

Cut Costs, or Build Brand Loyalty?

As commodity prices increase, food companies respond with different strategies. Some cut costs. Others invest in brand strategy.

Consumer food prices increased 4% during 2007 and are expected to increase another 4% in 2008. Food companies are responding with different strategies.

According to recent national press reports, Campbell Soup Co. is cutting back on ingredients. General Mills is cutting the number of Hamburger Helper skus almost in half. Sara Lee Corp. is using cheaper wheat in some breads.

A strategy based on cheaper ingredients eventually results in inferior products, which impacts customer preferences, which impacts market share, which impacts revenue and profitability.

My personal example is Girl Scout Thin Mints. What used to taste like a chocolate mint cookie now tastes like some crunchy substance sprayed with sugar. Hold the chocolate. Hold the mint.

There's an alternative to cheapening your product. That alternative is to create value by building a strong brand. Many people talk about brand strategy; few understand what that really means. More than simply a name and a logo, branding creates a perceptual

Karl Buhl Consulting helps companies develop their existing business and target new markets.

and psychological preference for your product, or service, that increases customer loyalty.

So while your competition is cutting costs, think about hiring us to develop a brand strategy. Our qualifications? We helped develop branding strategy for Microsoft.



Incidentally, branding works just as well in B2B industries as it does in consumer markets.

"Where we have invested in brands, we have seen pricing power," said Kraft spokesman Mike Mitchell, as quoted in the Wall Street Journal.

China is Now Largest Internet User

225 million users only represent 16% penetration of China population

The [China Internet Network Information Center](#) completed their most recent six month random [survey of Internet usage](#) in January. The study showed 210 million Internet users in China as of December 2007. That's 73 million users more than China had in 2006—a 53% growth rate.

Assuming that rate of growth has continued during the first quarter of 2008, China, today, would have more Internet users than the U.S.

We have about 217 million Internet users in the US, with a 70% penetration rate. China's current Internet penetration is only 16%.

Internet usage in China is forecast to

grow at a compounded annual rate of 18.5%. That would give China 590 million users by 2012.

Because the US has led the world in business, finance, technology, and other sectors for so long, we instinctively assume we're entitled to First Place. Time to change those assumptions. Business in the 22nd century will require more strategy, vision, focus, and better execution—all skills we can help bring to your company.

Gold Rush Hour Two

The Lighter Side

With gold at \$900 an ounce, the rush is on again.

This year, up to 250 people a day are becoming members in the [Gold Prospectors Association of America](#) (GPAA). According to Ken Rucker, the



GPAA's general manager, the tight economy gives people an opportunity to make extra money.

Um hmm. During the Klondike Rush, the people who profited most sold clothing and supplies. That trend hasn't changed: one 21st-century prospector in California recently bought over \$20,000 in jackhammers, shaker tables, air drills, and dredges. And yes, people are staking claims—1,500 in California since January 1st. Job going badly? [Click here for Prospecting 101.](#)

