



THE WRITE STUFF

Cheap imports are devaluing the writing instrument marketplace. Chris Allsop spoke to some established brands to find out what they're currently doing to combat the problem, and how dealer salespeople can circumvent the price issue.

It's a familiar story. Someone you know goes on holiday to (usually) Hong Kong or Thailand and returns with a treasure chest of acquisitions from the East.

Rock bottom prices allow them to be generous on a scale previously the preserve of mythical fat men in red jumpsuits (your parsnip-shaped bottle of last summer's exotic lemon liquor quite forgotten). Then they pop in the cheap DVD of the latest Hollywood blockbuster and the quality's terrible; the imitation t-shirts wreak havoc on the first wash while the fake Rolex crumbles to dust in reaction to a salty sea breeze.

Al-Qaeda conspiracy theories aside, these products are made by people who understand the bargain impulse. Low, low prices interfere with people's better judgement. Like

the hammer hitting slightly below the knee, it can be an uncontrollable reaction to certain stimulus and it's not confined to t-shirts and DVDs.

The writing instruments market is one of many being flooded by high volume/low price cheap products taking value out. According to research house GfK, trade brands have a 33% value share and 62% volume share of the market. The majority of these products are imported from the Far East. Volume share has increased by 8% points versus the previous year.

"Although this is driving volume growth, there is no value growth in the market," explains Emma Lawley, stationery marketing manager at Bic UK. "This means that the market is being driven down by low value and poor quality products."



Nich Lee, marketing manager of Staedtler UK, provides, as an example, that 36 low quality unsharpened HB pencils can be bought for £1. "This ensures consumers have a supply for years at a cost significantly below that which they would be prepared to pay."

Interestingly, Lee adds that this influx is not driven by consumer demand – it is retailers competing which is driving this through. "Often at the detriment of consumer value with inferior quality."

And therein lies the rub. As the saying goes in HR, 'you pay peanuts, you get monkeys', so the same principle applies here – the long term value of these products is highly negligible. Lee says that the quality of the products is a mixed bag with some at a reasonable level for the price being charged. "However the bulk of very poor quality products clouds the issue for

consumers and makes it difficult to differentiate – which is why brands are still the only consistent guarantee of value," he says. "Consumers are getting frustrated with the low quality – a recent piece of research we did with 'mums' indicated that leads continually breaking on sharpening is one of their biggest frustrations with cheap coloured pencils."

Established manufacturers are relying on their brand reputation to combat this threat, reports Bic's Lawley. Often promotions enable manufacturers to compete with the trade brand products.

"Branded added value products also enable clients to trade up to products with enhanced features and better performance," she says. "For many brands, brand loyalty is quite strong and they manage to retain customers. Although, some end users are prepared to try

ESTABLISHED manufacturers are relying on their brand reputation to combat this threat

lower value products, they often return back to the brands after being dissatisfied with the alternative products."

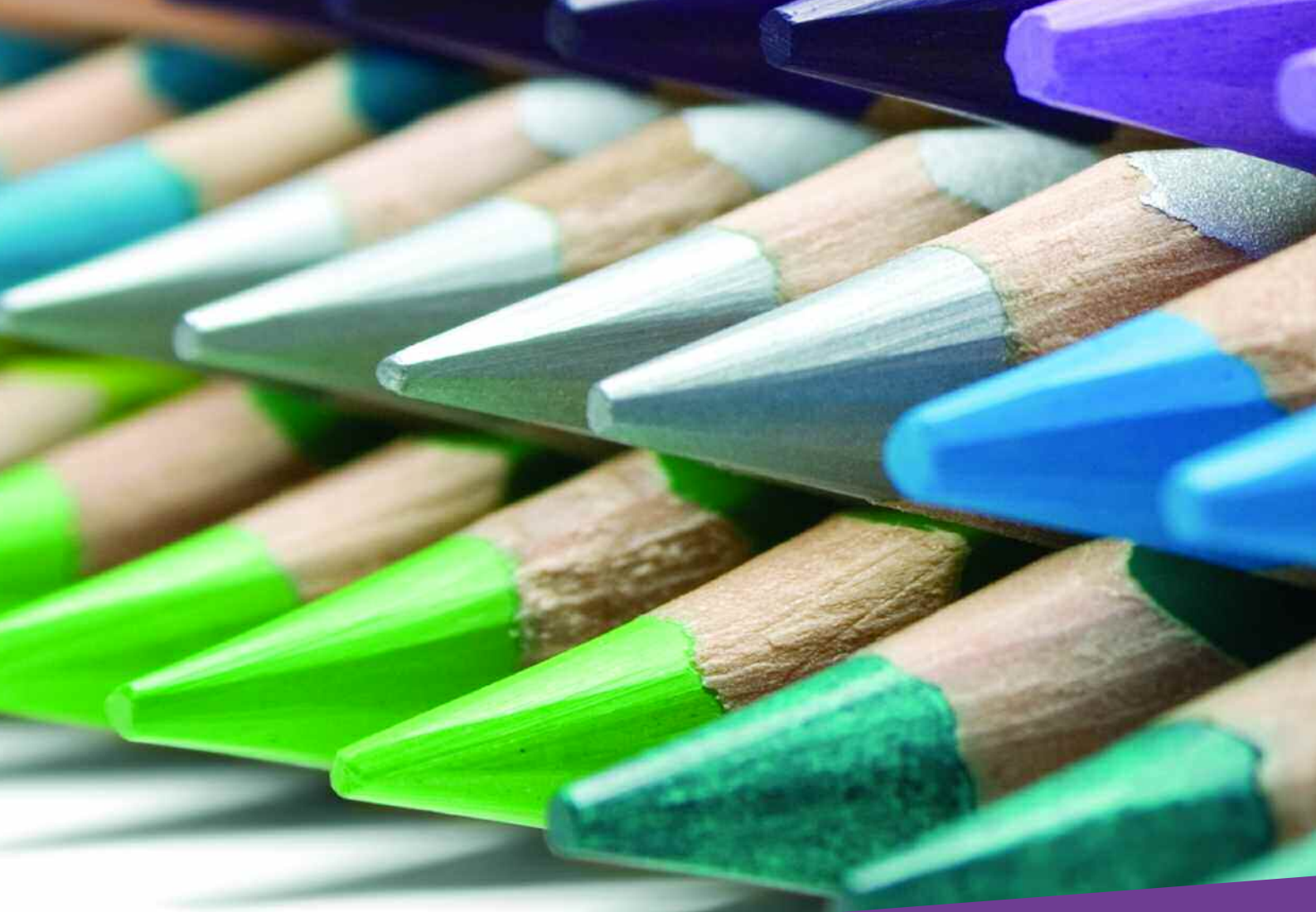
Good news certainly, but a wait and see approach could be risky considering what Lee says about the quality of some cheaper product being of a reasonable level. Which is why a lot of manufacturers are proactively trying to educate consumers to the benefits of their product.

"We have reacted by distributing over half a million triplus

pens over the last two years with a communication which clearly talks about the consumer benefits," says Lee. "Within the education channel, we sent a communication to every primary school in the UK talking about the environmental benefits of our products – it is our only way to ensure consumers make an educated decision."

It's the approach that dealer salespeople also need to employ in order to deliver better margins from sales. Lee advises that salespeople should roll out the clichés, "appreciate that there are 'horses for courses' - look to put hats on hooks - there are consumers who are happy to have 200 felt tips that dry up very quickly and don't wash out of clothes etc. Volume may be important with 10 children coming >>

"Low, low prices interfere with people's better judgement. Like the hammer hitting slightly below the knee, it can be an uncontrollable reaction to certain stimulus"



“A lot of manufacturers are proactively trying to educate consumers to the benefits of their product”

over for a party – own label could be an acceptable solution here”.

However, he adds, many consumers will be happy to pay more for features which they appreciate – such as ink which means that felt tips do not dry up when the cap is left off something that could be a decisive factor to many consumers.

“The objective for dealers and sales people is to have a balanced range in the armoury and know when to wield each weapon.”

Lawley agrees that good product knowledge can really help.

“Salespeople should demonstrate the different pens and show how branded products are generally stronger and more durable,” she says. “Branded pens can be better value for money over a longer period... they will last longer both in terms of the strength of the pen and the writing length. Clients are paying more but getting much better value for money.”

It is important to communicate a brand’s ‘value package’ clearly so that decisions are not made on price alone. The future of this battle will see branded manufacturers continue to look to innovation – new products or new and better product features that can clearly differentiate branded product from the cheap own label set, according to Lee.

“In 2006, we already witnessed many major retailers taking space away from own label to provide a better balance with brands – our early indications based on listings for the coming year would suggest that this trend will continue through 2007 and beyond,” he says. “Offering consumers choice is the key. There are countless examples of major retailers who pushed own label too far to the detriment of their performance in a category. It is crucial to give consumers branded flags against which to judge the cheapness that they are getting.”

As mentioned earlier in this article, it’s not consumer demand that is driving this phenomenon. As such, have confidence going into the sell with a high priced, high quality product. Back it up with solid product knowledge; consumers should, in the main, appreciate the long term value appeal of a well-made offering. Very much like those authentic parsnip-shaped bottles of exotic liquor, which just seem to last and last and last... ■

