



By Richard D. Czerniawski

AVOID “CREEPING DECREMENTALISM”

Attractive and growing margins are signs of a healthy brand, as long as they are not compromising sales and market share performance. They help bolster profit. Moreover, attractive and growing margins—mainly when they are larger than the competition—enable the marketer to reinvest more into the business than competitors whose margins are not as robust.

However, to satisfy investors' hunger for more profit, many businesses engage in potentially damaging practices to grow their margins. These practices take center stage during economic downturns—as we are currently experiencing due to the coronavirus pandemic and resultant economic slowdown.

We are all very familiar with these practices to grow margins and profit. The most notable is the annual price increase. The price increase is not tied to any enhancements in utility, so it fails to provide customers with added value. The price increase typically exceeds inflation. Its sole purpose is to maintain and/or grow profit.

Another practice is to cut costs. I've no problem with cost-cutting as long as it does not compromise product quality or customer experience. We need to look carefully at expenditure items and cut those that are not productive. Additionally, we need to review what we are paying for elements that comprise the product (e.g., ingredients, packaging, processes) and replace those that are inefficient with more efficient options.

Companies and brands will engage in rationalizing their offerings. This practice takes two forms. One is to streamline the product line, cutting items. This practice is currently gaining momentum as the customer demand for offerings with a broadscale appeal is now stripping supply. It represents a focus on the best sellers. It is also a final reckoning for those items that have not been profitable. This practice of rationalizing the product line usually results in significant savings that originate from cutting the losers and the need for reduced inventories and carrying costs, etc..

The other practice is to rationalize the product itself. Rationalizing the product is not inherently wrong. As pointed out above, it is productive when it doesn't compromise product quality. However, it often leads to "creeping decrementalism"—a term coined by Leo Kiely, former President of Coors Brewing Company. In creeping decrementalism, a continuous string of cost reductions is conducted on the product offering (e.g., formulation, packaging, terms, etc.) over some time (usually years). Something or things are removed or changed, diminishing the product. It

comprises a series of minute changes that evidence no statistical difference in marketing research with customers versus the previous rendition. However, when viewed in the aggregate, these reductions represent a significant compromise in product quality and/or the original offering's customer experience. Avoid creeping decrementalism.



I came into direct experience with the adverse impact of creeping decrementalism when I was a young Brand Manager at Johnson & Johnson. The brand is Micrin, one that marketers today are not familiar with. It's no wonder that you don't know it, as I discontinued the brand shortly after I inherited it some 43-years ago. Micrin was the good tasting mouthwash competitor to the medicinal tasting Listerine and harsh tasting Lavoris. Following its successful introduction in 1961, when it quickly climbed to a 15% market share of the mouthwash category, it was bested by the fourth competitor, another good tasting mouthwash, Scope from Procter & Gamble.

When I took over the brand's management, it had less than a 2% market share. My financial analysis showed that its sales made no (i.e., absolutely zero) contribution to company profit and overhead. Additionally, its declining annual sales had fallen below the threshold where consumer support (pull marketing) could bolster retail trade promotion and merchandising. I rightfully feared that the distribution channels were fast closing (as ACV and quality of distribution had and continued to decline), and the company would be saddled with huge losses from the return of the product and the scrapping of its inventory of merchandise and materials. Accordingly, I recommended and received approval to discontinue this once successful brand.

The Micrin failure resulted not merely from another competitor's entrance that operated in the same space, but a retreat to push versus pull marketing, along with creeping decrementalism. (Push marketing is when the marketer relies on the retail trade to push the product on to their customers. In the parlance of push marketing, “a good customer is a loaded customer”—one with extensive inventories. Pull marketing is about creating demand where the consumer literally and figuratively pulls the product from retail.)

In the preceding years, Micrin had undergone many product rationalizations. As sales declined, marketing management rationalized the product to cut costs to improve margins and slow down any profit loss. Each rationalization was supported by consumer research that showed no statistically significant decline in preference from the previous version. There were several rationalizations. I very well believe that if the company tested its last formulation in its string of reformulations versus the original product, it would have observed a statistically significant difference. I remember that Micrin introduced as an aqua oral antiseptic formulation. When I discontinued it, Micrin liquid formulation was the same color as Scope—green. If that isn't significant, I don't know what is!

Creeping decrementalism undermines quality and narrows—if not eliminates—meaningful differentiation. While it may bolster margins and profit, it cuts short the lifecycle of the brand.

Avoid “creeping decrementalism” and other critical marketing errors. Check-out my new book, **AVOIDING CRITICAL MARKETING ERRORS: How to Go from Dumb to Smart Marketing.** I share many learnings from my 48-year, and still counting, career in marketing management with some of the most successful companies and brands throughout the world. It will help you spot and avoid those critical marketing errors of omission and commission and, importantly, provide sound direction to help your marketing matter more. Learn more here: <http://bdn-intl.com/avoiding-critical-marketing-errors>

Stay SAFE and be well!

Peace and best wishes,



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