked and clogged with various desires, wants and means. Brand has been like a light-house in the ocean of indistinguishable products giving rays of assurance of quality, dependability and value. It also acts as a direction provider for the customers to choose the right path in obtaining value for money.

Products and company offer features and benefits that consumers want and need, but it's your brand that makes those features and benefits recognizable and preferred. Those features and benefits are extensions of your brand. Will they function on their own without a brand to support them? Perhaps, but a brand makes those features and benefits much more powerful and helps to further differentiate them from anything else available on the market. The brand makes them special and makes customer loyalty possible. Your brand is your most important asset. Think of it this way, despite all its time in business and all its successes, what is a company like Coca-Cola without its brand? What about companies like Mercedes or even McDonald's? Would those companies survive and thrive without their brands? It's hard to say, but investing in those brands and building them to what they are today has helped to grow those companies to become leaders in their respective markets.

Brands Are Promises:

Fundamentally, brands are promises. Brands fulfill the same role today that they did five millennia ago. What did Baba the oil merchant promise? When he was personally selling his oil, he could personally elaborate on its quality. When Baba's oil was trading hands for the third time in Uruk, Baba wasn't around to make a promise. Yet, buyers saw Baba's brand as a promise. The buyer determined the brand's promise. Gulp! As a marketer, I want to control my brand. I want to decide what it promises and what it doesn't. Too bad the market won't let me. I can try to influence the brand promise. I can deliver the promise. But only the buyer decides the exact nature of the promise. This is one of the reasons it's important to monitor the brand perceptions. We designed the Service Roundtable's brand promise as delivering to contractors more sales, more profit, and more time to get things done. Most contractors see us delivering on this promise and more.

Simple explanation of brand promise might be: what your brand stands for? How people know about you? How clear are your strategies for your prospects and clients? With brand promise you can make your target audience remember to stimulate their desired reaction. Brand promise is related to brand positioning. For instance take the example of Walmart, they have promised to deliver the goods and services at lowest price. So they have created the expectations in the minds of customer to have the low price quality products by Walmart.

For instance, McDonald's promises a minimal standard of quality combined with great service and convenience. Go anywhere in the world and you can expect to see full McDonald's restaurants. (And after a couple bouts of food poisoning I've had in some of the rougher places in the world, the McDonald's brand can be an incredibly welcome sight). McDonald's promises to keep their standards uniform every day, anywhere on the planet.

CHALLENGES:

Innovation:

Innovation has always played a key role in expansion and creation of any category. For example the innovation in processing coupled with innovation in packaging of raw milk, paved way for an alternate healthy beverage segment. Today the packaged milk and milk-based beverage segment offers everything from plain pasteurized variants of milk such as toned milk, double toned milk, the packaged milk sales in the urban areas witnessed an increase in sales.

Brand promotion:

For any kind innovation to reach consumers, awareness and information needed to be disseminated about availability. For instance, Mother Dairy has always banked intelligently on consumer specific branding activities by employing Above the Line promotional tools – T.V commercials, print ads, hoardings at various traffic intersections and posters on the walls of colleges and other places. In fact, the 'Nutrifit Campaign 2008' by Mother Dairy was adjudged as the best campaign in the nutri-marketing category at the International Dairy Federation Marketing awards 2008.

Ambuja Cements is one of the companies that realized the potential of brand as a differentiator. Even in the eighties, Ambuja cements started its activities for building the brand. In fact 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.

Pricing:

There is lack of differentiation if marketing of commodity is done. Commodities and differentiated products are the two ends of the product spectrum. Each unit of a commodity is exactly like every other unit. A product is a commodity when all units of production are identical, regardless of who produces them. Commodities tend to be raw materials like corn, wheat, copper, crude oil, etc. The stone marble is mined and sold by many companies in Rajasthan; it's like an unbranded commodity, where each producer is selling identical product. People that produce commodities are referred to as "price-takers". This means that an individual producer has no control over his/her price. On the other hand, people who are owners of brands or differentiated products are "price-makers". Producer of a differentiated product creates a separate market for his/her individual product.

Ever last is the brand of aluminium roofing sheets from Aditya Birla Group. Hindalco from the Aditya Birla Group is India's largest manufacturer of aluminium products in India. Aluminium is a commodity driven basically by the price.

CONCLUSION:

Brands are not built through gimmicks or sleight of hand. The consumer cannot be fooled for long. Great companies build great brands by valuing their customers and wanting to make their lives better in some way. The first car T-model is no more but the brand 'FORD' is still alive. 'Pears' soap that was launched somewhere in the end of 1800 is still alive although they have changed the product. Even they are looking for line extension but basic brand names are the same. A brand generates familiarity and trust, and hence, leads to greater sales. Branded products have an edge over unbranded products. In the end, despite all the gimmicks and tricks that gurus use to sell books and seminars, it comes down to one simple equation: *Brand Value = the value of promises kept*. Everything else is just optimizing efficiency.

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