PART

TWO

Dealing with Change

To survive, to avert what we have termed future shock, the individual must become infinitely more adaptable and capable than ever before.

ALVIN TOFFLER
Future Shock

CHAPTER SEVEN

Repositioning: Where Positioning Is At

These are the times that try a business person's soul.

Alvin Toffler once wrote a famous book called *Future Shock*. Its premise was that ever-accelerating change would have a shocking effect on people.

Time has proven his predictions to be very accurate. But what he left out was the impact on *corporations* of accelerating change. It has been just as traumatic.

Some of America's biggest and most successful companies have been challenged or even brought to their knees by change. General Motors, IBM, Sears Roebuck, Westinghouse, Digital Equipment, Wang, Kodak—the list goes on and on.

Losing Sight of Change

Companies that lose sight of their markets quickly suffer the consequences. Today, the danger of losing market position is especially great. The four primary reasons for this are

1. The fast pace of changing technology
2. The quick and unpredictable shifting of consumer attitudes
3. The increase in competition within the global economy

4. The increase in competition among creative executives in U.S. companies (They're getting good at this competitive stuff.)

It's a time not so much for positioning as for *repositioning*. (In 1994, this word was mentioned 5155 times in U.S. business publications.)

GM's Sad Saga

Consider the plight of General Motors. In 1921, Alfred P. Sloan, Jr. arrived and found seven brands of automobiles all competing in the middle of the market. Their average selling price was about $1200. Brilliantly, he eliminated two and repositioned the remaining brands along different price points:

Chevrolet	$450 to $600
Pontiac	$600 to $900
Oldsmobile	$900 to $1,200
Buick	$1,200 to $1,700
Cadillac	$1,700 to $2,500

It was an enormous success, and over the years these five brands drove up GM's market share to close to 50 percent of the business.

But they couldn't keep Alfred propped up forever. Eventually he died, and the accountants took over. With his hands off the steering wheel, these five brands all rushed to the center of the market. Each brand lost its focus or position.

In many ways they all went right back to 1921, as today's prices look like this:

Saturn	$9,995 to $12,895
Chevrolet	$7,295 to $67,543
Pontiac	$9,904 to $26,479
Oldsmobile	$13,510 to $31,370
Buick	$13,734 to $31,864
Cadillac	$32,990 to $45,330

With the exception of Saturn and Cadillac they all are back in the middle, trying to be everything to everyone.

And on top of *pricing* all their cars alike, they tended to make them all *look* alike. (A nice money-saving idea.) It's no wonder General Motors has lost 11 points of market share over the past decade. It's also not surprising that the board revolted and ejected the top management.

The job ahead for General Motors? To reposition all their brands. (Where's Mr. Sloan now that they need him?)

As this book goes to press, a new marketing shooter named Ron Zarrella has arrived at GM to rethink the brands. With the kind of internal politics he'll encounter, Mr. Zarrella had better keep his back to a wall at all times.

Back to Basics

In almost every issue of the business press, you read about companies "getting back to basics." Sears divested its Allstate Insurance Company, sold Sears Tower, and shed all of its financial services subsidiaries. It also closed its catalog operation. The result: Retailing earnings for 1994 were up 30 percent over 1993.

Xerox was once positioned as the plain-paper copier. Then they decided to pursue computers, with disastrous results. Now they're repositioning themselves as "the Document Company."

Mead Corporation has spun off its very successful Lexis/Nexis business to reposition themselves back to paper products.

Quaker Oats, General Mills, and Procter & Gamble are focusing on their core brands. Marlboro is back in Marlboro Country. (After finally realizing that real cowboys don't smoke menthols or mediums.)

Kodak also is repositioning itself on film, and selling off many of its nonphotographic units.

The problems that many of these companies encountered were located not in their plans but in the minds of their prospects. Consumers expect companies to be specialists in narrow fields, especially when a business has carved out a strong niche and achieved name recognition. For the same reason, consumers become suspicious when the field widens.

Usually their suspicions are justified, because products in different markets are rarely as good as the original product—which has been honed and perfected over many years. Not only is money wasted on expansion, but market share for their original product slips. Fortunately, Xerox had the fiscal and management resources to correct its error. At great expense, it went back to basics and repositioned itself on plain-paper copiers. It succeeded in regaining market share.

Avoiding Costly Mistakes

There is no reason why any company should have to pay for such an expensive lesson. It must stay in touch with the marketplace and have the courage to reposition itself before the company's products, image, and revenue have greatly suffered.

Positioning is simply concentrating on an idea—or even a word—that defines the company in the minds of consumers. Having a strong brand identification gives a company an immense edge. It's more efficient to market one successful concept to one large group of people, than 50 product or service ideas under the same brand to 50 separate groups.

Consider the trials and tribulations undergone by two Japanese car manufacturers. As a result both of a lack of focus

and of the ill-fated Joe Isuzu program, the Isuzu car company had losses of over $400 million in 1992. Then they had the courage to reposition themselves. Today they are profitable, and can't make enough of these vehicles. (See Chapter 16.)

Subaru did the opposite. Infected by the "me-too" spirit, they moved their focus away from their rugged four-wheel-drive cars and added a car line. This idea was supported by advertising that said "a car is a car." Subaru has been struggling ever since.

To avoid making a similar mistake, a company must constantly survey their customers. They should ask questions that let customers articulate their concept of the company's product or service. If it's not the same as the *company's* concept, that company is headed for trouble.

When consumers are asked for their impressions of Volvo cars, they reply in terms of safety. That's the perception that Volvo owns in the mind. So who was first to offer side-impact air bags, a new safety feature? Volvo, reinforcing their safety perception. On the other hand, consumers have a tough time defining Chevrolet.

Think Small and Don't Tinker

Monitor technology and product innovations. The best way to peer into future markets is to watch small companies. IBM should have been watching companies such as Apple and Tandy in the early 1980s. If it had been, it would have learned that PCs would soon capture a large share of the computer market.

Keep company managers from going off in unfocused directions. It's often the most creative people who love to tinker and think of new products and new twists for existing ones. But unless these ideas are consistent with the consumer's concepts and the company's track record of success, they are sure to nudge the company out of focus or position in the mind. Volvo could easily build a sports car, but that would abruptly bring it out of focus as a brand identified with safety.

When the Market Changes

Repositioning is a must when customer attitudes have changed, technology has overtaken existing products, and products have strayed away from the consumer's long-standing perception of them.

Consider America's attitude change about red meat. In 1986, beef consumption was 74 pounds per person. By 1990, it had fallen to 64 pounds per person.

During the same time period, chicken consumption climbed from 44 pounds per person to 49 pounds per person.

This attitude change did not go unnoticed by the pork industry as they repositioned pork as "The Other White Meat." (If you can't fight them, join them.)

Today's computer marketplace has moved from "proprietary" to "open" software. IBM, which made its name and money on proprietary software, must reposition itself so as to accommodate this shift in customer attitudes. That's exactly what they *aren't* doing, as they continue to push their "proprietary" OS/2 against Microsoft's "open" Windows software.

All of these decisions are tough for a company to come to terms with. But not making the correct decision at the appropriate time can be devastating to a company's future.

In today's hostile market, it is increasingly important not only to be up-to-date with one's own company, but also to be intimately knowledgeable about one's competition. As companies look toward the next century, managers must have the courage to make the types of decisions that companies like Xerox, Volvo, and Lotus have made. If they don't, they will suffer the consequences.

The stories in the following chapters should help you to better understand the repositioning process, and how to pursue it.

CHAPTER EIGHT

Repositioning a Software Company

As markets mature and technology changes, there are times when a company requires new focus that will better suit them in the future.

Changing focus in mid-market is one of the trickiest maneuvers in marketing, as your timing must be exquisite. First you must delicately balance your internal resources, as you shift. Then you must figure out how you slow down support for the original business, while you use resources to ramp up your business of the future. Then comes the real work: dealing with all the internal egos who see their future threatened.

No better case study illustrates this kind of situation than that of Lotus Development Corporation, the company that brought the world the spreadsheet.

The Going Gets Tough

The world turns quickly, in high-tech land. In the mid-eighties, new spreadsheet competition arrived and margins started to tighten up. Borland entered the fray with a good product and very aggressive pricing. If that wasn't bad enough, Microsoft, the 800-pound software gorilla, arrived with a new operating system called Windows. Then they carefully designed their Excel spreadsheet product around this new operating system.