

Excellence in Market Activation



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BY COURTLAND JENKINS AND GEOFF TUFF



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IN A MATURING market with increasing competition from Asia, new products being released by chemical, plastic and fiber manufacturer Eastman Chemical Company (Kingsport, Tenn.) were lagging behind other offerings in the market. Extreme pricing pressures had weakened product development efforts, resulting in a drop of new-offering revenue from 33% in 1995 to 28% in 2004. The challenge to innovate was not unique to Eastman, however, as globalization, consolidation and internal organizational barriers were contributing to a state of “incrementalism” across the entire packaging industry. With nearly half of the company’s \$7 billion in revenues coming from the packaging sector, delivering profitable growth was vital, but becoming increasingly difficult for Eastman in the decade leading up to 2004.

To uncover new opportunities and drive growth in such an environment, Eastman’s leadership team recognized a need to improve the company’s skills and capabilities around marketing and innovation. Unfortunately, significant structural and cultural barriers stood between new ideas and technologies and the company’s ability to effectively develop and commercialize them. At the

corporate level, the emphasis had long been on manufacturing, a heritage that once served the company well but now inhibited the type of cross-functional collaboration that was critical for Eastman’s growth. The marketing function in particular was hamstrung by a lack of effective prioritization of the product portfolio, inadequate processes for systematically growing products post-launch, and a lack of precise metrics (and incentives) for measuring market success. Furthermore, marketing had limited input into strategic growth initiatives—leading to highly product-centric launches that incorporated very little customer insight. This led to incomplete and ineffective go-to-market programs.

In short, Eastman needed to improve its ability to identify not only where to play in the market, but how to execute better in order to win those opportunities.

Generating Insights

The irony was that Eastman had actually developed what was considered a breakthrough product, which was a new clear, rigid packaging material that had the versatility to satisfy an unmet need in the packaging market: large containers with excellent clarity, combined with the

design flexibility to be molded with an integral clear handle.

The product was initially launched in 2003, supported by marketing’s traditional segmentation, targeting and promotion techniques. It generated significant interest across the packaging market, but very little revenue. After researching why customers were not buying the new product, it was concluded that prospects liked the innovation and design flexibility—but they were simply not willing to pay for it.

With sales of the new design lagging, Eastman’s team realized it needed some outside help. The company engaged Cambridge, Mass.-based Monitor Group to help redouble efforts to generate insights into how value was being created in the market—and how to translate those insights into an integrated market activation plan.

Eastman’s process for identifying market opportunities had traditionally focused on product attributes (such as materials and molding processes) and functional benefits (e.g., clarity, design flexibility and price). Segmentation efforts were also narrowly focused on customer size; separated simply into large, medium or small targets. A key change

in Eastman's marketing strategy was to focus on changing customer behaviors, and to target specific behavioral changes that would drive customer adoption. Indeed, this was a big change in strategy and substance for the firm. Targeting specific behaviors required taking a more unconstrained view of the market, by seeking growth opportunities in new places and a better understanding of all of the players involved in (or affected by) purchasing decisions.

Eastman's new marketing plan began with analysis of not only the direct pack-

barriers for all customers in the value chain—from package designers to brand managers to end consumers.

One key insight uncovered was that the product attribute long touted as a competitive differentiator for Eastman—the melt strength of its polymer—resonated only with the bottle manufacturers, and didn't mean much for the brand owner, the retailer or the end consumer. Past marketing efforts hadn't accounted for the downstream differences in the value of key product attributes, so what seemed logical in

to focus on brands that were planning product line extensions or launching altogether new products.

These insights were not gathered by an inward-looking view of product attributes and functional benefits, but by a holistic analysis of the buying process that uncovered insights into the value drivers of brand owners and consumers. This, in turn, enabled the Eastman marketing team to articulate a compelling value proposition, define a clear behavioral objective to change and target a narrower set of customers.

Brand owners were looking for a beverage container that would stand out from the “me-too” packaging that filled crowded shelves at retailers.

aging customers, but also other downstream members of the supply chain—which included brand owners, retailers and end consumers. Looking deeply into what drove value across the entire supply chain enabled Eastman to identify who precisely would most value the new design flexibility—and be willing to pay for it! This deeper level of insight helped the Eastman team make very specific choices about where to focus and invest.

Insights in the Buying Process

With Monitor's guidance, Eastman's marketing team kicked off a detailed analysis of the buying process for its packaging products. It examined various market segments, as well as the behaviors and attributes of different members in the supply chain. By developing detailed customer portraits, the team was able to uncover the drivers and

hindsight really presented a fundamental change in thinking. Eastman's marketers concluded that bottle manufacturers (a historically important segment) simply would not value the innovative packaging enough to drive adoption of it. And that necessitated a dramatic shift in to whom (and how) they should market it. Additional analysis identified that the real leverage point for this clear packaging with design flexibility was the brand owner, who was focused on winning at the point of purchase. Simply put, brand owners were looking for a beverage container that would stand out from the “me-too” packaging that filled crowded shelves at retailers. The good news was brand owners were willing to pay for the innovation—but they were unlikely to relaunch a product just to incorporate the new packaging. Therefore, the Eastman marketing team knew it needed

Customer Behavior Insight

Insights from the new segmentation proved to be a big breakthrough for Eastman. Focusing on a narrower base (with proper alignment of messaging) made the value proposition more compelling than ever. The team better understood the consumer beverage market and where their product fit, relative to the needs of brand owners and end consumers. Conducting deeper analysis on the drivers and barriers of behavior for different sub-segments helped Eastman uncover a target customer set that was able to consistently command premium pricing. Eastman determined that all of these companies exhibited a similar behavior: They had cultures always looking for ways to stay on top. They wanted to win and weren't afraid of investing in breakthrough opportunities, even at significantly higher cost. So the marketing team set out to learn more about the leaders of these companies, including their capabilities, their attitudes and their willingness to pay more for product innovations. This phase was the most challenging for Eastman: defining and

executing a detailed market activation plan that motivated this specific market niche. This would require driving the desired behavior change of brand owners with a highly effective sales and marketing mix. And as usual, the pressure was on to execute quickly to make up for the product's initially sluggish launch.

This time around, Eastman's approach was markedly different than the heavy discounting it had traditionally used in an effort to jump-start sales. After conducting some eye opening analysis, the team learned that their historic approach of lowering prices to drive incremental demand just ended up leaking value. So Eastman set out to earn a price premium on this new product by proactively communicating value and efficiently activating the target market.

The first step in the activation plan was to develop the right story to tell the brand owners—a constituency with whom Eastman's sales force had little direct experience. To gain access to these prospects, the marketing team commissioned a set of prototypes—physical

products and sketches—to show off the container's impressive design. Eastman also developed an economic value story to tell regarding pricing: The incremental value that brand owners would capture from the new packaging (based on the new size and shelf appeal), combined with an increase in sales and a reduction in advertising, would more than cover the additional cost the brand owners would pay for the packaging innovation.

A key part of changing behavior was helping prospective customers manage the message with their internal stakeholders. Historically, Eastman didn't provide salespeople with the kind of marketing collateral and support that really helped prospective customers influence their internal buying process. Eastman reps frequently reported on great sales meetings, but typically nothing happened because customers weren't properly equipped to articulate key messages upstream in their organization. Overcoming this challenge for Eastman required enabling prospective customers to activate their internal constituents, by

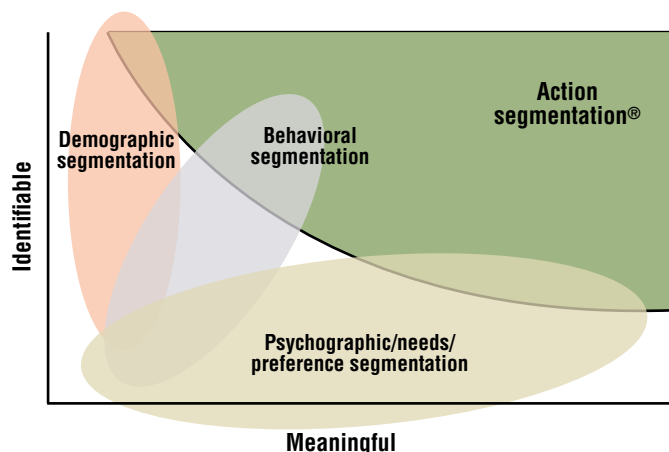
developing customized materials that clearly depicted the value and economic gain presented by the new packaging.

The team knew that if they could convince one customer—even in a niche category—to sign up for the new container, the results could snowball. It found that "alpha" customer in *POM Wonderful*, an innovative producer and marketer of pomegranate juice. In 2006, POM introduced its new clear handle container, which maintained the iconic figure-eight POM bottle shape. Sales of POM pomegranate juice accelerated, when the company added a new larger SKU (stock-keeping unit) size to their product line. *Newsweek* describes POM and its iconic figure-eight bottles as the company that "single-handedly transformed the ungainly pomegranate into a stylish libation."

When POM caught the attention of customers with its innovative packaging, its competitors also took notice. The big breakthrough occurred when a major global beverage brand was looking for a way to extend the success of its 59-ounce bottle into a size that could stand out from a competitor's 96-ounce bottle. In February 2007, the major beverage brand successfully released a new 89-ounce clear handle bottle. The new product was a winner. With that, the success of Eastman's product was officially starting to snowball.

■ Exhibit 1 Action segmentation

An Action Segmentation® improves identifiability by ensuring the segmenting variables are actionable for the relevant parts of the organization. It raises the standard for meaningfulness explicitly linking the segmentation to specific behavioral objectives from the buying process.



On a Roll at Eastman

Eastman continued to build on the initial success of this new packaging innovation, as well as its newfound marketing prowess—both of which have contributed to improved performance in three key areas:

- **Increased sales.** Revenues for the new business have doubled every year for the last three years, kicking off an upward growth trajectory for

the company. Eastman is projecting double-digit growth for the overall business, with half of that growth coming from new products.

- **Faster time to market.** Sales cycles that once dragged on for three months are now taking as little as two weeks. Launching a new second generation packaging product, Eastman now has a value proposition that individuals clearly understand and are willing to pay for.
- **A more effective sales and marketing mix.** Eastman was able to reduce the number of sales calls required to each customer. And it also reduced

the volume of incentives offered to customers, which is affecting both the top and bottom line.

A Rejuvenated Culture

Eastman used these important lessons in market activation as a springboard to change the entire global marketing organization. The firm's historical focus on risk avoidance often ended up talking them out of too many good opportunities, and the company had lost the discipline and insight necessary to drive growth. Now, Eastman fosters smart risk-taking—based on deep insights into markets and customers. The firm has developed a consistent and reliable approach in distinguishing the

average marketing programs from the “eurekas,” and also has given its teams the confidence and drive to reach for higher goals. ■

About the Authors

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