Choosing Success: Navigating Strategic Choices to Focus Your Marketing

BY LINDSAY PEDERSEN

To live is to choose. But to choose well, you must know who you are and what you stand for, where you want to go and why you want to get there.

– Kofi Annan, Former Secretary General of the United Nations

The old marketing adage "You can't be all things to all people" is relentlessly true. It is true for the very practical reason that you don't have enough resources to do everything AND to do everything well. So you must choose who you are, to whom you are speaking, and what your core message is to your audience. By making these choices in a disciplined, thoughtful, decisive manner, you plot the most direct course for achieving your vision.

Choice #1: Decide which mountain to climb.

CHOOSE YOUR BUSINESS OBJECTIVE

First, choose what to aim for. What does success look like? Paint that picture for yourself, and be specific. Articulate metrics, timing, and any other details that will keep you accountable to your objective. Strike the appropriate balance between goals that are ambitious enough to be motivating and realistic enough to be achievable.

Optimizing for the long term typically requires focusing on market share in the short term. The tradeoff, of course, is that you need to spend to attain market share, and spending offsets your short-term profit. But building market share in the short term can be your longer-term competitive advantage as it paves the way for sustainable profitability. With scale, your costs are lower, and the pace of your revenue growth will be stronger, driven by momentum and network effects. So in the long term, greater profit potential springs from larger market share.

> Choose goals that are ambitious enough to be motivating and realistic enough to be achievable.

Amazon is an example of a business that, since its online launch in 1995, singularly focused on market share build. It took until January of 2002 for Amazon to report its first net profit. But during that time, Amazon became the largest online retailer in the world, offering “earth’s biggest selection,” enjoying vast cost advantages because of its share and scale. An unwavering focus on building market share is one of the reasons for Amazon’s stunning and enduring success.

Another choice you could make for your objective is profit, which may be the appealing choice if growth is not the priority. For example, if you were in the business of selling fax machines – not a growth category - you likely would choose an objective aimed toward harvesting profits. Spending to build market share in a shrinking category rarely earns a strong return, even in the longer term.

Realistically, most of us do need to turn a profit in order to continue. The point is: there is tremendous power in the focus you choose. Let focus be your friend. Being ruthlessly focused in your choice empowers you and your employees to spend time and allocate resources where they will bear the most fruit.

Choice #2: Think outside the Frappuccino.

CHOOSE YOUR COMPETITORS

Competitors include anyone who wants your customers. It is a mistake to look only at your immediate category for your competitors. Look also at substitutes: businesses selling products that answer the same customer need as yours does. If you are Starbucks, selling Frappuccinos, you are not only competing with other iced coffee beverages. You are also competing with other products that answer a refreshment need: soda, lemonade, iced tea, etc. Said another way, if you run the Frappuccino business, you are not just in the iced coffee business – you are in the refreshment business. Businesses that sell soda, lemonade and iced tea near your cafe want your customers, thus they are your competitors.

Identify businesses selling products that answer the same customer need as yours does.

In the early 1900s, when people needed to travel long distances, they did so by train. Then the phenomenal innovation of passenger air travel became a viable solution to the need of long-distance travel. Railroad magnates failed to define their competitive set broadly enough, and over time, lost their customers to airlines. Instead of being in the railroad business, the railroad companies should have been in the business of enabling long-distance travel – and thus should have identified airlines as competitors. Today, passenger rail companies are all but gone, and airlines own the customer need of moving people long distances.

DEFINING YOUR COMPETITIVE SET

If you ARE...	Your competitors ARE...
Selling perfume	Selling scented body lotion, hair cream, and essential oils
Selling breakfast cereal	Selling breakfast bars, fast-food sandwiches, and lattes
CISCO, selling routers	Any company transporting electronic information, including cloud services like Google’s

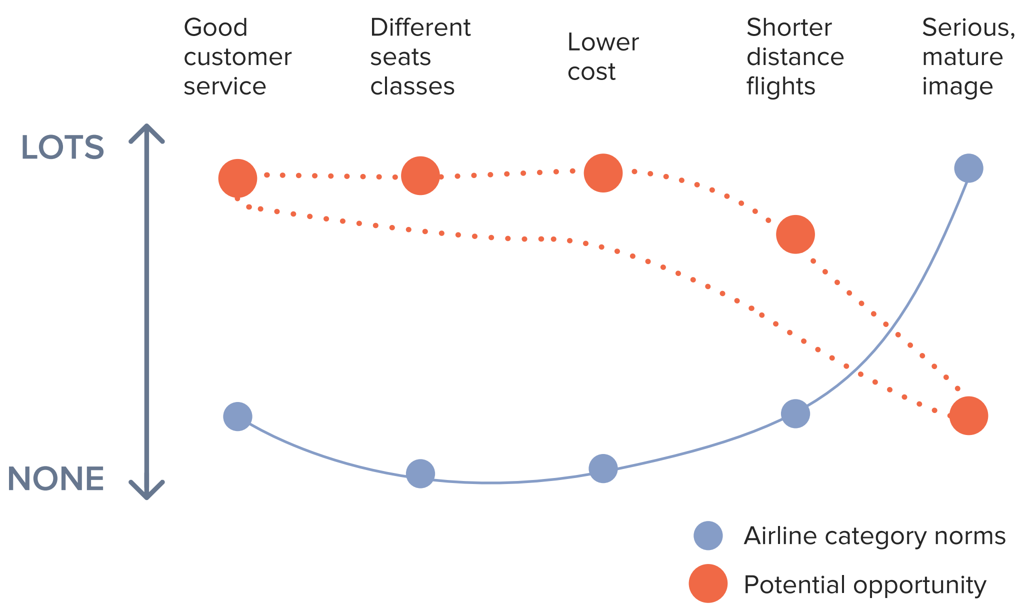
POSITIONING

Once you have identified your competitors, map out what benefits and differentiators they own, and chart where on that map you are, and where you want to be. Your positioning is the choice of what you own in the context of your competitors: in a relative context, it is the choice of who you are, and just as importantly, who you are not.

Consider Southwest Airlines. When Herb Kelleher founded Southwest in 1971, all airlines were crowded into a similar position. No one owned low-cost business travel with excellent customer service. Today, Southwest Airlines is one of the world's most profitable airlines, posting a profit for the 37th consecutive year in January 2010.[1] They did it by claiming the previously unoccupied position of low-cost business travel with excellent customer service, and importantly, used the four Ps of product, price, place and promotion to express that position. Herb Kelleher likely conducted an exercise like the one below, in order to identify the white space for differentiation.

> Who are you in the marketplace? And just as importantly, who are you not?

POSITIONING: AIRLINE CATEGORIES



[1] Gill, David. *Happy 40th Birthday, Southwest Airlines! Ethix.* Seattle Pacific University. 11 Jan 2011. Web. 4 Apr 2011.

Choice #3: Identify your match made in heaven.

CHOOSE YOUR CUSTOMER SEGMENT

A segment is a group of customers who buy for the same reason, and therefore seek the same benefit in a product. Select the consumer segment for whom your product benefit will most resonate. Be precise about who they are. If you market chewing gum, do not just choose "gum chewers" as your target. There are many reasons people chew gum. Why do your consumers chew yours?

Bubblicious and Orbit are two successful chewing gum businesses with two different target consumer segments. Bubblicious's target segment is pre-teen children, while Orbit's is social, on-the-go, young adults. Kids who value the tasty, bubble-blowing possibilities of bubble gum – that's one target segment. Adults who value the breath-freshening benefit of sugar-free gum – that's a different target segment. (Notice that Orbit not only competes against other breath-freshening gum products – it competes against other breath-freshening solutions, as well.)

> Precisely define the customer segment that will most benefit from your specific product.

REACHING FOR CUSTOMER SHARE

Once you've identified your customer segment, it's important to consider not just the product, but the lifetime value of the customer. Product categories evanesce and morph. So it is better to focus on building goodwill with your customer, rather than merely dominating a specific market your customer happens to buy from at this moment. Thinking in terms of customer share, rather than market share can actually open doors to new markets.

For most of its history while the soft drinks category was growing, Coca-Cola measured its success based on share of the soft drink market, as in, "who has more vending machines in Asia – Coke or Pepsi?" During the 90s, Coca-Cola's market share continued to swell, but revenue and profits were sinking. Why? It turned out that Coca-Cola consumers were migrating from soda to bottled water. Market share of soft drinks was healthy, but revenue and profit were down because the soft drinks category was in decline.

Coke redefined its share metric to be customer-based rather than market-based: “share of the consumer’s stomach” instead of “share of soda market.” In broadening its share metric, Coke expanded its growth potential; there is more headroom for Coke growth when they develop products their consumers want to drink, rather than merely reinterpreting soda.

SHIFTING TO A CUSTOMER SHARE PERSPECTIVE

Market Share → Customer Share

Wise companies closely watch customer needs and move beyond their traditional boundaries to meet their future customer. Take a look at these shifts from market share to customer share:

Product	Original Goal	Expanded Goal
Coca-Cola	Share of soda market	Share of stomach
Levi’s	Share of jeans market	Share of closet
Visa	Share of credit card market	Share of wallet
IBM	Share of computer market	Share of data

Choice #4: What’s in it for your customer?

CHOOSE YOUR VALUE PROPOSITION

The value proposition is the heart of your marketing strategy. This phrase is vastly overused and often misused, so let’s take a look at its etymology to ensure we’re thinking of it with the weight it deserves.

“Value” comes from the Latin val which means “worth.” “Proposition” comes from the Latin proponere which means “to put forth.” Literally, a value proposition is: what are you putting forward that is of worth? The heart of the value proposition is the benefit statement. Benefit (*bene* - Latin again): the "good" of your product, on which the consumer places so much value that she's willing to part with her hard-earned money to enjoy it.

Let's revisit the two chewing gum brands we discussed before. The benefit of Bubblicious chewing gum is "the ultimate bubble" experience, owing to its smooth, resilient texture. The benefit of Orbit gum is that it freshens breath, "for a just-brushed, clean feeling," owing to its strong menthol content and abrasive texture. The benefits for Bubblicious and Orbit are as different as their consumers are, because different benefits are of worth to different consumers.

MARKET YOUR BENEFIT, NOT YOUR FEATURE

When crafting your value proposition, remember that customers do not buy features – they buy benefits. They do not buy 4-wheel suspension automobiles – they buy the smooth ride that the 4-wheel suspension feature enables. If you have a terrific feature that you believe is in demand and differentiated, ask yourself, "What benefit does this feature provide my customer? "

In determining your value proposition, lean on this equation:

VALUE = BENEFITS - PRICE

Put another way:
VALUE = What you deliver - What customer gives you in return

This equation is at the very heart of your business, because herein lies the exchange of what you want (your customer's money) and what your customer wants (the benefit you are promising).

In the long run, increasing benefits is always a better strategy for at least two reasons. First, there is no ceiling to what you can charge for a benefit, while there is a limit to how far you can lower price (because you need to cover costs. After all, you need to cover your costs, and even with a zero marginal cost product, you cannot lower price below zero! Second, a compelling benefit can be a sustainable competitive advantage for your business, while lower price cannot, because motivated competitors can usually match price decreases.

Conclusion

Success is not achieved by being all things to all people; rather, it is accomplished when clear choices are made and followed as blueprints for marketing activities. We've discussed four key strategic decisions that set the stage for any business:

- Choose your business objective
- Choose your competitors
- Choose your customer segment
- Choose your value proposition

When you make conscious, intelligent choices in each of these areas, you gain the focus needed to achieve your goals. If you fail to make these decisions, you cede the power of choice to your competition. When you make these decisions thoughtfully, you seize this power by focusing your marketing efforts, empowering your employees, and ultimately bringing success to your business.

IRONCLAD BRAND STRATEGY | POSITIONING YOU FOR GROWTH™

Ironclad principal Lindsay Pedersen is a brand strategist with a scientific, growth-oriented approach to brand building. She has advised companies from burgeoning startups to national corporations, including Zulily, Starbucks, T-Mobile, Coinstar and IMDb. Lindsay's brand strategies are tested in the crucible of her proprietary Ironclad Method. She arms leaders with a powerful, ironclad brand positioning, so they can grow their business with intention, clarity and focus.

Find additional white papers, client case studies, service packages, and our Ask Lindsay column which answers big questions about brand positioning, at:
www.ironcladbrandstrategy.com

