

DIFFERENTIATE OR DIE

Survival
in Our Era of
Killer Competition

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Book Differentiate or Die

Survival in Our Era of Killer Competition

Jack Trout and Steve Rivkin
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Recommendation

Have you ever looked at an advertisement and wondered what product was being sold? If so, you're not alone. Writers Jack Trout and Steve Rivkin thought the same thing and concluded, after 30 years in the marketing and advertising business, that the creative trend in ads has gone way too far. They believe modern companies should follow the advice of legendary ad man Rosser Reeves, and focus on their "Unique Selling Proposition." The authors caution that your company can survive in today's hyper-competitive environment only by accentuating its advantageous difference. Companies that don't promote their differences are in danger of being lost within a suffocating realm of choices. But proceed warily; focusing on the wrong difference could cost your business its business. *BooksInShort* sees this as primary reading for execs at any company, since the ability to stand out might be today's key determinant to survival.

Take-Aways

- Global competition makes it more important than ever to make sure your company's message is distinct and different.
- Companies need to promote the idea of a Unique Selling Proposition (USP).
- The job of an effective leader is to figure out the company's USP and promote it.
- Too many of today's ad campaigns convey a vague and puffy message.
- Mistakes can ruin your enterprise
- Lowering the price of your company's product may not be a good way to compete.
- Expanding your line of products might work against the interests of your company.
- Be careful - Not all differences are positive selling points.
- CEOs often fail because they don't promote their company's strategic, advantageous difference.

Summary

The Tyranny of Choice

Choice benefits consumers, but it makes work harder for businesses. Choice in everything - from healthcare to restaurants to rental agencies - creates a competitive situation. The battle that used to feature local companies competing against each other locally has become a global capitalistic hot war in which everybody has to compete against everybody everywhere.

“As companies race to benchmark each other, companies become more alike.”

Companies can't make mistakes. If you do, your competitors get your business and you don't get it back very easily. Companies that don't understand this will not survive.

"Differentiate or die" means that you have to give your customer a compelling reason, or "difference," to buy your product as opposed to your competitors'. You can create differences in many ways, but any approach involves stepping over a lot of potholes. Trying to be everything to everybody can undermine your company's profile.

“Cutting prices is usually insanity if the competition can go as low as you can.”

Chevrolet used to be known as the dominant good-value family car. Then Chevy added a number of different brands to its stock - and what does Chevrolet stand for now? Their 'differentness' melted away.

You also can lose your difference if you ignore changes in the market. DEC missed the PC revolution and simply didn't switch to desktop machines fast enough. The problem of hyper-competition fueled by choice will only get worse. Choice appears to beget more choice.

Whatever Happened to the Unique Selling Proposition?

Back in 1960, Rosser Reeves was known as the "King of the Hard Sell." Reeves wrote a very popular book called Reality in Advertising in which he introduced the concept of the Unique Selling Proposition (USP).

“Operational effectiveness means you're running the same race faster. But strategy is choosing to run a different race than the one you've set yourself up to win.”

Reeves gave this very precise concept a three-part definition:

1. Each advertisement must make a proposition to the consumer - not just words or product puffery. Every ad should tell the audience why they should buy and what specific benefit they will derive.
2. You must advertise a benefit that your competition doesn't offer, such as a uniqueness of brand or a new claim.
3. Your unique selling proposition must be so strong that it will compel customers to shift to your product.

Dare to be Different

Modern advertisers simply no longer recognize the importance of being different or the fact that customers make their buying decisions based on differences between products. It may not be "cool" to offer the customer a reason to buy your product but, like it or not, consumers like to be sold.

“The strategic idea - the differentiating idea - is easily half the battle, not to mention the more important half. Without the powerful single idea, all the motivation and people skills in the world aren't going to help.”

You can sell your differentiation by appealing to intuitives, thinkers, feelers and sensors. Intuitives are interested in new products or new possibilities. Thinkers are analytical and ignore emotional appeals. Pitch thinkers with facts. Feelers are obviously interested in feelings and can be swayed by third-party appeals. Sensors see things as they are and have a great respect for the facts. Often, people are a mixture of these categories, so it's important to combine approaches.

USPs That Don't Work

Today, the number of new products and the air of heightened competition make it much harder to hang onto your unique selling proposition. Some USP ideas work and some don't. These four don't:

1. Customer service and quality are rarely differentiating ideas

These are givens, not differences. For example, Summit Bank, a \$20 billion New Jersey institution, offers a pitch to the public where Bob Cox, the bank president, states that the bank wants to serve the customer better. He says, "We're reaching higher." Unfortunately, those ideas are not an effective solution in a hyper-competitive market. The customer expects reasonable prices and quality service. Furthermore, ensuring quality customer service doesn't guarantee either higher profit margins or customer commitment.

2. Creativity is not a differentiating idea

Rosser once wrote about the disturbing trend of vague advertising, or advertising that doesn't clearly tell the buyer what is special or different about the product. "Puffery has been replaced with vagueness," he wrote. This trend has gotten so bad that it often is hard to determine what product is being advertised.

“The dictionary defines tyranny as absolute power that often is harsh or cruel. So it is with choice. With the enormous competition, markets today are driven by choice. The consumer has so many good alternatives that you pay dearly for your mistakes.”

The pro-creativity branding crowd argues that to cut into the clutter, you have to form a bond with the customer or you'll be ignored. This kind of thinking extends back to legendary ad man Bill Bernbach, who came up with the "Think Small" Volkswagen ads. However, Bernbach designed ads that stressed creative differentiation, not creativity for creativity's sake.

3. Price is rarely a differentiating idea

Price is often the enemy of differentiation. Making price the main consideration for selecting your product is a terrible strategy because any company with a pencil can compete. Cutting prices is usually insanity if the competition can go as low as you can. Actually, it is far more impressive to differentiate with high price because high-quality products should cost more and high-quality products should offer prestige. People will always pay more for the highest value.

4. Breadth of line is a difficult way to differentiate

As with price, breadth of line is a difference that your competitors can emulate easily. Size also creates its own problems, because you have to worry about managing a large selection of products and confusing big store layouts. Today, the Internet allows companies such as Amazon.com to offer an unlimited amount of goods. Breadth of line proves that not all differentiators are created equal.

“The concept of being unique or different is far more important in the year 2000 than it was in 1960.”

History is full of CEOs who failed to utilize the best differences of their firms and, thus, failed to excel. Volkswagen's Carl Hahn, who was CEO from 1982 to 1992, overextended the brand and attempted to sell big and pricey VWs when the public wanted the exact opposite. Apple Computer's John Sculley, CEO from 1983 to 1993, failed to maximize the company's pacesetting ease of use. And DEC's Robert Palmer, CEO from 1992 to 1998, failed to anticipate the next generation of personal computers.

The Steps to Real Differentiation

Jack Trout and Steve Rivkin developed a process during their 30 years in the "differentiating business" that has nothing to do with being imaginative, cute or creative. It has to do with being logical and direct.

“Puffery has been replaced with vagueness. A large amount of today's advertising has gotten so creative or entertaining that it's sometimes hard to tell what companies are even advertising.”

Their advertising strategies follow this step-by-step plan:

1. Make sense in the context - Your difference has to make sense within the competing arguments of the competition and your market. Your difference has to make sense within the environment of perceived weaknesses and strengths. Good timing in making your pitch certainly helps.
2. Find the differentiating idea - To be different is to be not the same. To be unique is to be one of a kind. Look for the single, unique quality that separates you from your competitors.
3. Have the credentials - If your product difference is valid, then you should be able to show it. You can't show difference with smoke and mirrors. You might not be challenged if you make false claims, but you shouldn't risk that result because it could damage public opinion.
4. Communicate your difference - You must show consumers every aspect of your marketing difference. Every aspect of your communications, from brochures to advertising to your Web presentations, should reflect and highlight the qualities that make you different.

USPs That Work

Some USPs actually work, including these four:

1. Being first is a differentiating idea

Those who move in first have a tremendous advantage in the market. Playboy still leads Penthouse, Time still leads Newsweek and Hertz still leads Avis. First movers tend to stay first because people are reluctant to change brands. However, being the first one to get to market doesn't guarantee success, as the fates of Diner's Club and DEC attest.

2. Owning a specific attribute is a way to differentiate

An attribute is a characteristic, peculiarity or distinctive feature. For example, cars have attributes. Mercedes means engineering and Jaguar means style. Products with superior attributes should have better sales. The most effective attributes are simple and benefit-oriented. Moreover, not all attributes are created equal and some can even be negative, such as "high sodium" in a food product.

3. Heritage is a differentiating factor

History helps customers buy. People assume that the company must be doing something right. Customers attach heritage attributes to both countries and companies. For example, the U.S. is known for computers and airplanes, Russia is known for vodka and caviar, and France is known for wine and perfume.

4. Leadership is a way to differentiate

Leadership is the most powerful way to differentiate a brand. This is true because highlighting your brand's leadership is the direct way to establish brand credentials and credentials are the collateral you offer to guarantee brand performance.

Leadership

You can differentiate your product based on three different forms of leadership:

1. Sales leadership

Leaders use the top sales strategy the most. This approach works because people tend to buy what others buy.

2. Technology leadership

Companies that have long histories of technological leadership often use this strategy. People are impressed with companies that

develop new technologies because they figure that company knows more.

3. Performance leadership

Some companies have products that don't sell a lot but are the best performing of their brand. You can sell quality, because some buyers want the best regardless of how much a product costs.

“As with price, the problem of using breadth of line as a differentiator is that there is no way to keep your competitors from using the same strategy.”

Other positive differentiating factors include market specialty, preference, being the latest, being the hottest and specific factors about how a product is made that make it unique among its' competitors. Finally, the success of any enterprise depends on its leaders articulating their company's advantageous difference. In this era of killer competition, only companies that stress their differences will survive.

About the Authors

Jack Trout is president of Trout and Partners, a U.S. marketing firm with offices in 13 countries and a client list that includes AT&T, IBM, Merrill Lynch, Sears and other Fortune 500 companies. Recognized as one of the influential gurus of marketing, Trout was the first to popularize the idea of "positioning" products and ideas in the minds of consumers. **Steve Rivkin** heads his own communications consulting firm. The firm's clients include Kraft Foods, Olin Corporation and Horizon Health System.
