

Differentiate In Ways That Matter To Customers

HOW TO SEIZE YOUR
COMPETITIVE ADVANTAGE

Businesses Need To Grow

Executives have to make decisions every day about their business in order to grow – decisions about their sales strategy, customer experience, product, marketing – you name it.

What business challenges keep you up at night?

- How are we going to reach our revenue goal for the year?
- How can we succeed in a commoditized market?
- Is our pricing appropriate?
- How can we better engage customers in social media?
- Where do we start with rebranding?
- How can we retain the customers we're losing?
- What can I do to ensure the success of a new product launch?
- What's the secret to beating our competition?
- How can I improve the image of our brand?

Wow, that's a lot. No wonder you can't sleep.

Here's our secret: when you focus on differentiating in ways that matter to your customers, everything else falls in line. You can confidently make decisions and produce powerful growth outcomes for your business.

Read on to learn how to put it to work for you.

How It All Started

An Introduction

BY JOE URBANY, PHD, CO-FOUNDER OF VENNL

After 17 years as a marketing professor, teaching, doing research, and working with companies, I settled on a 9-word imperative to help students understand competitive strategy:

Be different from competitors in ways important to customers.

I was pretty excited about this phrase – I believed it reduced a lot of important literature in economics, marketing, and strategy in a simple, accessible way.

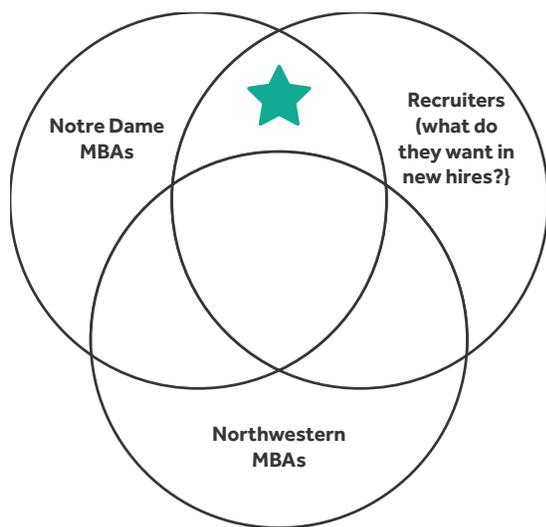
One problem, however. The students did not share my excitement. Some wondered why their professor was stating the obvious.

That is the paradox in these nine words. They are simple words, but the reality is there is a lot of complexity in applying this nine-word prescription.

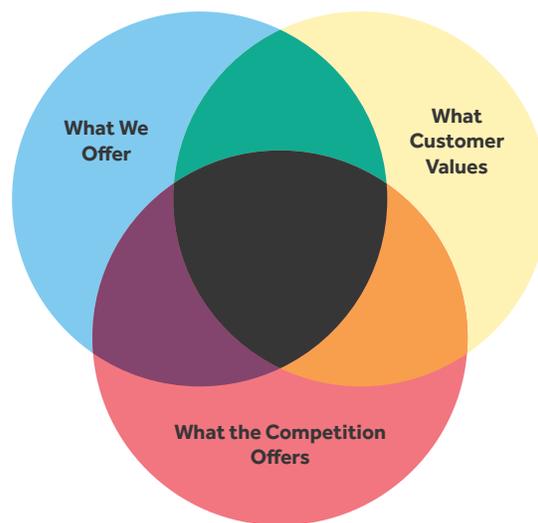
One January, in my job as Associate Dean of Graduate Programs at the Mendoza College of Notre Dame, I was preparing staff and students for strategic planning meetings.

I had a meeting with the President of the MBA Student Association. At the time, a variety of new school rankings had just emerged, and it was becoming an increasingly competitive MBA marketplace. One point I wanted to explain to him was that we had to push beyond the traditional view of strategic planning as “how do we allocate resources?” Instead, we needed to consider “how do we build competitive advantage?”

To illustrate, I drew three circles.



The upper right circle captured this customer’s (recruiters) set of needs regarding new MBA hires. The other two circles captured how candidates from our program were believed to deliver value for those recruiters relative to the students from top competitors (like Northwestern).



The primary point of the drawing was what Vennli now calls the “Green Zone.” This area represents those nine words precisely. It is the important value we deliver to customers that competitors do not.

Encouraged by the reaction to this explanation, I began to apply this framework in other teaching and consulting scenarios, including an executive MBA course I taught with Jim Davis.

I organized my course around a growth strategy project focused on real-life business challenges faced by these executive students. It involved conducting research about customer value visualized using this three circle Venn diagram.

Translation: I made my executive students go out and talk to their customers about how they made their choices.

This was a frightening assignment for many of them, but my students obtained significant new insight by asking about customers’ choices and visualizing their data this way. And they turned these insights into action.

Once value is categorized, what follows is a natural brainstorming process. Executives generate ideas within each area to build, defend, and strengthen their competitive advantage, neutralize the competition, reduce cost, and innovate around unmet customer needs.

One major Archdiocese increased fundraising for a scholarship program by 71%. A community hospital was able to increase its emergency room volume by 7% almost immediately. One executive student grew his wife's counseling business by \$180,000, while another increased revenues in his family's business enough to pay for his EMBA degree "three times over."

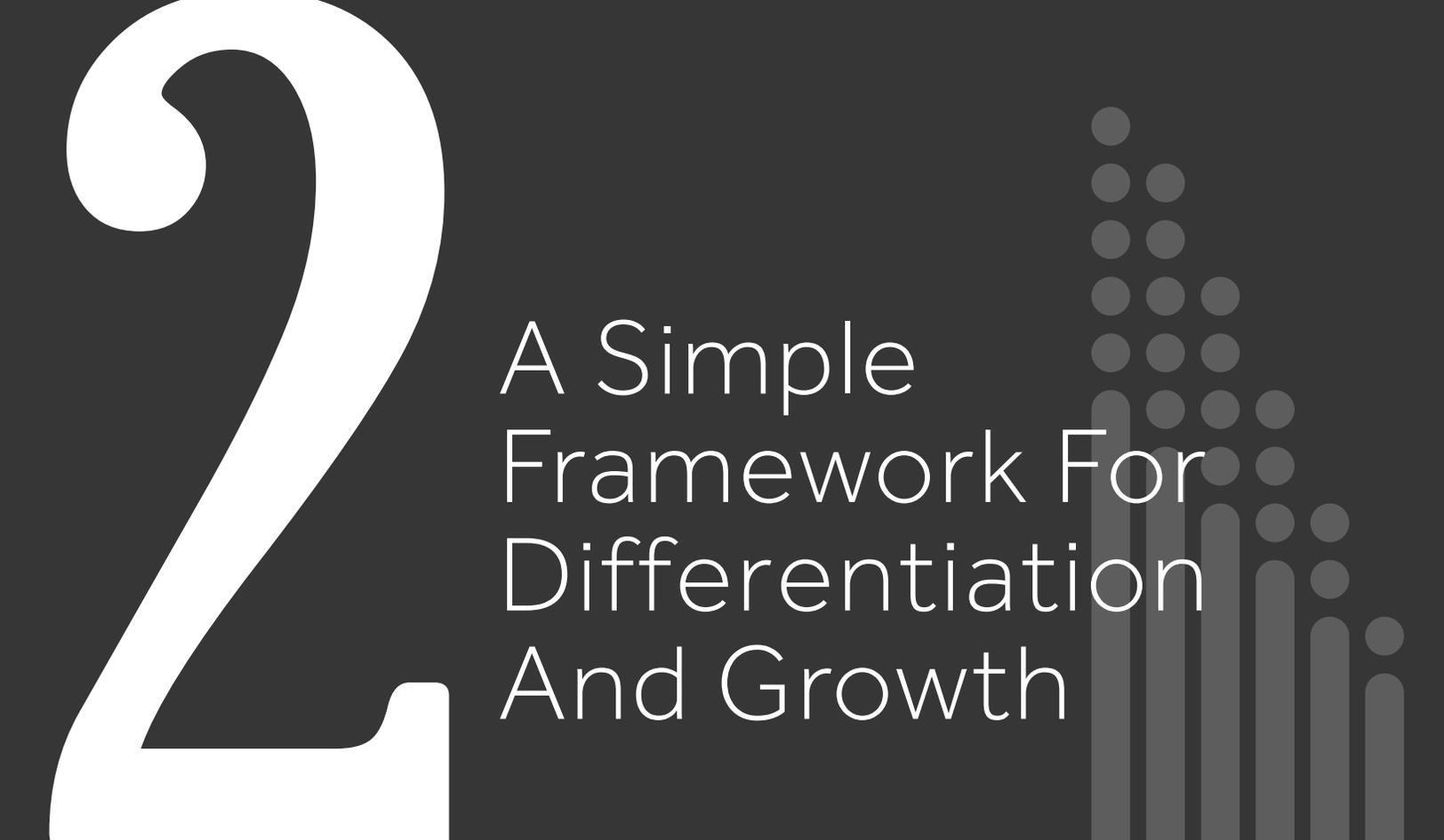
In a fun volunteer project, a VP of human resources who had recently become president of the Music Boosters club at her daughter's high school, doubled the sales of the organization's football concession stand.

Another class project resulted in a \$100 million shift in spending for the technology division of a major stock exchange.

Over seven years, our Executive MBAs and other graduate students have produced over 800 growth strategy projects. Dave Erickson, VP Acquisitions & Investment Strategy at S&E Investments, summarized the impact of applying this framework:

"The customer interviews provided terrific guidance and insight as to the 'why' behind their buying decisions. In addition to improved customer communications, it incubated revenue growth strategies, a promising multi-million dollar cost savings plan, increased efficiency, and underscored my customer's priority."

The framework provides a way to visualize customer data in order to deliver on those nine simple words. It can be applied to any business challenge to reveal how to differentiate in a competitive market.



A Simple Framework For Differentiation And Growth

Decisions Can Be Overwhelming

Business leaders make hundreds of decisions each day within a complicated context. Many factors can influence the success or failure of a given choice.

Adding to the challenge of making effective strategic decisions, there are dozens of ways to segment customer markets and position your offering. The number of possibilities and pieces of data to integrate can be overwhelming.

So what frameworks can help us get organized? Let's consider a few popular models.

The standard marketing framework is summarized effectively by Robert Dolan. For starters, it presents five environmental C's (company, customer, competitor, collaborators, and context). The framework then describes strategy development via the STP acronym (segmentation, targeting, and positioning) and tactics in the famous 4 P's.

In contrast, Michael Porter's widely influential competitive strategy framework argues that a firm needs a clear competitive position in the market to be profitable.

Here's the problem. While powerful and filled with important insight, each of these frameworks is quite complex to apply in practice.

These frameworks seek to organize market and company knowledge for strategic decision making, but they can't reduce the natural complexity of the marketplace.

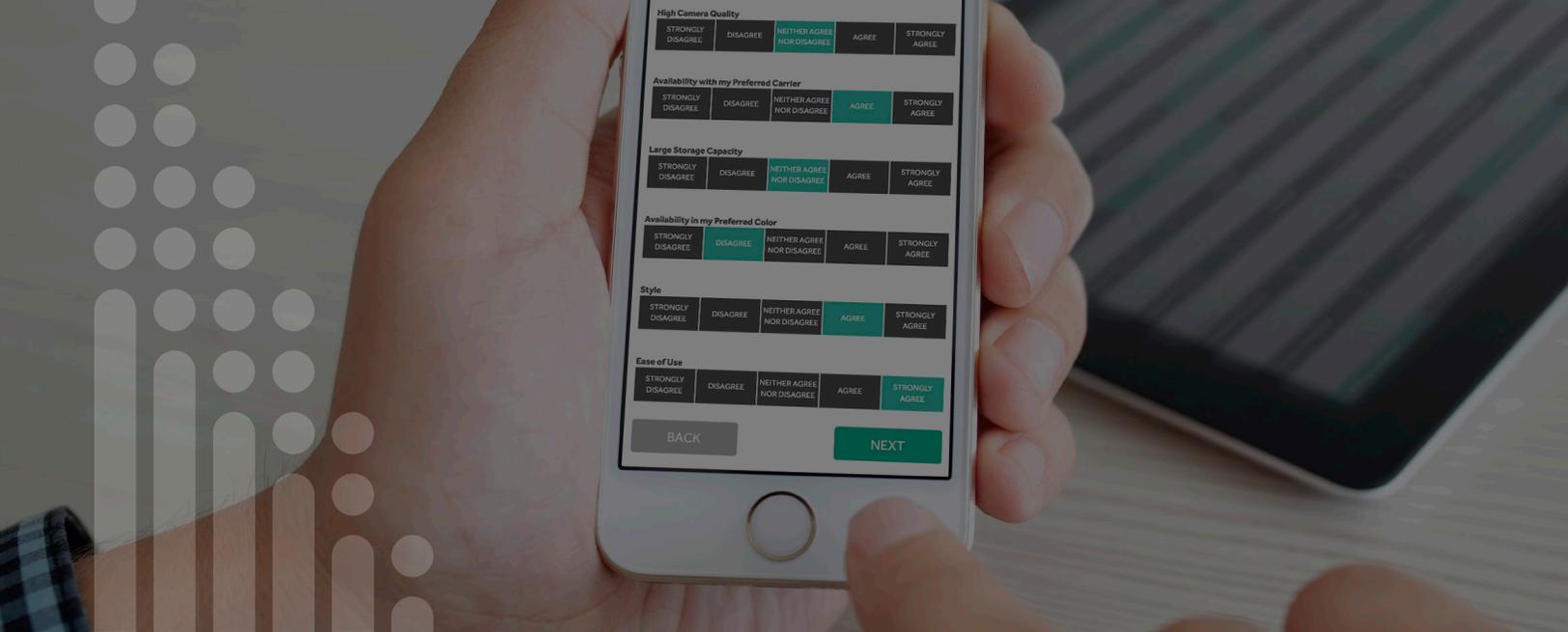
Leaders today need frameworks that can keep up with the fast pace of their business – allowing them to quickly organize important inputs to make good strategic decisions.

To grow your business, create value that matters deeply to customers, is different from competitors, and is based upon unique company resources and skills.

To Porter, strategic opportunities can be evaluated using five key competitive forces: buyer power, supplier power, the threat of new entrants, the threat of substitutes, and overall competitive rivalry.

A third well-known framework is the resource-based view of the firm initially proposed by Wernerfelt and later elaborated upon by Barney and others. It defines competitive advantage based upon the firm's ability to assemble a bundle of resources and capabilities that can't be imitated or substituted and are valuable to consumers.





Simplify. Then Act.

However, these frameworks, taken together, outline a way for businesses to create value that:

- matters deeply to **customers**
- is different from **competitors**
- and is based upon unique **company** resources and skills

These are three pretty important principles. But, to apply them effectively, you first need to change your goal when it comes to competitive strategy.

Most of us tend to think that the goal in developing strategy is to beat the competitor, to “optimize positioning,” or to maximize profit.

But that’s not the case. At the core, **the goal is to win the customer’s choice.**

Why is this important? This frame puts a laser focus on one of the most important yet largely unspoken economic facts in existence: your competitive and financial fortunes are the result of customers choosing you.

Another way of saying this is that your business starts with \$0 revenue and stays there until someone chooses your offering over competitive offerings. If you’re an existing business and your sales slow, flatten, or decline, it’s because customers are not choosing you at the same rate they once did. An economic fact.

Win The Customer's Choice

Given this, there's nothing really more important than understanding the drivers of customers' decision-making.

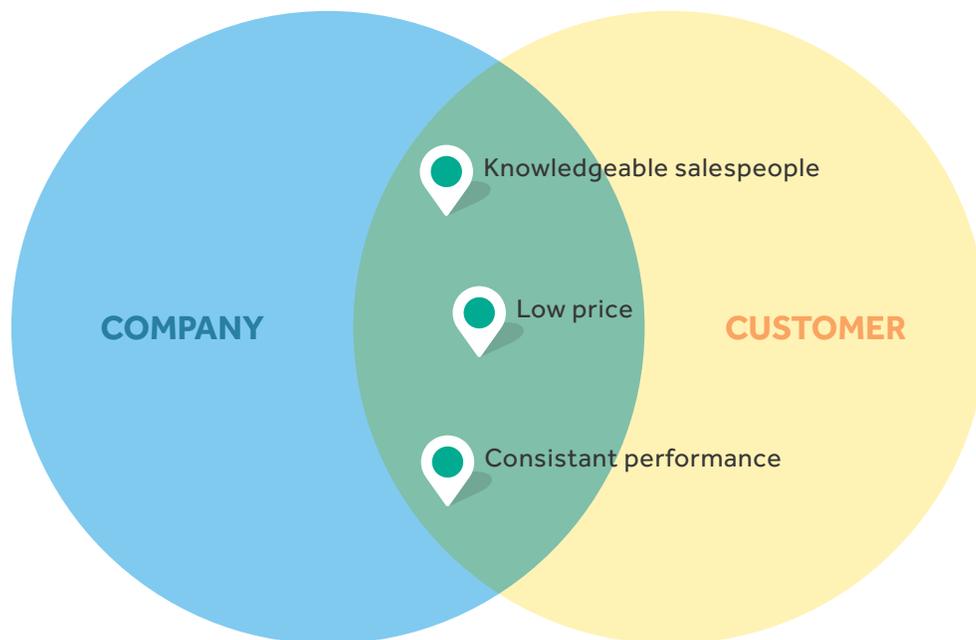
To provide some structure to this, think about it in the context of three circles.

First, imagine a circle that contains the "set" of value that **customers** seek. These are the factors on which customers base their decisions when choosing between our company and a competitor.

(Let's just use a hypothetical situation here with a few choice factors.)



A second circle can be added that represents the dimensions on which customers believe our **company** delivers effectively. Where the two circles overlap, the company is meeting customers' needs.



So, our company here produces value that the customer appreciates. This is good news! Like customer satisfaction research, this identifies how well our firm is meeting customer needs.

However, it's missing an important piece of the competitive strategy puzzle: a third circle which captures the customer's view of the **competition**.

Be different from competitors in ways important to customers.

What is the storyline you see in these three figures? (It might make you uneasy.) Here's a quick summary:

- The customer has a variety of needs.
- Our firm meets a number of those needs effectively.
- However, the competitor meets all of those same needs. And... the competitor meets other needs *uniquely*.
- In addition, the consumer has at least one need that *neither* offering meets.



Move The Pins To Increase Competitive Advantage

But most significantly, **we have no advantage**. (That's a realization that usually hurts!)

These insights are often a big help in understanding why sales have stalled or are declining – in other words, why you are not winning customer choices the way you used to. It indicates that you have **no sustainable basis for competitive advantage**, putting your financial performance at risk. In contrast, the competitor's unique value is clear to customers.

So, what should we do?

If you want to win the customer's choice more often, you've got to **move the pins** which represent the factors impacting customer choice. More specifically, you've got to bring value into your **green zone** that is more compelling than that in the competitor's **orange zone**.

That is imperative #1.

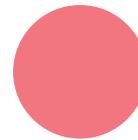
Understanding The vLens



The representation
of **customer** needs
and wants



The customer
perception of your
company's offerings

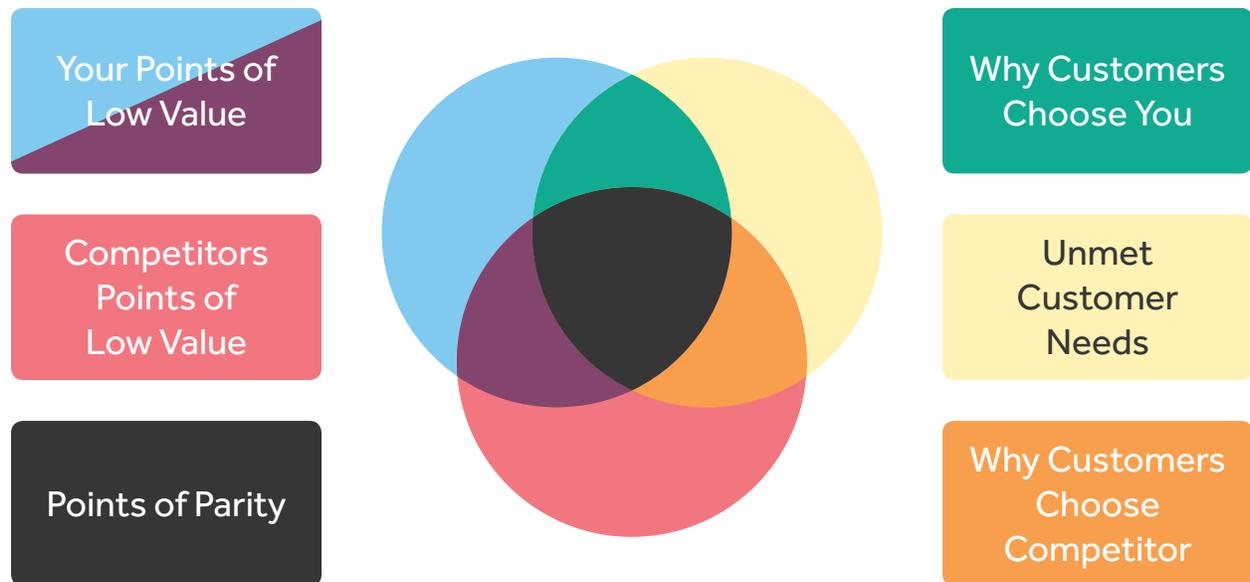


The customer
perception of your
competitor's offerings

Overlaps indicate where customer perceptions of market offerings align with their needs and wants.



Generating Strategy



BUILD YOUR GREEN ZONE

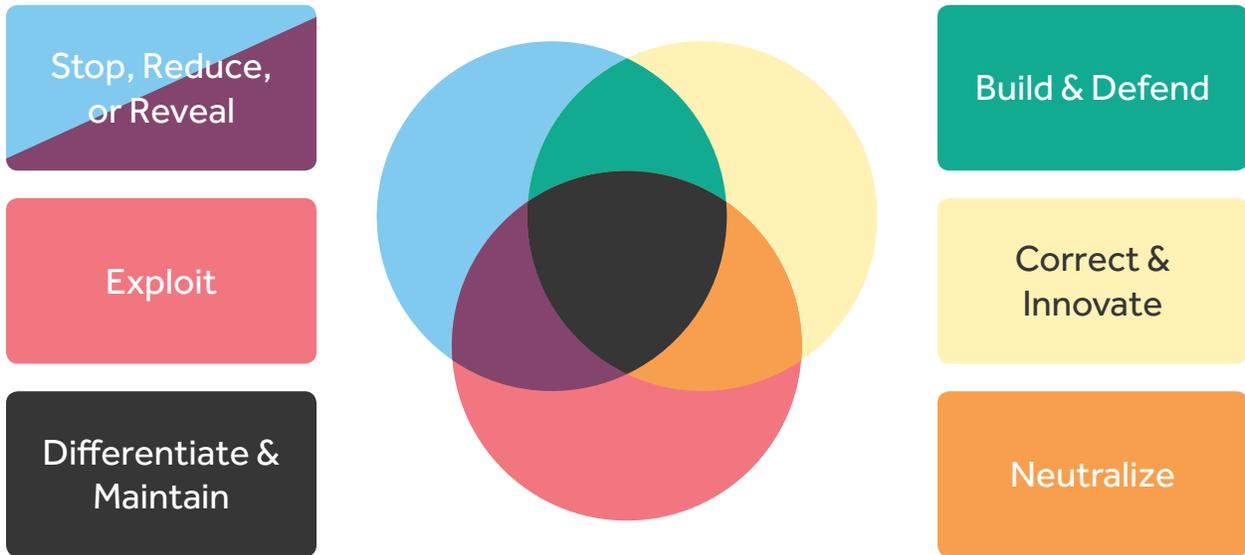
The figure above outlines the meaning of each zone. Factors impacting the customer's choice are mapped here based on overall importance and how each offering performs. This data is received through customer surveys or interviews.

In order for customers to choose you, you must "own" factors in the green zone.

Therefore, the conversation should turn to which factors are moveable and which we are best positioned to take hold of.

Choose factors which have a high level of importance to customers (and, therefore, are most likely to impact customer choice and revenue).

Also consider the factors for which we already have or could build a natural resource or skill advantage.



DIFFERENTIATE. THEN GROW.

Pins in the **grey zone** help us understand the concept of table stakes or points of parity.

At a minimum, the imperative here is to make sure you are delivering these important customer benefits on par with competitive offerings.

These factors may also prove to be rich opportunities for differentiation.

The **orange zone** is a natural source for action.

Most people's instinct here is to seek to immediately neutralize the competitors' advantages by imitating them. But this judgment needs a cost-benefit analysis because it may be quite expensive to neutralize a competitor's perceived advantage.

You'll also still need to consider what *unique* value you will provide. A "me, too" strategy is not enough to succeed.

The **yellow zone** is a powerful source of ideas for differentiation. If we can discover and deliver on these needs earlier and more effectively than the competition, there is substantial potential for differentiation.

This way of visualizing your market helps you and your team stay focused on the most significant strategy principles – through the lens of your customer. It is designed to focus attention on building differentiation so that customers will choose your offering over your competitors. That's the end game.

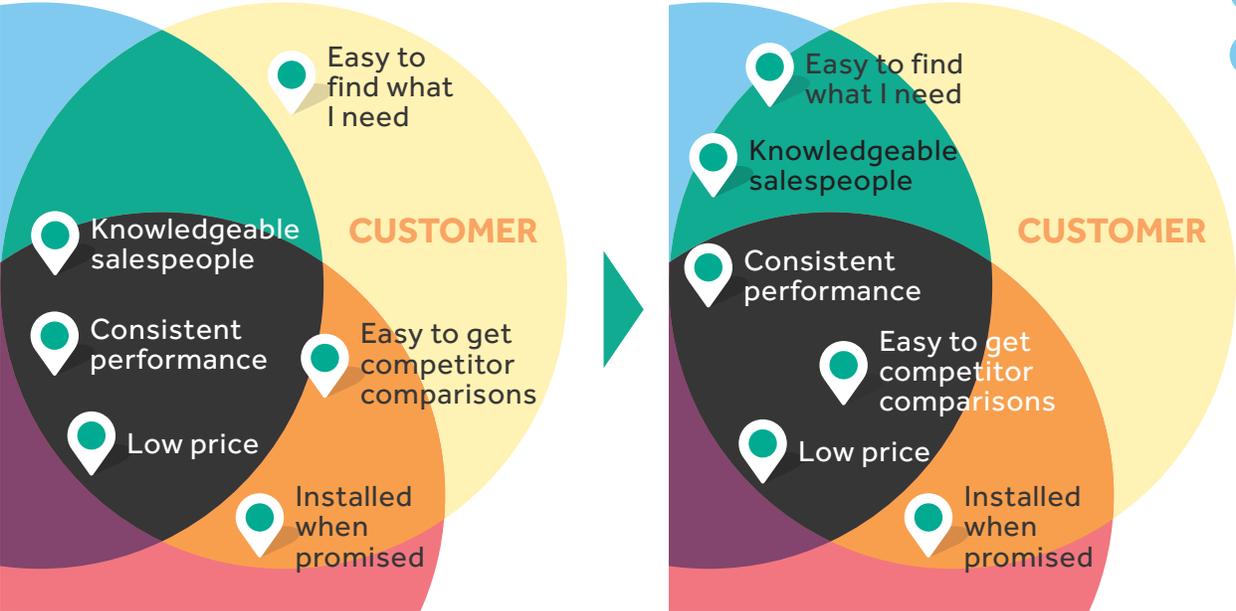
Understand how your customers choose before your competitor does.

Insights To Action

Let's go back to that hypothetical example. It's clear that the consumer's sales experience holds significant potential for differentiation. What could we do with this insight?

- We could hire an experienced sales team leader to drive improvements to the customer in-store experience.
- We could also develop an online tool that assists consumers in matching brands to their needs and comparing competitors through access to online consumer reviews.

What's the outcome? Over time, we could move two pins to the green zone, and more customers would be choosing us!



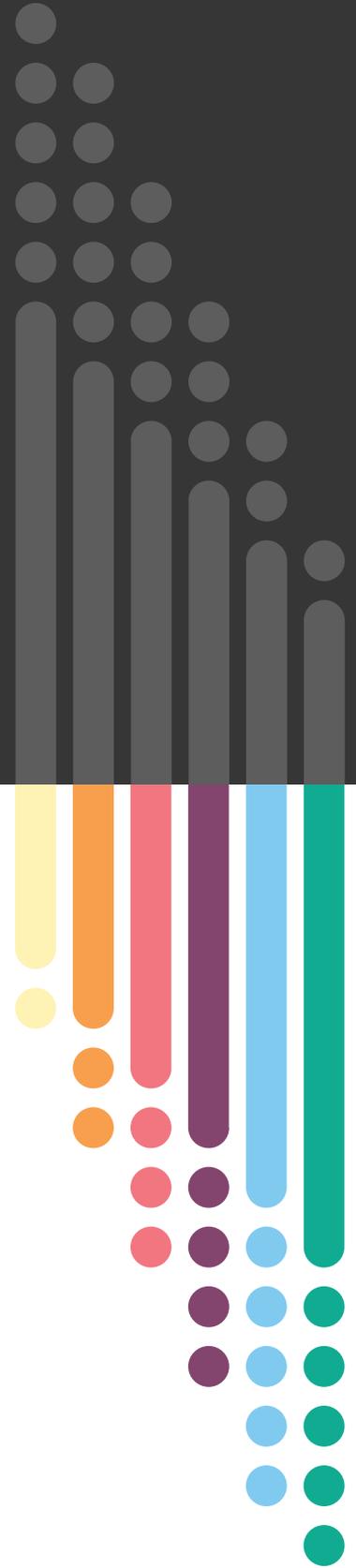
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Getting It Done With Vennli

Differentiate. Grow.

Can you imagine what you could do with feedback from hundreds or thousands of your customers? What about if a collaborative software platform built a beautiful electronic survey for you, sent it to your customers, and then a savvy mapping algorithm plotted the results on the three circle vLens for you in real-time?

And it was fast, easy to use, and affordable. Pretty cool, right? We think so.





Vennli allows you to visualize your competitive landscape with intuitive reporting so you can quickly grasp customer needs. From here, you can springboard from customer insights to business growth.

- Segment your customer data to uncover new insights
- Compare internal thinking to actual customer perceptions
- Collaborate with your team to develop tactics to differentiate and **win more customer choices**
- Continuously survey to assess market changes as you implement your strategy

The Outcome

Relentless pursuit of growth through differentiation in ways that matter to **your** customers.

Learn more by visiting
Vennli.com or emailing
success@vennli.com.

