How to Differentiate Your Products and Services to Succeed in Competitive Markets

Many companies are trying to be better than their competitors. Regrettably, very few are trying to be different.

By Mac McIntire

Robert Goizueta, the former CEO of Coca Cola, once said, "In real estate it is location, location, location. In business it's differentiate, differentiate, differentiate." The key to your company's success, particularly in tough economic times, is to differentiate your enterprise in such a way that it stands out in the minds of the customers and causes them to want your products over that of your competitors.

For years many business leaders felt a strong urge to pen a company vision statement with such timeworn and trite phrases as "superior products," "service excellence," "high quality," "added value" or "profitability." Vision statements at thousands of companies across the nation looked insipidly similar. So many hotels, for example, envisioned becoming a "premier resort destination." Countless enterprises strove to be "number one" in their industry. Others dreamed of being the biggest or the best at what they do.

Businesses today tend to operate in a me-too competitive world. Competing products are becoming more and more alike. Me-tooism means trying to cash in on a competitor's success. When one company creates a product or finds a market niche that works, competitors quickly launch similar products or implement like strategies to attract the same customers. The me-too competitors do it, no doubt, by trying to claim that *their* products and services are superior to any other company.

Everyone, it seems, is trying to be better than their competitors. Regrettably, very few are trying to be *different*. So many companies talk about being "the best of the best," yet very few actually pull it off. That is because copy-cat companies either don't know how to raise themselves to a higher level of service, or they just can't do it.

The fact of the matter is it doesn't matter whether or not a company can pull off better quality or exceptional service because quality and customer service rarely are unique differentiating strategies. That's because customers *expect* your products to be built well. They also expect to be taken care of in a superior way. Quality and service are a given, not a differentiation. No matter how hard you try or how good you become, quality and customer service will not attract new customers. It will not grow market share. Quality and service are great *retention* strategies, but they will not build your business. Quality and service only keep customers from defecting.

Another less effective way companies sometimes seek to win business is to try to differentiate the company based upon price. But being "the low price leader" is a poor differentiation strategy. It is bad not only because your competitors can match or beat your price, but also because, by definition, being different should be worth something more. Usually people are willing to pay more for something that really is unique or different. Lowering the price to attract customers cheapens your brand. According to the theory of branding, when done successfully, branding should lead customers to develop an emotional attachment to your products. Once customers are emotionally attached, the cost of the products becomes a less significant issue to the customers.

In addition to price being a bad differentiation strategy, low prices very seldom build customer loyalty. Research shows that a promotion that emphasizes price does not retain new customers once the promotion is over. The few customers who moved temporarily to take advantage of the low price usually return to their preferred supplier when the promotion ends. Customers know that prices are occasionally reduced. Though customers temporarily may take advantage of a bargain, they don't necessarily stay with that product.

If your company's only competitive strategy is to improve quality and service or to lower your prices, it means you've decided to run the exact same race as that of your competitors; only you, of course, intend to do it better. But instead of confronting your competitors on their playing field, your strategy should be to run a different race – a race you design yourself wherein you set your company up to win.

Why You Need to Be Different

Today's competitive markets provide customers a variety of choices. The only way to survive is to be different. You must stand out among the many choices consumers have in your product areas. You must differentiate your brand and distinguish it from all others. If you ignore your uniqueness and try to be like everyone else (only better), you undermine what makes you novel. You discount your "unique selling proposition" (USP)

Each of your marketing tactics must emphasize your USP. Each advertisement must make a proposition to the consumer that says, "Buy *this* product and you will get *this* specific benefit." Your proposition must be one that the competition either cannot, or does not, offer. It must be unique in either the singularity of the brand or a claim not otherwise made in your particular field. Your proposition must be so strong that it can pull new customers to your products. Businesses who dedicate themselves to building a favorable image and sharply defining the personality of their brand are more likely to gain the greater share of the market at the highest possible margin.

To do this, your first objective is to oversimplify your message. Some of the most powerful positions are those that focus on a single word. Volvo is perceived to be the "safest" car on the road. Singapore Airlines is famous for its "attentive" service. Black & Decker tools are the most "durable" you can buy. Allen Edmonds shoes are so "comfortable" you don't have to break them in. Dodge builds trucks that are "ram tough."

Don't try to tell your whole story; center on one product, one benefit, and one message. Focus on one powerful differentiating idea and drive it into peoples' minds. Coca Cola is "the real thing." Which means Pepsi cannot be. Consequently, Pepsi had to find its own differentiation. It became the cola of choice for a "new generation." In Las Vegas, the Fiesta Hotel Casino was known as "the royal flush capital of the world." No other casino could make the same claim.

Don't try to be all things to all people. The more variations you attach to your brand, the more the mind loses focus. New Coke and Classic Coke confused people. They wondered what happened to the "real thing." If you want customers to remember your products, drive home a single message. Focus on what you do best. Make sure you always deliver. Repeat your message and your delivery until your differentiation is certain.

Listed below are several ways you can differentiate your company in a simple, single focus.

How to Be Different

One way to differentiate your entity is to emphasize that your company was **First in the Market**. People tend to stick with what they've got. If you were there first, it means your competitors had to copy you. This reinforces the idea that your products are better. Research shows being first in the market provides a significant advantage over later entrants. One way to out position the me-too latecomers is by stressing that you started it.

Remember, however, that being first is one thing; staying first is another. Being first means you must stay first. To stay first you must continually discover novel and interesting ideas to maintain your leadership position. The claim of being first only has differentiating power if you continue to lead the pack.

Your product differentiation might be a **Unique Attribute** about your company or products. An attribute is a characteristic, peculiarity, or distinctive feature of your company or products. Although many products seem to be the same ("If you've seen one casino, you've seen them all"), most have some distinguishing attributes. There are many nice cars in the market, but BMW is "the ultimate driving machine."

The most effective attributes are simple and benefit-oriented. The thickness of Heinz ketchup signals its quality. A safer car implies a better design and engineering. Crest is the toothpaste that best fights cavities.

Once a product becomes known for a certain attribute, that attribute is no longer available to competitors. Since Crest became the toothpaste that fights cavities, another brand had to focus on taste, while yet another promoted its unique swirl design.

Sometimes you can differentiate your company's position by hanging a negative attribute on your competition. During the heyday of "family-oriented" casinos in Las Vegas, one casino improved their position by stressing that they were the casino where *adults* play. To differentiate their property they emphasized decadent activities at their casino. They identified what real gamblers want and promoted those behaviors. Once they focused on decadence, the casino's profit margin soared, thus proving they had found the right differentiation.

As stated above, once an attribute is successfully taken by a competitor it no longer is available to you. Therefore you must find a different attribute instead of trying to copy your competition. You should emphasize the value of *your* unique attributes, thus staking your claim and gaining your share of the minds in your market.

Leadership also is a powerful way to differentiate your brand. Being an industry leader sets your company apart from your competitors. Humans tend to equate "bigness" with success, status, or best. When you are seen as the leader, people are more likely to believe almost anything you say about your brand. Powerful leaders can take ownership of the word that stands for the category. The best leadership position is one where your brand becomes the generic for the category. Statements such as "hand me a Kleenex," "make me a Xerox copy," or "FedEx it to me," show that these companies dominate the category. Customers almost unthinkingly use these products because the company is first in their mind when they need a tissue, a copy, or a package shipped.

Your leadership position may include a *sales* dominance (the Toyota Camry is the best-selling car in America). It may entail a *choice* dominance (Harley-Davidson often is an unreliable motorcycle, yet it still is the motorcycle of choice for *real* motorcycle enthusiasts). When you dominate in sales, you dominate in mind-share.

Your advantage may be a *technological* leadership advantage (Pentium processors add value to a computer), as a leader in *performance* (Cray super-computers are the granddaddy of all computers) or it could even be a *service* advantage (Nordstrom is still seen as an exemplar of service even though their profitability has declined significantly in the last few years).

When you have a leadership advantage you need to brag about your position. When you get to the top make sure the marketplace knows about it. If you don't take credit for your achievements your competitors soon may claim what is rightfully yours.

Heritage is another way to differentiate. A long company history can make people feel more secure about your products. Being around a long time also gives prospects the feeling that they are dealing with an industry leader. Heritage might include a unique company history (Wells Fargo); ownership within a family line (Gallo Wine); an association with a particular community ("the San Francisco treat"), region (maple syrup from Vermont), or country (Swiss watches); or even a heritage built around a fictional character (the Marlboro Man, Jolly Green Giant or Mickey Mouse).

Sometimes you can use the lack of heritage, or the wrong heritage, of your competitors to better differentiate your own position. In the minds of the customers the Yugo could not be a quality made car because it was manufactured in Yugoslavia (although some consumers thought it came from Poland). Although Atlantic City may be a popular spot for gamblers on the East Coast, the thinking still is that a person has not had a true gaming experience until they've visited Las Vegas. A wine made anywhere other than France or California is not viewed as a quality wine.

Market Specialty is another differentiating strategy. People are impressed with companies who concentrate on a specified activity or product. They perceive them as experts, often giving them more credit than they deserve. Today generalized companies that are trying to offer everything to everybody are losing market share. Large department stores, like K-Mart and Sears, are losing business to smaller stores that position themselves as experts in athletic shoes (Foot Locker), sexy underwear (Victoria's Secret), outdoor cooking (Barbecues Galore), or electronic equipment (Best Buy). Again, you need to find out what your company does well, deliver it perfectly every time, and emphasize the uniqueness of your specialty.

A successful specialist needs to stay specialized. When you chase other product lines you erode your position as an expert. Amazingly, it's now possible to buy a taco or burrito at McDonalds. They went from hamburgers, to chicken, to fish, to pizza, and now to tacos and burritos. The golden arches are fast losing their identity. Whereas McDonald's used to be known for good hamburgers and great fries, now their food is mediocre in every category.

Southwest Airlines, on the other hand, has stayed focused since its inception. A few years ago their napkins said it all: "30 Years – One Mission – Low Fares." They've stayed focused. They've kept their unique differentiation by remaining operationally efficient with minimal expenses in order to maintain their low fares. Although other airlines have tried, none yet has matched Southwest's differentiating strategy and tactics. That's why Southwest is the number one airline in customer satisfaction. They deliver on their differentiating promise.

Another way to differentiate is through product **Preference**. Customers aren't always sure what they want. When customers don't know what they want, they follow the herd. They choose what other people are choosing. They buy what everyone else is buying. "Look for a restaurant with a crowded parking lot" is an accepted axiom when you don't know where to eat. "Nine out of ten doctors agree" means the product must be right for you. A recommendation by friends of a trusted auto mechanic is always believed and appreciated. Anything that tells people what other people think or how other people act is a good preference strategy.

The best part about this differentiating strategy is you can supply "what other people think" about your products. Is Tylenol really the pain reliever hospitals prefer, or has Tylenol just convinced us of that? Are Nike shoes really preferred by all of those famous athletes, or do they just wear them because they're given free pairs of shoes? Do nine out of ten doctors really agree that a certain product is better than another? And who are the nine doctors anyway? With some careful market research or a paid celebrity endorsement any product can be the preferred product.

When your product really is preferred by a segment of customers you need to exploit that differentiation. What other people think becomes even stronger when your claim can stand up to scrutiny. The more legitimate the preference the better your position.

How a Product is Made can be a unique differentiation. Many products often contain a piece of *technology* (Pentium III processor), a *unique design* (White Castle's square hamburgers), or a *special ingredient* (the "cleansing conditioners" in Pledge) that set the product apart from the competition. The differentiation may be the *way the product is made* (Burger King makes hamburgers "your way"), a *system innovation* (re-chargeable batteries), a *process improvement* ("in and out in five minutes"), or some other special characteristic. Handmade rugs, for some reason, are perceived to be better than machine made. The cleaning spray 409 claims to have "better cleaning power" (although it doesn't say why). According to Madge in the television commercials, Palmolive dish soap is supposed to be a good hand softener. Little mention was made of Palmolive's dish cleaning abilities.

In our rapidly changing, high-tech world being the **Next Generation** product is a great way to differentiate your company. Instead of trying to be better, companies should try to be next. No one wants to buy what is perceived to be an obsolete product. Your company can beat the competition by positioning your products as the newest or greatest. Leading companies are always on the lookout for the next generation of products. They seek ways to improve, redesign, or add technology as a way to create new generation products. They protect their position by staying on the leading edge of their industry.

Somewhat linked to the next generation strategy is the differentiation of **What's Hot**. As stated previously, people are like sheep. They want to buy what is hot and don't want to buy what is not. If your company is hot you need to tell everyone that you're hot.

Customers can easily tell what's hot and what's not. What's hot is what people are buying. It's what people are doing and where they are going. It's the trends and fashions of the day. It's such things as "the fastest growing company in the country," "the car of choice," "top of the bestseller list," "the place to see and be seen," "America's store", and similar claims. Usually these claims are substantiated by sales figures, industry ratings, or declarations by industry experts. However, your claim that you're hot must be accurate; otherwise your competitors will exploit your inaccuracy.

Because moods, trends, and whims change, a "what's hot" differentiation strategy typically is only good as an initial strategic thrust. The story behind your "hot" success should be used to set up a long-term differentiation. Popeye's spicy chicken is hot because the trend today is for spicy foods. Eventually the trend will shift. So Popeye's needs to find a reason why customers should stay with Popeye's beyond the spicy chicken bandwagon. You need to find a way to explain your success other than a mere link to a trend. The fact that you are hot today should be as a result of your being good in other areas.

Remember also that you can differentiate your business differently in different places or to different customers. Restaurant menus may need to vary in different regions of the United States or in foreign countries. Some brand images or product names do not translate well in some locales. Different cultures call for different approaches. If your company is spread across the country or throughout the world you may have several unique differentiating strategies specific to the locale of the business.

Staying Focused

Finally, let me provide you with one word of caution. The key to differentiation is focus. As companies grow they can lose focus. They tend to get caught up in the growth and want to grow even more. This can cause them to want to branch out, expand their product lines, or acquire dissimilar entities. Sometimes adding more to your product mix actually can weaken growth potential. The more you add the more you may risk undermining your unique differentiation. When your company becomes something other than what you are known for, you force people to change their mind about what you are about. You erode your special difference. This is what happened to McDonald's as it added the McPizza, McTaco, and other incongruent products. American Express lost focus when it got into the insurance business with Fireman's Fund. Many of the "dot bomb" companies grew too fast and forgot to deliver the product their customers wanted. The companies who do well are those who stay true to their product type, attribute, and segment.

As stated at the beginning of this article, sadly many organizations think the way to succeed is to emulate those in their industry who are doing well. In doing so, they stray from their unique difference in search of customers that their competitors already own. When they go after someone else's business their only hope is to be better than their competitors. But even being better doesn't guarantee customers will switch loyalties. A company can waste all of its time and resources trying to be better than the competition when all that is required is to be *different*. §

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