

The Surprising Secret of Successful Differentiation

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Successful differentiation

A successful differentiation is not imitated by your competitors, even though it brings you unmistakable success with consumers. It seems impossible? Not quite so. I am about to reveal to you the unexpectedly simple and wonderful secret of successful differentiation: you must think beyond the core benefits of your product category. Think: **Off-Core Differentiation**.

"Core Benefits" are the benefits that the consumer already expects to receive from a product like yours. This is the list of "what's important to the consumer." "Core Benefits" are more than the essential product benefits. The core benefits of today's cellular phones include much more than the possibility of conducting a conversation while you're in motion. Everything that the consumer has already come to expect from the product is included in the core benefits. These are the benefits that all of your competitors offer, because they compose the essence of the product and it is impossible to compete in the market without them.

That is precisely the reason why if you really invest your efforts and are truly brilliant and make a major break-through in improving core benefits - do you know what will happen? They'll imitate you as fast as possible. That's what will happen. You must understand: in that case, your competitors can't allow themselves not to imitate you. You'd do exactly the same thing.

Many companies have learned this the hard way:

Starbucks thought that their coffee shops would be cozier and look more like a neighborhood hangout if all their chairs weren't identical and if they had easy chairs and sofas. What a great

idea! Today, you'll find it in almost every coffee shop in the world.

Colgate Palmolive combined all of the known beneficial characteristics of toothpaste and created Total. The innovation caught on completely. I would dare to say that there isn't even one manufacturer in the world that hasn't imitated the idea, first and foremost Crest from P&G.

Volvo created its brand around a central core benefit: safety. They did everything humanly possible! They invested limitlessly! And they succeeded! They especially succeeded in convincing their competitors that it is very important to invest in safety. Today, no one will tell you (except for a few out-of-date marketers) that safety is Volvo's differentiation.

I could go on and on, but I think you've already got the message. So what should you do?

In order to create a differentiation that won't be imitated, you have to think beyond the core benefits that are (already or even just in potential) considered important in your market. It works time after time. The companies that have succeeded in maintaining their differentiation over the years and weren't imitated even though they were making tremendous profits are those that innovated in qualities beyond the core benefits of their market.

A naked differentiation

In Canada, there is a news company which according to no lesser authority than Time magazine "offers the best international coverage this side of the BBC". The company is called Naked News, and it broadcasts upbeat news and current events programs to more than 172 nations daily on the Internet and reaches a potential weekly television audience of 34 Million in United States and many more million viewers in UK, Australia and several other countries around the world. Naked News is also available as V.O.D. in over 1.4 million hotel rooms in North America, Caribbean and Europe. The Naked News content is available daily to wireless mobile phones and handheld devices. Naked News digital products are cable and satellite-ready, and available for licensing in English, Spanish and French language distribution.

Most of what the managers and other workers in this news company do is exactly what their colleagues in any other news company in the world do. But Naked News has a little something that they do differently, and that's the reason that some viewers prefer to watch them (and to pay a premium price!). Tagged "The channel with nothing to hide", Naked News' attractive anchor persons (well, mainly young women) cover politics, business, sport and entertainment - all naked.

Their differentiation has no connection to the core benefits of a news company. What they are doing in order to make themselves distinct seems strange, even shameful and irrelevant to their competitors. And so the chances that someone will imitate them are small.

Now, think about Apple. At the beginning, their differentiation was the operating system with a user-friendly interface. That is very important to the customer! As computer users were increasingly regular folks and not computer pro's, that user-friendliness became an important core benefit. Could Microsoft afford not to imitate them? Of course not! Over the past few years, Apple has changed its approach. Now, their differentiation is based on sophisticated design, an approach that views the computer as a part of the well-designed office, while the laptop is a show-piece. Is anyone in a rush to imitate them? Not really. In general, computers have become less-ugly, but no significant competitor sees its computers as an opportunity for designers to go wild in the way that Apple did.

What are they waiting for?

Virgin Atlantic is one of the examples I like the best. As an airline company (in the usual sense of the term) it's not any better than any of the other companies. It doesn't have better planes or more comfortable seats. It's not on time more often, doesn't fly faster, doesn't serve better food or offer a better timetable of flights than British Airways, for example. But it's a company that almost always does some things differently. But please note - none of these belong to the core benefits of the "airline company" category.

And the result: although Virgin Atlantic has been successful for several years and has taken a good chunk of the market and its competitors' clients, British Airways isn't imitating them. Why? Because Virgin Airlines seems ridiculous to them (Remember: they don't do things

that are critical for the consumer!) The serious people at British Airways say to themselves, "A massage on a flight?! Who wants a massage on a flight! Let those weirdo's at Virgin Atlantic offer massages on flights – it suits them!"

Do you need more examples?

Swatch decided to treat the watch face and band as a design area. What does this have to do with the core benefit of a watch? Exactly! So no one has imitated them.

What about The Body Shop? There's no place for another cosmetics chain that actively fights against animal experiments, for the environment and for the needy wherever they are. No one even thinks about imitating them.

The mob and the mobile

Sometimes an off-core differentiation can become eventually a core benefit. This happened to Nokia. It happens when the differentiation is not really off-core but is actually based on a deep insight into the direction that the market is going and of consumers' future needs. Nokia took the global market with a classically off-core strategy. While Motorola was busy developing better and better mobile phones, Nokia predicted that mobile phones were going to be a popular product. When people will start carrying their cellphone around with them as they go about their everyday life, it will become an apparel item, a fashion statement. And thus the idea that helped turn Nokia into the world leader was born – the idea of the exchangeable panels that let you match the phone to your clothes. It didn't seem like a core benefit of the category back then. Totally not connected to what a mobile phone is supposed to do.

But when the technology of most mobile phone manufacturers became similar, they began to compete over design. Samsung started to beat Nokia, using its own weapon. Recently, Samsung has joined with Vogue Magazine and designer Diane von Furstenberg in an attempt to lead the cellular fashion. As I am writing, Nokia's share of the market is still double that of Motorola's (do you realize what a lead Nokia was able to open?), while Samsung is trailing behind both of them. But Nokia has lost its differentiation.

Today, Nokia is looking for a new off-core differentiation, but it still hasn't found it. It's leading the competition over the mobile phone as a personal entertainment center. This idea stemmed naturally from the technological developments of 3G; thus it is a core benefit of the category. In sales of phones with a camera and 3G sales, the gap between Nokia and Motorola is closing. What will happen next? Time will tell.

You may say that only a few companies have become leaders by means of an off-core differentiation. Let's not argue what is "many" and what is "a few". By the way, most companies never become leaders, nor need they become. However, if you are in a competitive market and trying to make a living, an off-core strategy is the best chance you have to give a group of consumers a good reason to devotedly prefer you and even create a private monopoly for you.

Open a window

I'm not trying to argue that differentiation within the core benefits is a bad idea, if you can do it. It opens a window of opportunity for you, until they start to imitate you. For a man like Michael Dell, that was enough to become a billionaire. Dell changed the way in which personal computers are sold. Michael Dell understood that from the moment that personal computers became standardized (thanks to the IBM clones on the one hand and to the foresight of Microsoft in the 1980's, on the other hand) – people would buy them over the phone and later, over the internet. Dell also understood that since personal computer components are standardized anyway, you can put them together to suit each user's needs. That wasn't an Off-Core Differentiation. Dell simply saw where the trends are leading to. Today, everyone sells computers this way, but the period of time in which he had this shining differentiation made him one of the richest people on the planet.

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