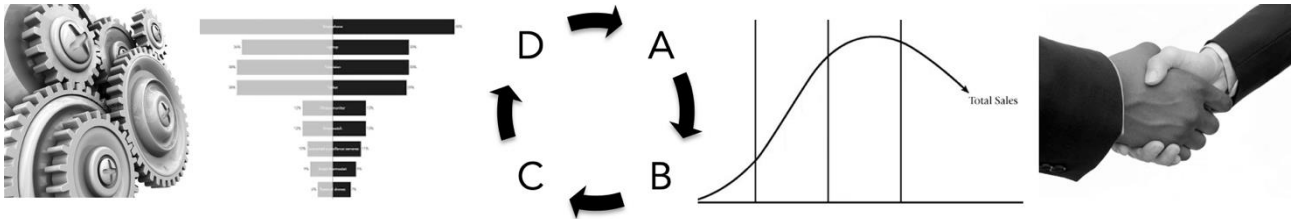


# Why is Strategic & Technical Marketing a priority for Resource companies in 2021?

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Most resource companies sell their production where they *perceive* the best value to be while minimising their cost and effort. Too often this is a mistake: their perception of the value is too narrow and the cost and effort must be compared to the full value that can be extracted. Generally companies end up selling commodities at a price they have no control over.

Over the last 20 years and due to China's huge appetite for raw materials, the natural trend (read: the easy way) has been to sell the majority of one's production to a limited number of Chinese buyers. While prices were generally quite satisfactory, the product was treated as a commodity, with boom-bust cycle implications, and a clear over-reliance on a few customers. The recent political tension between Australia and China and its consequences on trade highlights that strategic marketing and portfolio management practices have been virtually absent from many Australian resource organisations.

There are two critical questions companies must address. Although they seem simple, they call for extensive skills, experience and in-depth analysis:

- 1) What does the market *really* need?
- 2) What is the *optimum* value that we can supply to the market?

Answering these two questions requires a deep technical understanding of both the company's capabilities and of downstream customers' requirements. While generally companies know their own technical capabilities, they seldom look

at them through a market lens; even less often do they align them with a rigorous review of the value-in-use of their offering and of alternative solutions. By the way, the relevance of market segmentation isn't restricted to the FMCG sector! At the same time, there is very little understanding of the technical challenges facing downstream markets and rarely any reflection on the trends to come affecting our customers' customers.

Both these questions trigger strategic considerations about the business model the company needs to focus on and the competitive environment it chooses to operate in. The senior leadership and the Board of the company must take part in this exercise.

In the absence of this, too many resource companies find themselves stuck in a commodity cycle, where the peaks are narrower than the troughs, and where their customers force them to compete on price rather than on value. As a result, value is given away, and without differentiation customers switch suppliers opportunistically, increasing the volatility of financial income streams and operating activity levels. To sustain this environment, companies need a stronger balance sheet, which in turn further affects shareholder returns.

With a recovery under way in the sector but in a more complex economic, logistic and geopolitical environment, Strategic and Technical Marketing should be a priority for leaders in the resources industry in 2021.