



## Meaningful Differentiation

By Jean Van Rensselaar

Many people want to create something new, but don't know how to come up with and develop differentiators that their market will embrace. That's what this is about – explaining the necessary elements of successful differentiation; identifying the best differentiating strategies for your type of business; explaining a proven brainstorming technique; and showing how your customers can help.

That's a lot for one article to tackle, so if you want to delve deeper into any of this, you'll find a list of resources at the end.

This isn't about outwitting your competition. In fact, this isn't about your competition at all. It's about coming up with an idea that is so great it will make everyone and everything else in your market irrelevant.

### The Three Essential Elements of Successful Differentiation

Just because something is different, that doesn't mean it's significant. Further, in order for *different* to be good in the eye of the consumer, the difference must be both significant and provable. Even further - in order for *different* to be good for your business it must be sustainable.

There are three pillars of successful differentiation:

- Significance
- Provability
- Sustainability

### Significance

There are a staggering number of new products and services hitting the market every year that no one cares about. The vast majority of these are spawned by large companies that can afford exhaustive market research – so it's not surprising that surveys and focus groups don't always work.

Why? Because they don't take place under real market conditions. Most people don't know what they'll want in the future; they only know what they want when they see it. Henry Ford said, "If I had asked my customers what they wanted, they'd have asked for a faster horse."

Because of this, I'm not a big fan of exhaustive market research – mostly because it's both expensive and unreliable. The much better strategy is to invest as little money as possible in the design and creation of the new product or service, strategically publicize your new offering, and do a full market test run for a limited time. This means creating the product or service using the best in-house intellectual and intuitive capital you have, letting the world know what you've created, and stepping boldly into the marketplace.

### Provability

If you want consumers to buy in, whatever claim you make about your new product or service needs to be easily verifiable. That means you need to use words to describe the claim that are succinct. "Beautiful", "enormous", and even "industry's finest" are impossible for consumers to verify – which means, those words are essentially meaningless. I know what you're thinking: *Even if I do make a claim that people can verify, how many people are actually going to do it?* It doesn't matter. We all have built-in lie detectors. We know the difference between a provable and non-provable claim.

For example, a home development that offers "beautiful homes in a lovely setting with the most square feet for the money" is like every other development in the eyes of the consumer. However, one that offers "Prairie-style architecture, lakeside lots, and 3,500 square feet for \$425,000" is another matter. The consumer knows that (the builder knows) all they have to do is drive by the development to verify the first two things, and read a contract to verify the third.

### Sustainability

No matter how much consumers love your new product or service, if you can't make a profit on it, you can't keep producing it. Be very sure, before you roll anything out, that this is something that will benefit your company in the long term. Don't count on raising the price or reducing production costs once it's successful. You should be producing your new offering as efficiently as possible and offering it for the best price as soon as it hits the market.

Again, I know what you're thinking: *Aren't some people willing to pay more for a product just because it's new?* Yes, but that applies to a select group of products and services marketed to a sharply defined group of consumers. It probably doesn't apply to what you're selling.

Before you start any brainstorming, think *significance, provability, sustainability*.

### Some Ideas for Differentiation in Your Industry Type

Some people will tell you that differentiation is only for rapidly growing sectors. That's not true. The fact is, you can bring a new product to market profitably in any of the five following industry types:

- Emerging industries
- Maturing industries
- Stagnant or declining industries

- Fragmented industries
- Leader - dominated industries

And here are some strategy ideas for each industry type.

Emerging Industries – they spring up quickly, attracting attention and investment in the early phases.

- Create a bold, win-early strategy – quickly make your product the standard that consumers want.
- Super-serve niche markets – create something for a market that is too small to interest bigger companies.

#### Differentiating Errors

- Attacking the leader
- Trying to be all things to all people
- Abandoning what made you successful
- Differentiating with a trivial attribute
- Making empty claims
- Waiting until you're 100 percent sure

Maturing Industries – demand has slowed; there is excess supply and international competition.

- Create something for major customers – you can service large customers more efficiently than smaller customers. It's also easier to maintain price competitiveness with large customers.
- Expand to new markets – Look for less saturated markets with customers who are not using products or services in your category. Create something just for them – an example is the \$100 laptop created for Third-World countries.

Stagnant and Declining Industries – there is either no growth or the industry is shrinking.

- Focus on a niche with growth-potential. You've heard this before: *The definition of insanity is doing the same thing over and over and expecting a different result.* But it's not always true. You can often do the same thing you are unsuccessfully doing in your market very successfully in another market. So find a market that doesn't need your product and create something similar that it does need. For example, if you're currently designing and manufacturing exercise shoes, design exercise shoes for pregnant women.
- Innovate – the staler your industry is, the more you should focus on innovating, not just differentiating – go for the bold move.

Fragmented Industries – there are many businesses – none of which has a large market share.

- Focus on a local market – create customized products and services.
- Franchise – create a simple, standardized, no-frills business model that you can easily replicate.
- Specialize

Industries with Dominant Leaders – one or two behemoths have a lock on the market.

- Focus on long-term differentiators – leaders, forced to focus on quarterly profits to appease shareholders, have less ability to look for long-term trends and invest in long-term projects. Seek out and capitalize on anything both forward looking and long term.
- Take advantage of your superior market knowledge – since smaller companies are closer to the ground, they often see the market better than larger companies – consider products and services geared to an underserved market.

Look at the negatives of your industry type and think about the opportunities they create. For example, a declining growth industry is inherently a volatile industry. With a sharp eye, you'll see gaps opening up as businesses either exit the industry or streamline their offerings.

## The Best Brainstorming Technique in the World

This idea-generating method originated with Alex Osborn, but was simplified by Michael Michalko (author of *Thinkertoys* – which you should keep under your pillow at night if you're serious about differentiating).

Michalko calls the method SCAMPER – which is an acronym for the types of questions you can ask yourself (or your group) that will spur ideas. Following are the basic differentiating SCAMPER strategies with in-depth questions for each strategy.

- S – Substitute something
- C – Combine it with something else
- A – Adapt something to it
- M – Modify or magnify it
- P – Put it to some other use
- E – Eliminate something
- R – Reverse or rearrange it

Some of the following questions apply to products and some to services – most apply to both.

To generate *substituting* ideas, ask questions such as these:

- Who or what can I substitute?
- Are there other ingredients, materials, processes, or procedures I can substitute?
- What other format can I use?
- Is there another approach?

To generate *combining* ideas, ask questions such as these:

- What ideas can I combine?
- What purposes can I combine?
- What materials can I combine?
- What resources can I combine?
- Can I create an assortment, a blend, or an alloy?
- What can I combine to multiply uses?

To generate *adapting* ideas, ask questions such as these:

- What other idea does this suggest?
- What could I copy?
- What idea could I incorporate?
- What different contexts could I use?
- What ideas outside my field can I incorporate? (a classic innovation generator)

To generate *modifying/magnifying* ideas, ask questions such as these:

- What features can be added, made larger, or extended?
- What functions can be added?
- What can be duplicated?
- How can I modify this - what other form could this take?

To generate *putting it to some other use* ideas, ask questions such as these:

- What else could this be used for?
- Are there new ways to use this as it is?
- What else could I make from this?
- What other fields could use it?
- If the production process generates a waste product, what could I do with it?

To generate *eliminate* ideas, ask questions such as these:

- What can I reduce or omit?
- What doesn't this need?
- What if this were smaller?
- Can I divide it or separate it into different parts?
- Can I condense or streamline this?

To generate *rearrange and reverse* ideas, ask questions such as these:

- What arrangement would work better?
- Can I switch components around?
- Is there another possible pattern or layout?
- What if I turn it around or upside down?

### The Obviously Right Differentiator

Following are four tests of obviousness.

1. The solution is elegantly simple.
2. You can explain the solution in 50 words or less.
3. People not familiar with your industry "get it".
4. The solution resonates strongly with others in your company.

### Incubate

The best results come hours, days, or weeks after intense brainstorming. I've found that the more intense the brainstorming, the longer it will take for the answer to come, and the better the answer will be.

Assuming that there's no eureka moment during the brainstorming session, settle in for a period of incubation. Absorb yourself in something completely unrelated – a sport that requires intense activity (tennis, not golf); a hobby that involves concentration (watercolor painting, not gardening); reading a book (non-fiction, not fiction); anything involving numbers (math, spreadsheets), etc. Or deliberately think about the problem intensely before falling asleep.

### Is the answer simple?

Did you ever think you had the solution to a problem, only to find that the more you thought about it, the more the solution started expanding and spinning out of control? Those endlessly expanding answers aren't correct. Experts say that the correct answer is always simple – the one that, in hindsight, seemed so obvious.

### Does the answer excite you?

You should feel excitement coursing through every cell of your body. If you're in a meeting when the answer comes, you'll find that after you explain it there will be stunned silence followed by spontaneous and unanimous agreement.

### The final test

No matter how right the answer seems, verify it. You should only trust your gut if your head gives the OK. Talk to others, both people that are familiar and unfamiliar with your industry. Do some preliminary legwork, run the numbers, price materials, do a patent search, etc. Your intuition won't know that the price of carbide doubled in the last three months.

## Get Your Customers to Help

The people who are already using your product or service are an excellent source of differentiating ideas. The best part is, all you have to do is create a simple online forum on your website and ask.

Follow these basic steps.

1. Create an “Idea Forum” page on your website.
2. Decide whether you want people to contribute fresh ideas or work on an existing challenge.
3. Write down the goals and process and post it on the Web page.
4. Once the Web page is up and running, invite as many of your customers as possible to participate. Offer a small incentive and consider a prize for the best idea.
5. Encourage interaction by commenting on ideas – asking for clarification, asking what others think, etc. By closely monitoring and commenting on ideas, you keep the process focused and avoid a large number of random, disconnected ideas.

Here's how this works. A pet food company invited 320 dog owners to an online forum with the theme, “Creating the perfect dog treat.” The assistant marketing director kept a close eye on the ideas. For example, someone suggested treats shaped liked chunks of beef and packed in a flip top can with a plastic lid. The assistant marketing director asked why? The commenter said her dog would like the sound of the lid opening.

Participating dog owners received a coupon for a free 5 lb. bag of dog food. The names of everyone who contributed to the winning idea were entered into a drawing and the winner received an all-expense-paid trip for four to an upscale retreat in Labrador, Canada.

In just eight weeks, the community generated more than 180 ideas – 15 of which were considered for development. Of those, three were formulated and tested and one made it to store shelves.

## Differentiate or Die?

Contrary to common wisdom, if you don't differentiate you probably won't die. But you probably won't grow. For some, differentiating will be one of the most exciting adventures their business takes. It will be a time filled with inspiration, planning, optimism, and empowerment. For others, it will be like a trip to the dentist – grueling and nerve-wracking but necessary. Either way, once it's over, you'll ask yourself why you waited so long.

## Resources

### Online

Basics of Differentiation theory

<http://www.cabrillo.edu/~dambrosini/50Web/classsessions/session15positioning.htm>

More brainstorming techniques

[http://creativethinking.net/WP01\\_Home.htm](http://creativethinking.net/WP01_Home.htm)

Article on B2B differentiation

<http://www.marketingprofs.com/5/thull5.asp>

### Books

The ultimate brainstorming guide:

*Thinkertoys – A handbook of creative thinking techniques*, by Michael Michalko.

Differentiating strategies for major business sectors:

*Bankable Business Plans*, by Edward G. Rogoff.

A classic on differentiation:

*Differentiate or Die*, by Jack Trout

#### Articles

*Finding Your Next Core Business*, by Chris Zook. Harvard Business Review, April 2007.

*Marketing Success Through Differentiation – of Anything*, by Theodore Levitt. Harvard Business Review, January 1980.

*Discovering New Points of Differentiation*, by Ian MacMillan and Rita Gunther McGrath. Harvard Business Review, July 1997

#### About the Author

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