

## The global facets of marketing: Part II

*Defining specialty versus commodity products and services before going to market. The second of a three-part series.*

Last month we discussed whether a firm is small or large, operates solely in its home nation or both domestically and abroad, markets goods or services, and is profit- or non-profit driven, it needs to grasp key international marketing concepts and to devise a proper strategy. This means achieving and maintaining a broadened marketing perspective.

### SPECIALTY VS. COMMODITY

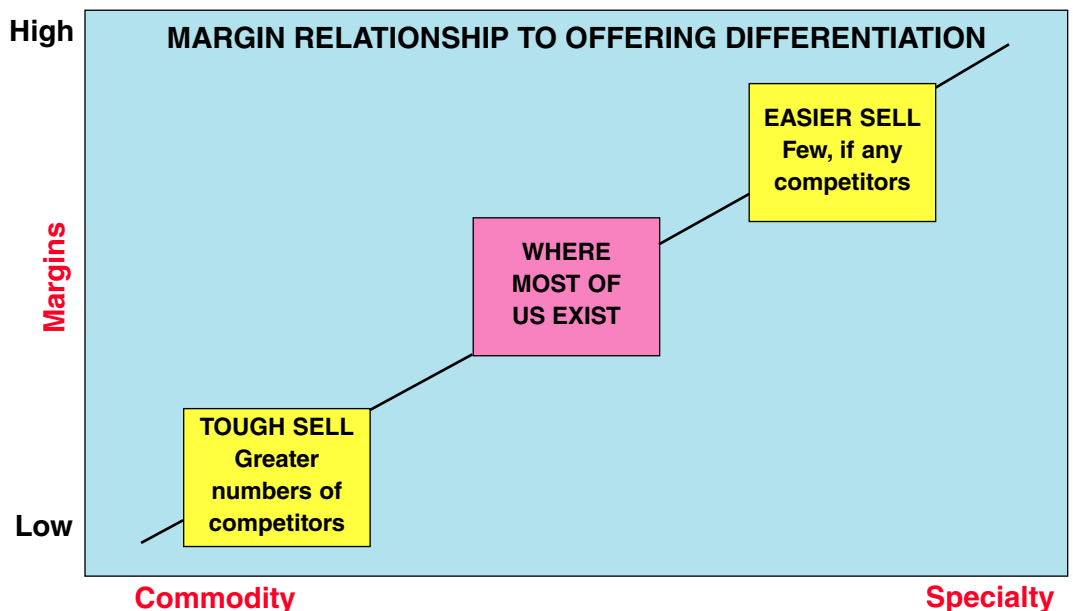
Within the paint, coatings, adhesives and sealants markets there exists the definition for products which serve to “pigeon hole” a sharpness of how one goes to market and where. For example, many buyers of TiO<sub>2</sub> would want to categorize it as a commodity to take advantage of all the definition trappings of the term. *Webster’s Dictionary* defines commodity as “a good or service whose wide availability typically leads to smaller profit margins and diminishes the importance of factors, including brand name, other than price.

However, Chemark believes a company like DuPont for instance, as a seller of many different grades of TiO<sub>2</sub>, would want to disagree with this wholesale commodity definition and suggest there are many different grades of TiO<sub>2</sub> and yes, there is a portion of its offering that would fit this definition, but there are many SKU’s that are not commodity but instead specialty and merit all the trappings associated with this term.

*Webster’s* defines specialty as “a product of a special kind or of special excellence...the state of being special, distinctive, or peculiar.”

Special is defined as “distinguished by some unusual quality; esp: being in some way superior.”

Chemark would define “specialty” with regard to the everyday practical world of supplying a coatings product/service offering as one that the buying customer appreciates as being one of a kind as it applies to that customer’s set of conditions and, therefore provides the offering company a higher than average profit margin as a result.



### APPLYING THE DEFINITIONS TO GLOBAL MARKETING

A coatings raw material supplier or a formulator must understand where their product-lines/services fall along the commodity/specialty line of activity as they apply to their respective target markets, domestic or global. Failure to appreciate their customer's perspective can be devastating in time wasted and monies spent in promotion.

What we think as suppliers does not count. The only important aspect in dealing with any customer is what that customer thinks the product/service will do for him/her. This premise is universal and knows no international boundaries.

Therefore, the larger the company many times the more insulated it is from the reality of its actual position along the commodity/specialty value offering line. This situation, needless to say, can be harmful since it may take a great deal of time to fully appreciate this position and then to react appropriately.

The converse is also true. Small and mid-sized suppliers most times quickly understand when they are not appreciated at the point on the value line and have the opportunity to react more quickly than those larger competitive suppliers.

### CONCLUSION

In order for the small and mid-sized raw material or formulator to compete outside of its domestic markets, it must have a product/service offering that is special, unique and different (*see Table on previous page*) in the minds of the target customer. In most instances, these sized companies cannot compete on the long-term at the commodity or near-commodity levels.

Larger multi-national companies usually have a breadth of offerings much greater in scope than those offered by the small and mid-sized firms. They, therefore, have much greater staying power and can afford to miscalculate their position on some while being more

exact on other product/services, thus balancing out its performance. However, larger firms must be careful with this portfolio balance since the world markets are becoming less forgiving of any type of miscalculation.

Next month, stay tuned for our third and final segment on The Global Facets of Marketing. **CW**

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