Win the Brand Relevance Battle and then Build Competitor Barriers

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The only way to achieve real growth is to develop offerings so innovative that they create new categories or subcategories making competitors irrelevant because they lack a "must have" feature or benefit—to win the brand relevance competition. The alternative, engaging in "my brand is better than your brand" brand preference competition, virtually never works because of market inertia. This article, based in part on hundreds of case studies, shows how to identify the "must haves" and discusses barriers to competitors such as going beyond functional benefits, finding shared interests with customers, ongoing innovation, superior execution, scaling the concept, becoming an exemplar, and branding the innovation. (Keywords: Marketing strategy, Brand management, Strategic management, New product management, Brand equity, Strategic planning, Brand relevance)

The most common basis of competition is to win the brand preference battle with a "my brand is better than your brand" strategy in well-established categories and subcategories. Most marketing budgets are allocated in this direction and generate no discernible change in sales or market share. None! There is simply too much market inertia.

The second basis of competition is to win the brand relevance competition by creating new categories or subcategories for which competitors are irrelevant and by building barriers that make it hard for them to become relevant. Winning this second competitive arena, with rare exceptions, is only way to gain real growth.

This article explores the difference between brand preference and brand relevance competition, shows why winning the brand relevance battle by creating new categories or subcategories should be an investment priority, and discusses how to create competitor barriers, a necessary condition for long-term success.

Brand Preference Competition

In brand preference competition, the category or subcategory (for instance, an SUV) is a given, as is the identity of the brands to be considered (such as Cadillac,

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Lexus, and BMW). Winning the brand preference competition for the Cadillac brand, involves making sure that Cadillac is preferred to Lexus and BMW. That usually means being superior in at least one of the dimensions defining the category or subcategory and being at least as good as competitors in the rest.

The brand preference strategy involves incremental innovation to make the product offering ever more attractive or reliable, or less costly. "Faster, cheaper, better" is the mantra. Resources are expended on more effective advertising, more impactful promotions, more visible sponsorships, and more involving social media programs. The focus and commitment is on the existing offering, business model, target segment, established category or subcategory, and relevant competitors.

This classic brand preference success path is increasingly difficult in today's dynamic market because customers are not inclined to change brand loyalties in established markets. Brands are assumed to be similar even if there is a real difference. As a result, customers are not motivated to locate or learn about alternatives or new options. Further, even when the offering is improved or effective marketing is developed, competitors usually respond with such speed and vigor that any advantage is often short-lived.

As a result, a brand preference strategy almost never moves the marketplace. The market share pattern in nearly all industries is remarkably stable in the absence of the creation of new categories or subcategories. Brand preference competition is usually a recipe for, at best, the retention of existing market positions and, at worst, price and margin erosion and a decline into irrelevance.

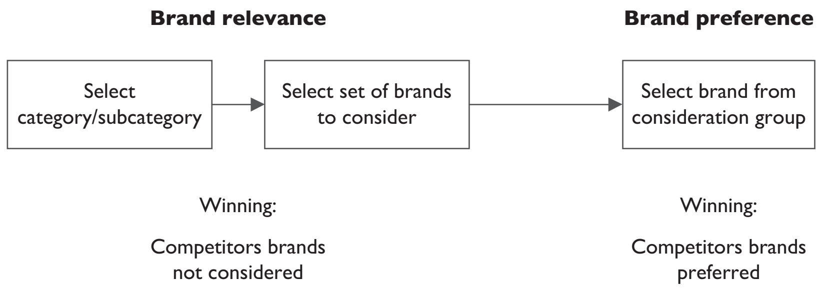
Brand Relevance Competition

The brand relevance route to competitive success involves making competitors irrelevant by developing offerings so innovative that they contain "must haves" that define a new category or subcategory. The defining "must haves" can include characteristics such as personality, organizational values, social programs, self-expressive benefits, or community benefits. However, each "must have" needs to be so appealing to a segment that an offering that lacks that characteristic will not be considered.

The typical customer decision process is shown in Figure 1. The first phase is to select the category or subcategory to buy. In a second phase, the customer identifies brands that are visible and credible and thus relevant to that category or subcategory. These two phases define brand relevance competition. To be relevant, the right category or subcategory needs to be selected and the brand needs to be considered an option. The third phase, which defines brand preference competition, is to select the brand from those considered.

Winning under the brand relevance model is based on being selected by customers because competitors are not relevant (rather than not preferred)—a qualitatively different reason. Some or all potential competitor brands are not visible and credible with respect to the new category or subcategory. The result can be a market

FIGURE 1. Brand Preference vs. Brand Relevance



in which there is no competition at all for an extended time or one in which the competition is reduced or weakened, the ticket to ongoing financial success.

In brand relevance competition, as opposed to brand preference competition, the category or subcategory and its associated relevant brand set is in play. The selection of the category or subcategory is now a crucial step that will influence what brands get considered and thus are relevant. A person will consider whether to play golf, buy a compact hybrid, obtain a home loan, or have a frozen meal. That decision can be more involving and important to a person than the subsequent decision as to what golf course, what hybrid brand, what bank, or what frozen meal brand. It will drive the second decision because any brand will need to be relevant to the output of the first decision in order to be considered. If the right first decision is not made the brand is excluded. If a minivan is selected over a hybrid compact, Prius will then not be selected no matter how highly it is regarded.

Winning the brand relevance battle, then, involves two tasks. First, the category or subcategory needs to be managed so that it is understand, visible, and appealing. The category or subcategory needs to win. Otherwise, the brand relevance strategy fails. Second, the brand needs to be perceived as relevant to the new category or subcategory. It has to have both visibility and credibility, not in general, but with respect to the new category or subcategory. When the brand represents the category or subcategory and is used to define and position it, then it will automatically be considered relevant. That is the preferred strategy.

The brand relevance strategy involves transformational or substantial (as opposed to incremental) innovation to create offerings that define new categories or subcategories. Transformational innovation is a game changer, such as SalesForce.com championing cloud computing or Cirque du Soleil reinventing the circus. Substantial (unlike transformational) innovation will not change the basic characteristics of the offering but will significantly enhance it either through the addition of a new "must have" or an improvement of one of its characteristics that is so significant that customers will now reject any option without it. A new category or subcategory will then be formed. The branded ingredient Kevlar provided a substantial innovation defining a subcategory in the body armor market. In contrast, an incremental innovation will improve or strengthen brand preference with a "like to have" in the context of the existing categories or subcategories.

To win in brand relevance competition, an organization will have to be able to support more ambitious and risky innovations. They will need to have the capability to sense changes in the marketplace and its customers, an ability to commit to a new concept and bring it to market, and a willingness to take risks by going outside the comfort zone represented by the existing target market, value proposition, and business model—all this while keeping the existing business areas healthy.

A firm that is a market leader in an established category faces the curse of success. They are succeeding because they focus on the existing business model and value proposition. It is thus not easy for them to see opportunities. Further, they are fearful of diverting resources, especially if there is a risk of cannibalization of the core business and uncertainty about overcoming technical and marketing obstacles. A new business in that context can be a tough sell.

A new entrant, whether within an established firm or as a start-up, has its own challenges. It needs to get resources for an untried offering in the face of competing uses of those resources with more predictable outcomes. Further, even if the new offering can be designed, it has to be brought to market with a supporting brand, distribution structure, and manufacturing or service model. Innovation that results in a market success is not easy.

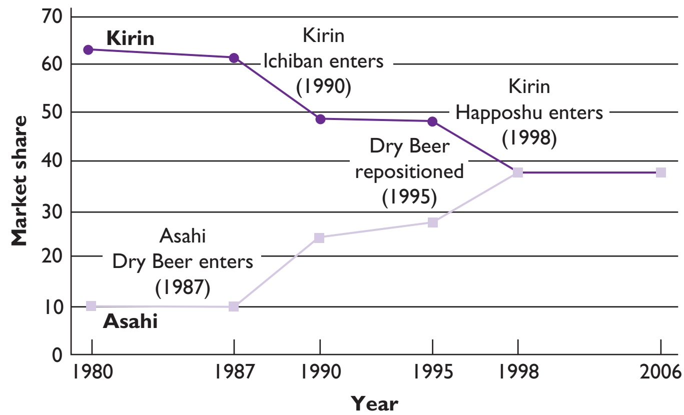
Winning the Brand Relevance Competition: The Only Route to Real Growth

Creating new categories or subcategories, with very rare exceptions, is the only way to create meaningful growth in sales. In general, there is no change in the relative share positions or profits unless there is an innovation that will define a new category or subcategory. The stability of brand positions in nearly all markets is simply astonishing. Even dramatic changes in marketing budgets, marketing programs, and incremental offering improvements have little impact. If market momentum is to be disrupted, it is necessary to generate offerings with "must haves" that will define new categories or subcategories that can render competitors irrelevant for an extended time.

While market expenditures in brand preference competition rarely move the needle, the successful creation of new categories and subcategories does. In nearly every industry, a historical analysis will show that meaningful changes in market position almost always were connected to the entry of a new category or subcategory.

Within the Japanese beer industry, for a full fifty years the market share trajectory changed only four times, three when new subcategories were introduced and once when a subcategory was repositioned. Figure 2 illustrates this with data from 1980 forward. From 1960 to 1985, Kirin Lager held an unshakable 60% market share despite vigorous marketing efforts and numerous new product efforts of competitors. In 1986, Asahi, then a 10% share brand, introduced Asahi Super Dry and immediately took ten percent share away from Kirin. Super Dry had a sharper taste with less aftertaste and had a young, Western personality. In 1990, Kirin stopped the freefall with another new subcategory, Kirin Ichiban. In 1996, Asahi repositioned dry beer as the draft leader and the freshest beer and resumed its share growth (and Kirin

FIGURE 2. The Kirin-Asahi Beer Wars



at the same time undercut its Lager subcategory with its Kirin Draft entry). As a result, Asahi actually passed Kirin in beer sales. The Kirin loss of share stopped only when the firm took over leadership in another new subcategory, Happoshu, a low-malt, low-tax beer. Remarkably, this change occurred in an industry with already heavy marketing budgets and innovative marketing programs.

IBM dominated the early computer industry with the so-called seven dwarfs (including RCA and GE) competing for share. The emerging players, however, did not come from this group but, rather, from those firms that created new subcategories. DEC, for example, used the integrated circuit technology to introduce minicomputers and distributed computing and became the number two computer maker. In the 1980s, Sun became the fastest-growing U.S. company ever, achieving a billion dollar sales level by pioneering workstations. Silicon Graphics became a major player with their graphic workstations. Dell (now a $50 billion company with its build-to-order PCs) and Apple (with its user friendly interface) both became players by creating and dominating new subcategories. Then we saw the laptops, the notebooks, the iPad, and the smart phones. In each case, the identity of the firm that disrupted the market by achieving significant growth was driven by a new subcategory.

In the automobile industry, the VW Bug had a subcategory virtually to itself for nearly two decades and sold some 5 million in the U.S. and 21 million worldwide. The Chrysler minivan went 16 years without a viable competitor and sold over 12 million vehicles. Enterprise Rent-A-Car, with its focus on insurance firms and their customers, arguably went 35 years with no competitors. Prius dominated its subcategory for ten years and still had a 50% share in 2011. Among the others who created their own subcategories were the Ford Mustang, the Mazda Miata, BMW's MINI Cooper, and Tata's Nano.

It would be easy to add to this list of industries and firms that have created innovative offerings that have defined new categories or, much more often, subcategories. In services, there is Schwab One Source that changed access to mutual funds, BGI's iShares that defined a new investment vehicle, and Westin's Heavenly

Bed that invented the premium bed. In packaged goods, there is Odwalla, Wheaties Fuel, General Mills's gluten-free line, SoBe, and Dreyer's Slow Churned Ice Cream. In retailing, there is Whole Foods Markets, Zara, Muji, Best Buy's Geek Squad, IKEA, and Zappos.com.

In addition to numerous case studies, there is empirical evidence that creating new categories or subcategories pays off. Perhaps the most robust law in marketing, supported by dozens of studies, is that new product success is correlated with how differentiated the new offering is. Since differentiation is itself correlated to the emergence of a new category or subcategory, this body of research lends credence to the proposition.

A McKinsey study is one of many financial studies of such firm performance that support. It showed that new entrants into a market had a return premium of 13 points the first year, sliding to one percent in the tenth year.[1] Since new entrants are more likely to involve new categories or subcategories, the implication is that those creating new categories or subcategories will earn superior profits in part because relevant competition will be low in the early years. More direct evidence comes from a study that considered strategic decisions within a firm. Kim and Mauborgne looked at 150 strategic moves spanning a century; the 14 percent that were categorized as creating new categories or subcategories had 38 percent of the revenues and 61 percent of the profits of the group.[2]

Investment in brand preference competition is not generally wasted. It is often necessary to protect a market position that is valuable if not crucial to the firm. Whatever the stated objectives, it is usually defensive in nature, not a path to growth but a way to avoid deterioration in sales and profit. The supporting marketing budget is usually inflated in part because it is usually "funded" by a profit flow and supported by organizationally powerful interests. In contrast, brand relevance budgets are based on uncertain prospects, are not self-funding, and can be cut when there is a stress on the financials. As a result, at the margin, firms overinvest in brand preference competition and underinvest in brand relevance competition. This strategic imbalance can be large and adjusting it should be a priority.

Identify the "Must Haves"

The cornerstone of the brand relevance strategy is to identify concepts that have the potential to be a "must have" capable of defining a new category or subcategory. A "must have" will represent desirable benefits or associations that a meaningful segment will insist on having. Offerings that lack a "must have" will be excluded from consideration. A "must have" can take many forms, such as a unique attribute (Tide Coldwater), a lower price point (T.J. Maxx), a new application (Crayola Creativity), a combination of benefits (Colgate Total), the right design (Jaguar), a systems solution (Microsoft's Office), a personality (Virgin), a passion for the use experience (Harley-Davidson), an organizational culture (Nordstrom), or a variety of other characteristics.

It starts with generating a concept that potentially contains a "must have" that will define a new category or subcategory. To do so, an organization can find ideas from a host of perspectives such as looking at unmet customer needs, unintended applications, under-served segments, market trends, channel dynamics, role models in other industries or countries, or new technologies. The organization needs to make sure that the resources are devoted to idea search and that there is a process to turn the most promising ideas into potential new venture options.

Most organizations, however, will have enough ideas. The more critical step, then, is to identify and evaluate potential concepts that could deliver one or more "must haves." That involves two judgments that are fraught with potential issues.

Is the Concept Significant to the Marketplace?

Does it represent a substantial or transformative innovation or an incremental one? One error, which can be termed "the rosy picture bias," is to assume that a substantial innovation exists when in fact the market regards it incremental. The "must have" characteristics need to represent an innovation that is perceived as meaningful and significant to customers not just to concept champions who often have rose-tinted glasses. These champions tend to inflate the prospects because they become psychologically committed and also because, professionally, the concept's success might be pivotal in a career path and its failure a step back. There is also organizational momentum, an offering that has been funded and is part of the plan is sometimes hard to terminate. So there needs to be a hardheaded, research-based judgment made on the market response to the innovation.

Another, often more serious, mistake is "the gloomy picture bias" leading to an erroneous judgment that an innovation will not succeed when, in fact, it represents an opportunity to own a major category or subcategory. The judgment could rely on market size estimates based on existing flawed products. Digital readers never got traction, but the Kindle sold over 1 million units in just over a year and made sales of prior products misleading as a point of reference. The wrong application or market might be targeted. Joint Juice, a product designed to reduce joint pain by making glucosamine in liquid from, found life when it went after an older demographic instead of young to middle-aged athletes.

Pessimism about technological advances has stopped many promising ideas. GM killed the EV1, a battery-operated car, in 1998 just before a breakthrough in battery technology occurred—in what the GM CEO Rick Wagner opined in 2005 was GM's biggest strategic blunder. Synthetic detergent was under development at P&G for five years when the firm killed the project. Luckily a P&G scientist pursued the effort without permission or funding and five years later Tide was born. Had the firm enforced their decision, P&G would still be a soap company.

There could be a flawed assumption that a niche market cannot be scaled and the resulting market is too small. For that reason Coca-Cola avoided the water market for decades, a decision that, in retrospect, was a strategic disaster. The reality is that niche markets can grow and can go mainstream. Energy bars for women ultimately became a worthwhile market. Nike, Starbucks, and SoBe are examples of brands that have successfully scaled their value proposition.

Can the Offering be Created?

Is it even feasible, especially if a technological breakthrough is needed? Even if the offering is feasible, does the organization have, or can it create, the needed people, systems, culture, and assets that may be required. The success of the digital animation company Pixar depended on a unique blind of culture and people that may have been impossible to duplicate in an established firm, even if it had the same vision.

Does the organization have the will to commit to the idea even when there are barriers and difficulties in development or in the marketplace? There will be times in which the risks seem great, the rewards appear uncertain, and alternative uses of the resources are appealing and have political support. Without commitment, the new innovation may well become underfunded and potentially doomed. Creating a new category or subcategory is difficult enough. A solid vision with commitment in key parts of the organization is often needed.

Commitment in the face of technological challenges takes courage but can pay off. The CEO of Toyota famously told a design team that they were to introduce the Prius hybrid into the Japanese market in three years even thought a host of technical problems had to be resolved. They solved problem after problem and created a subcategory that they have now owned for over a decade.

Is the timing right? Being first into the market is not necessary or even always desirable. In fact, the pioneering brand is often premature because the market, the technology, or the firm was not ready. Having one of these missing usually explains a disappointing innovation initiative. The winners are those that got the timing right.

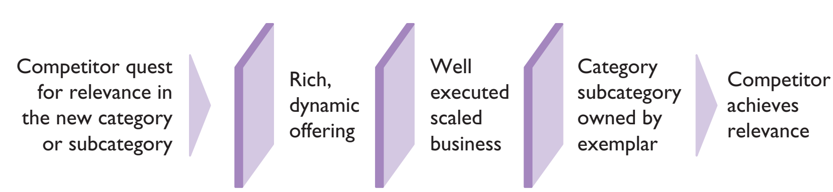
Apple was not the pioneer for the iPod (Sony beat Apple by two years), the iPhone (the technology was up and running in Europe years before), or the iPad (Bill Gates of Microsoft introduced the "Tablet PC" some ten years earlier). However, in each case, Apple had the timing right. The technology was in place or around the corner, the firm had the assets and experience, and the value proposition had been market tested, albeit with inferior technology. For all the talents of Steve Jobs, his genius at timing was underappreciated.

Creating Barriers to Competitors

Even if a firm wins the brand relevance war, will it be able to protect its position in the marketplace from competitors? If a new category or subcategory is formed and results in not only sales growth, but energy, there will be firms that will view it with interest and envy and look for ways to enter, to become relevant. The challenge is to create barriers to these firms, to make the entry difficult, expensive, and risky.

Three types of barriers are always worth considering in addition to patent or intellectual property protections or the sheer size of an investment in plant or offices. First, create a defining offering that is rich and dynamic. Second, execute it well and then scale that execution. Third, own the new category or subcategory. Figure 3 illustrates.

FIGURE 3. Relevance Barriers



Make the Offer Rich and Dynamic

It is too easy to copy or appear to copy functional benefits. Making the category or subcategory and its defining offering richer means that the task of becoming relevant becomes more complex and difficult. Also, if the offering is a moving target, competitors will often be chasing the evolving standard and will be perceived as a follower that may lack innovative leadership and authenticity.

Expand the Brand Beyond Functional Benefits

Expand the brand beyond functional benefits to include other "must haves" that can define a category or subcategory, such as delivering self-expressive, emotional, or social benefits; having organizational values that provide a basis for a relationship; or presenting a personality that connects. Functional benefits often fail to involve or provide an ongoing basis for differentiation. They are often quickly copied, but when the category or subcategory is defined by a set of characteristics involving the experience or the relationship, it is much harder to become relevant.

For Marriott, creating a new hotel lobby environment to make the experience of business travel more effective and pleasant generated emotional benefits. Prius created self-expressive benefits as its distinctive design and the brand sends a signal that the owner and driver is concerned about the environment. A driver of a Ford Focus may or may not be driving a hybrid, but there is no such doubt about a Prius driver. Starbucks and Harley-Davidson offer social benefits because their users are part of a desirable larger group. Ben & Jerry's and Patagonia have appealing organizational values. Service companies such as Whole Foods Markets, Vanguard, Southwest Airlines, and Four Seasons are highly likely to have innovations linked to or supported by organizational culture and values. In each case, the brands have created for some customers a "must have" that defines a subcategory that is beyond specific functional benefits.

One route to expanding the brand is to create or enhance a personality of the category or subcategory. Asahi's Super Dry beer subcategory was based in large part on its personality of being young, cool, and Western in contrast to Kirin, which was the classic "your father's brand." Customers were choosing dry beer over lager for the personality as much as the functional benefits. This personality dimension provides a customer affinity that becomes part of the definition of the subcategory and therefore creates relevance.

Some of the successful pioneers of new subcategories were able to create a feisty underdog persona, fighting against the established subcategories and brands. People have interest and affinity for the underdog that has a story and is pulling it off. Salesforce.com, for example, one of the pioneers in offering application software using cloud computing, positioned CRM software competitors like Siebel as old-fashioned, if not obsolete. An ad showed the contrast between a vintage bi-plane (Siebel) and a modern jet fighter (salesforce.com). The firm even staged a mock demonstration protesting traditional "you own it" software at the users conference of Siebel, complete with phony network TV interviewers.

Connect to Customer Through Common Interests

Look toward the larger activity or goal that is more meaningful to customers than the offering itself and demonstrate that the firm is also interested and involved in that activity or goal. The common interest could then become a "must have" definer of a subcategory. Customers can then decide to buy from brands and firms that demonstrate a common interest and exclude those that do not.

Zipcars, the car sharing company, defines a modern urban lifestyle, a part of which is their car-sharing programs. Users share not only a love of urban living, but a desire to be socially conscious and avoid unnecessary consumption of resources. Whole Foods Markets connects to those with a passion for healthy eating. Their values, selection, and programs all support the interests and activities of the customers. Muji, the "the no-brand, no glitz, green retailer," defines a lifestyle as represented by its functional products, its values, its campgrounds, its environmental programs, and its rejection of contemporary materialism. A real connection based on common interests provides not only a basis for a relationship, but also a sense of authenticity.

One way to leverage common interests into involvement is to organize a community around the brand. The organizing centerpiece can be the brand website. Harley-Davidson has done just that with their Harley Owners Group, Women Riders, Trip Planner, and much more all centered on the Harley-Davidson website. Columbia, the outdoor clothing firm, uses Meetup, an online social platform that gets people together to organize outdoor and hiking groups. Pampers has a site that includes in-depth information on topics connected with babies and baby care, such as pregnancy, baby development, preschool, and family. For example, under baby development there are 57 articles, 230 forums, and 23 play-and-learn activities. General Mills has done something comparable with its glutenfreely.com website. Sharpie has done it with creativity, Avon with breast cancer research, and Nissan with zero-emissions vehicles.

Centering and defining a category or subcategory around common interests is a way to divert the focus of the customer from features and functional benefits. To make this strategy work, the proper brand role is to support, nurture, partner, and enable the community rather than to market the brand. The communities need to be authentic, focused on a real need like sharing knowledge or engaging in a real passion. The brand's connection to shared interests can lead to a perception of a trusted friend and knowledgeable expert rather than just being a supplier.

Engage in Innovation Over Time

Engage in innovation over time to present a moving target to competitors. When a brand introduces an innovative offering providing a significant benefit or associations that gets market traction, it is likely that a competitor will either copy it or find a way to neutralize it with another innovation. When the new offering and the category or subcategory it represents are dynamic, the brand avoids being a stationary target.

The challenge is to continuously innovate to create a changing category or subcategory narrative. Chrysler's minivan dominated the minivan market for 16 years in part because of a series of innovations, such as the sliding driver-side doors, removable seats, four-wheel drive, child-safety locks, and Easy-Out Roller Seats. Apple gained a decade with minimal competition for its iPod in part by introducing products like the nano, shuffle, and iTouch. Gillette kept its competition at bay with an array of innovations from the Trac II to the Fusion ProGlide. P&G has made their feminine hygiene products a moving target with an ongoing series of innovations all designed to address the key consumer wants of comfort, protection, and femininity. Westin's Heavenly Bed was followed with the Heavenly Bath with two shower heads to provide more power and wider water coverage, adjustable spray options from a light mist to massaging needles, a curved shower curtain rod, and luxurious spa products. Just when competitors were responding to the Heavenly Bed, the definition of an in-room experience was again changed and the bar was raised.

On-going innovation does more than inhibit competitors. It can lend energy to the category or subcategory as well as the brand, a sense of forward movement that creates visibility. Each innovation provides not only a reason to expand the "must haves," but also a reason for customers to talk about and believe in the evolving category or subcategory. Further, innovations suggest leadership; others will be forever perceived to be followers. A pattern of innovation directly helps the relevance battle because brand relevance is based on energy, credibility, visibility, and a sense of leadership.

Execute and Scale, Becoming Better and Bigger

A competitor needs to gain parity or superiority with respect to delivering an offering comparable to that driven by an innovation. If the execution of the innovation is excellent (backed by people, processes, and asset investments), it will be difficult for competitors to match. Further, if the concept can be scaled quickly, the cost of entry will be high because the most desirable customers will already be taken and may in fact already be loyal advocates of the pioneering brand.

Execute Flawlessly

Delivering the promise out of the box is an indispensible part of the success of a category or subcategory and the ability of the brand to represent it as its exemplar. Anything less jeopardizes critical market momentum. Apple's Newton, an early PDA (personal digital assistant that could read handwriting) simply did not work well and never got traction. Tata's Nana, the people's car, was held back by an inability to avoid quality problems and a plan to scale was premature. The winners get the concept right before they scale it and take over the early market leader position.

Superior execution also generates a barrier to competitors, especially if it is based not only on what is done, but the values and organization behind it. That was certainly the case with Zappos.com with its ten values (which include the "Wow! Experience," be creative and open-minded, build open and honest relationships, and be a bit weird) that support an "over-the-top" customer experience. Their 24/7 calls center would find a pizza for a customer if asked. The "being weird" value informed their hiring process (people are asked to describe something weird that they had done) and helped add creative initiative and esprit de corps into the organization. The resulting customer experience presents a high bar because it is based on the people, processes, and culture (which are hard to duplicate) rather than on what Zappos.com does (which may be easy to copy).

Superior execution can also be based on investment in assets and skills. Amazon has superior execution because it simply has more and better computers, warehouses, and user-friendly software behind it. As a result, they have a wide product scope and execute at a high level with brand services such as 1-Click. P&G has created a "must have" with its management of the logistics, warehousing, and ordering relationship with Walmart and other large retailers. Without these assets and skills in place, new entrants would find it easier to become relevant.

Be Prepared to Scale the Concept

Scaling is critical because as long as the offering is occupying a local market or limited distribution, there are unexposed potential customers that competitors can access. Furthermore, it is simple math; spreading fixed costs such as warehousing, back office support, management, advertising, or brand development over a large sales base will result in a lower per-unit cost.

When the resources are limited, the early market leader can be vulnerable. Diet Pepsi, for example, rolled right over Diet-Rite Cola because it has the resources and distribution strength. One approach is to obtain the needed resources by selling to or partnering with a firm that has those capabilities. Häagen-Dazs, for example, partnered with Dreyer's to get access to their distribution. Another is to simply stretch, to risk. A key to the success of Asahi was a willingness to bet the firm twice on building capacity. If they had not made those bets, their ability to capitalize on their new offering and the resulting subcategory it created would have been compromised. Chrysler made a similar aggressive investment to establish the capacity to supply the minivan demand that was created by their initial success in 1982.

Own the Category or Subcategory

Winning the brand relevance competition means a different type of brand strategy and marketing. The goal is no longer to build the brand per se, it is rather to use the brand to build the new category and subcategory. There needs to be clarity around what is within the definition of the category or subcategory and what is not. The "must haves" need to be clearly defined. It is the category or subcategory as opposed to the brand that must be visible, credible, and appealing so that it wins the choice battle before brands are considered.

However, if the brand can own the category or subcategory, then most brand building efforts will also build clarity and preference for the category or subcategory. Owning the category or subcategory is the ultimate barrier to competitors and can be achieved by becoming an exemplar, branding a "must have" innovation, or being the authentic option.

Become the Exemplar of the Subcategory

Become the exemplar of the subcategory like iPhone, Whole Foods Market, or Geek Squad has done. If the brand is the exemplar, it will by definition be the most visible and credible brand. Any competitors are in the awkward position of defining their relevance in a way that only reaffirms the authenticity of the exemplar. The exemplar role also helps to define the category or subcategory. Without an exemplar, the definition can easily drift, in part because there is no firm in charge.

How can a brand become an exemplar? Some guidelines:

- Advance the category or subcategory rather than the brand. Understand that the goal is to define the category or subcategory and make sure it wins. Be an advocate. Don't worry about the brand. If the category or subcategory wins, the brand will also win. Asahi Super Dry was an advocate of dry beer, and when the subcategory won, Asahi Super Dry won.
- Be a thought leader with respect to the category and subcategory. What is the logic behind its emergence? Where is it going? What research is relevant to it? What is the logic behind hybrid cars or organic food or cloud computing? Can the conceptualization of the category or subcategory be productively refined or enlarged?
- Continue to innovate and allow the definition of the category or subcategory to therefore evolve. Don't stand still. Innovation, improvement, and change will not only give competitors a moving target, but will give the category or subcategory energy, make the brand more interesting, and assure that the role of the exemplar is more valued.

BGI's iShares decided in 2000 to promote ETFs (exchange traded funds, which have advantages over index funds) and their role in the investment world. They used advertising, direct sales to investor advisory firms, a set of "ETF kits" to explain the concept to retail customers, education seminars, and a comprehensive website with comparison charts and e-learning presentations. A total of over 100 million was invested over six years. Throughout, the focus was on building the category and not the brand. In the end, of course, the effort paid off for the brand and the firm. For a competitor to be relevant, it needs to be credible and visible with respect to the category or subcategory. If the brand is the exemplar, then other brands will have a difficult time gaining a place in the consideration set.

Brand the "Must Have"

A branded feature, service, program, or ingredient that can define a "must have" such as Sharp's Aquos Quad Pixel, Weston's Heavenly Bed, Oral B's Action Cup, or Amazon's 1-Click can be owned by the firm if it is branded. Termed a branded differentiator, such an innovation needs to be substantial and enduring. A marginal improvement or one that will have a short competitive life will not be worth branding and is unlikely to define a new category or subcategory.

Branding an innovation that creates a "must have" is powerful. It adds credibility. A customer will observe that the benefit was worth branding, which implies that it is a meaningful addition to the offering. It also provides the ability to own an innovation, to be the only brand that qualifies for the new category or subcategory. Other hospitality firms have tried to neutralize Westin's Heavenly Bed, to become relevant in the "hotels with a premium bed" subcategory by creating premium beds of their own; but there is only one Heavenly Bed because Westin owns that brand. As a result, for some there is only one brand in the premium bed subcategory because they either do not know others have followed or assume that an imitator is just that, an offering that lacks authenticity.

Be the Authentic Option

The authentic label can be important in gaining a relevance victory. The authentic brand is perceived to be real versus phony, a brand that will deliver the category or subcategory quality, a leader rather than a copier, one that took risks to create the defining innovation, and reliable and trustworthy.

Authenticity comes in part from being the first to get the concept right. It also comes from being the brand that focuses on building the category or subcategory rather than "my brand is better than your brand." Being a category or subcategory advocate is a strong authenticity signal.

An authentic brand will have substance behind its "must haves." There are a host of brands that have become green and attempted to use that to define a "must have" for a segment. The reality is that few of these brands have green programs that have credibility and visibility, so their efforts are wasted. Toyota with the Prius carrying the flag, Panasonic with its products and programs to help consumers become more sustainable, and perhaps even Walmart with its extensive effort to make its products and operations more sustainable have been able to do so, as have niche brands such as Clorox's Green Works cleaners.

An authentic brand will find ways to tell the "must have" story in a compelling way, especially if it is partially based on a personality, organizational values, or a common interest. Southwest Airlines's personality, and the personality of the subcategory it represents, is reflected in the staff and their ability to be humorous and offbeat with respect to announcements and service. Stories can help, whether it is the legend of a FedEx employee hiring a helicopter to get the packages through or a Zappos.com 24/7 operator finding a pizza for a client, the underlying values that are part of the subcategory definition become vivid. Story-based "must haves" will usually provide a basis for authenticity.

Conclusion

Creating new marketplaces through innovation, the best route to success, is actually a familiar theme in many books and articles about strategic innovation. The ideas presented here differ in content and emphasis. First, other treatments focus on categories and transformational innovation such as that of Cirque du Soleil. In contrast, these ideas apply as well to subcategories and substantial innovation meaning that there are many more opportunities to apply the ideas. Second, the idea that perceptions of the new category or subcategory need to be actively managed is emphasized. They are not assumed to be fixed by the marketplace. Third, other efforts virtually ignore the brand, yet it is usually central to developing and owning a new category or subcategory. Fourth, the concept of creating barriers to competitors and the several barrier types is often otherwise neglected or treated superficially.

Creating and owning a new category or subcategory is in most cases the only route to achieving real growth because brand preference competition rarely changes anything in the marketplace. One key to winning the brand relevance competition is to identify an offering that has a "must have" that defines a new category or subcategory. Nominating an incremental innovation to this status can waste resources and momentum, but squandering the right opportunity can be strategically tragic.

A second key is to build barriers to competitors, so that the benefits of developing and owning a new category or subcategory are not short-lived. These barriers—a rich, dynamic category or subcategory definition, superior execution that is quickly scaled, and ownership of the category or subcategory—can result in competitors being weak players for a long time. Even better, they may be discouraged from entering in the first place. To paraphrase Bruce Henderson, the founder of the Boston Consulting Group, "the essence of strategy is to convince competitors not to invest in areas of strategic importance to you."

It really is a different way to look at strategy. Don't try to beat competition but, rather, make them irrelevant and discourage them from even competing.

Notes

1. Richard Foster and Sarah Kaplan, *Creative Destruction* (New York, NY: Doubleday, 2001), pp. 158-170.
2. W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy* (Boston, MA: Harvard Business School Press, 2005).

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