

## Paper marketing

## Prices are not governed by laws of nature

—● There is no automatic connection between production costs and sales prices: shoes produced in the Far East for a few euros each are so popular with teenagers that their parents spend a great deal of money on them. The secret: strong brands. About 150 participants who attended PRIMA 2006 this year at BASF in Ludwigshafen / Germany discussed whether and how the paper industry can take advantage of such strategies.

The purpose of current corporate strategies is to compete with rivals for a specific customer target group and to develop a price position on the basis of the individual company's own cost structure. The fight for competitive advantage, the battle over market share and the struggle for differentiation were not the way to create highly profitable growth in the future, claimed John Riker, Managing Director, Blue Ocean Strategy – Initiative Centre Ltd., UK. In Blue Ocean Strategy, the best-selling business book of 2005, the Professors Chan Kim and Renee Mauborgne spotlighted more successful strategies, the outstanding feature of which is highly innovative thinking.



„Create uncontested, untapped and uncharted market space“.

John Riker, Managing Director, Blue Ocean Strategy - Initiative Centre Ltd., UK.

They argued that cutthroat competition results in nothing but bloody red oceans of rivals fighting over a shrinking profit pool, said Riker. Their study of 150 strategic moves, spanning more than a hundred years and 30 industries, proved that lasting success comes not from battling competitors, but from creating „blue oceans“ - uncontested new market spaces ripe for growth. Such strategic moves – called „value innovation“ – created powerful leaps in value that often render rivals obsolete for more than a decade.

### It works with wine and at the circus

Riker used three examples to demonstrate how this works: the hotel chain Formule 1, the Cirque du Soleil and the wine brand Yellow til. These companies had responded to the tough competition in their field not by changing prices but by realigning the product range, as a result of which they in the final analysis reached new target groups. The hotel chain, for example, set new standards in hygiene and room size, created a different cost mix to the competition and was thus able to offer attractive prices.



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**Controlmatic**  
Gesellschaft für Automation  
und Elektrotechnik mbH  
Im Vogelsgesang 1a  
D-60488 Frankfurt/Main  
Tel: +49 (0) 69 / 5005 0  
[www.actemium.de](http://www.actemium.de)