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Being Better Works. Differentiation, Not So Much

Chuck Chakrapani, CMRP, FMRIA

"This is the greatest advertising opportunity since the invention of cereal. We have six identical companies making six identical products. We can say anything we want."
— Don Draper,
Madmen protagonist

The sacred mantra of marketing is that a product, to be successful, should be differentiated from all others. Uniqueness is key to the success of a brand. After all, if your brand is not differentiated from anyone else's, if it offers the same generic benefits offered by all your competitors, why would anyone buy your brand?

Back in the sixties, Rosser Reeves, head of Ted Bates advertising agency (now Bates 141) and believed to be one of the people on whom Don Draper of *Madmen* was modelled, wrote a small, breezy book, *Reality in Advertising*. In it he expounded the theory that, for a product to sell, it should be differentiated from all other brands on the market. It should have a unique selling proposition (USP).

Since then, this idea that a product has to be unique to be successful has been adopted uncritically by almost all marketing books, almost all marketing departments, almost all advertising agencies, and almost all brand theoreticians. Marketing books and journal papers quote case studies in which distinct and unique brands have succeeded.

The idea that product differentiation is essential for success has spawned books with apocalyptic titles such as *Differentiate or Die* (by Jack Trout and S. Rivkin, 2000). Books such as *Blue Ocean Strategy* (W. Chan Kim and Renée Mauborgne, 2005) went a step further and advocated finding a niche that is devoid of competition: not just a differentiated brand, but a differentiated market niche as well. Who can dispute the success of Cirque du Soleil or of products like the iPhone or iPad, which have carved their own niche, at least for a while?

By treating such exceptional products as the norm, differentiation evangelists may have diverted our attention away from what consistently works to what is inherently difficult to achieve, much less to sustain.

What the prophets of differentiation fail to note is that there are a lot more highly successful products on the market that are nearly identical.

If There Is Differentiation, Consumers Don't See It

Since brand differentiation is assumed to be very important, hundreds of millions of dollars are being spent on differentiating brands. But do consumers really notice the differentiation? To find out, Jack Trout and Kevin Clancy ("Brand Confusion," *Harvard Business Review*, March 2002) created pairs of brands in 46 categories, such as the following.

Hair care:	L'Oréal	Clairol
Cars:	Honda	Toyota
Athletic shoes:	Nike	Adidas
Gas stations:	Mobil	Shell
Credit cards:	Visa	MasterCard

The authors then asked a nationally representative sample of 1,050 consumers whether these brands had become more or less differentiated over the years. In only two categories – soft drinks and soap – did consumers think brands had become more differentiated over the years. If marketers have been attempting to differentiate their brands, they have not been at all successful in their pursuit. In any case, consumers didn't notice any increased differentiation over the years. Actually, they thought that nearly 90 per cent of all brand pairs were more similar at the time of the study than they had been a few years earlier.

The logical question then is *If differentiation is so crucial to product success, why are brands becoming* less *differentiated?* And why are similar brands very successful, claiming top spots in their category?

"All other things being equal (including price and availability), customers buy the brand that will deliver the category benefits the best."

— Patrick Barwise and Sean Meehan, *Simply Better*, 2004.

The simple (and blasphemous) answer is that differentiation is *not* crucial to success. It is not even necessary. For example, Dell can produce computers to any standard specification. So can ThinkPad. Both computers deliver the same generic benefits of all computers. Yet some consumers may view ThinkPad as a better-looking computer, or better in some way, such as price, appearance, design. Bett*er*, slimm*er*, fast*er*, cheap*er*, long*er*-lasting. The brands are not differentiated in the generic benefits they offer, but the preferred brand is seen as delivering the *same generic benefits, only better, faster, or cheaper.*

'Same but Better' Works

As we saw, in most categories, the top best-selling brands are similar to one another. In any case, consumers don't believe that they are differentiated. While marketers talk about uniqueness, what they actually strive for is sameness. Why? Because sameness, more precisely "same but better," works.

It is not an accident that Microsoft Windows now resembles Mac's operating system. Or that current smartphones try to match the iPhone. If Sensodyne is for sensitive teeth, Colgate and other brands incorporate that benefit in their line extensions. If one airline offers a frequent-flyer program, so does every other airline. If Amazon offers free shipping for orders of a certain size, so do its competitors. This is exactly the reason why, in the study quoted earlier, consumers thought brands were becoming more similar than distinct.

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Romantic concepts like creating a unique product or finding a market space where there is zero competition are intuitively very appealing – but basically unrealistic, except in rare instances. And it is not necessary to be unique or to be in a noncompetitive space to be highly successful. What the prophets of differentiation fail to note is that there are far more highly successful products on the market that are nearly identical than there are successful products that are differentiated.

For every successful differentiated product such as the iPhone, the iPad, or Cirque du Soleil, there are thousands of very successful non-differentiated products on the market. In terms of generic benefits, what exactly differentiates Colgate from Crest? Dell from Samsung? Coke from Pepsi?

Sure, consumers can and do believe one brand of toothpaste is better in all around oral protection than another brand, one brand of computer is better-looking than another brand, one brand of soft drink tastes better than another brand. But are the brands really differentiated in the sense that they are unique? Not really. They just offer one or more of the generic benefits better than other comparable brands on the market.

Uniqueness Is Short-Lived but Leadership Endures

Companies spend a lot of time talking about uniqueness and spend a lot of money creating mostly meaningless differentiation. Yet when it comes to taking action, most products try to converge to the best in their class.

If you wanted to enter a market with a product or service, what's the first thing you would do? I presume that you would, as you should, make sure your product or service delivers the benefits that other brands deliver. If you *can* offer something different and it is a really desirable feature, it will be to your advantage. But not for long. You can be sure the advantage will be copied, and be copied fairly quickly, by others.

For example, Air Canada does not, in general, offer free wine to economy passengers on its flights, because no other major airline does so. But Porter, an airline that operates from the Toronto Island Airport, does. So Air Canada offers free wine on flights to and from Toronto Island Airport, but not on other flights.

Two lessons: Brands strive for sameness; and any differentiation, if there is a market for it, is copied right away. Despite all the protection accorded to intellectual properties, the current state of information technology is such that it is very difficult to maintain a unique advantage over competitors.

A product can be made better and better as time goes by, and leadership can be sustained for a long time. Uniqueness is short-lived in the Internet age. Gillette is a prime example. It created several variations of razors: two blades, three blades, four blades, pivoting heads, etcetera. Practically all these features were immediately replicated by other safety razor makers. Yet Gillette retains its dominant position in the market, by creating a higher-quality product (or projecting the image that it does so) in terms of generic qualities such as sharpness, smoothness, closeness of shave, and so on.

Even a product as unique as the iPhone (that is, unique when it was introduced just about five years ago) now resembles other smartphones on the market. The distinction between iPhones and other smartphones will become less and less marked in the future, while the market share will be gained by the phone that's perceived to be *better*, not necessarily *differentiated*. As *The New York Times* points out, what Gap sells is not that different from what Benetton or J. Crew sells.

"The khakis and sweat-shirts the Gap sells ... are not so different ... from what's available at Benetton or J. Crew. ... [Sameness] manifests itself in everything .... Everything seems more and more the same, wherever you are."

— Paul Goldberger, *The New York Times Magazine, April 6, 1997*

Differentiation Does Not Work

A common misunderstanding about consumers is that they go looking for products that are unique in some way. They don't. As Patrick Barwise and Sean Meehan (cited earlier) point out, consumers generally do not buy a product for special benefits. They buy toothpaste mostly to get their teeth clean. They buy an umbrella mostly to shield them from rain. They buy a TV set to watch TV. They buy a smartphone for phoning, emailing and using apps. So it is with computers, kitchen knives, and automobiles. Customers buy products for the generic benefits the products offer. It is the category benefits that attract them to a brand, not what is unique to a brand.

So what happens to a brand that differentiates itself from all other brands on the market and positions itself as unique? If the differentiation appeals to only a small group of customers, it will make the brand a niche brand that is small and potentially profitable but with no prospect of its becoming a large brand. If the differentiation appeals to a large number of customers, it is more than likely that it will be copied by other brands. When the latter happens, the category benefits will be expanded to *include* what was once a point of differentiation.

For example, prior to the introduction of the iPhone, smartphones were not bought for apps, but now smartphones that cannot tap into a wide range of apps are at a distinct disadvantage. What was a differentiating feature just five years ago is now a cost of entry.

With current technology and communication channels, profitable differentiation loses its edge fairly quickly. The question that is sustained over time is *Does your brand deliver the category benefits better?* If you are a smartphone, is your reception better? Is your ecosystem better? Do you have a better camera? Does your battery last longer? All are generic benefits.

Because genuine differentiation such as the ones exemplified by Cirque du Soleil or the iPad is rare, most differentiation tends to be product-oriented. Most product-oriented differentiation tends not to be noticed by customers because it is not relevant to them.

"The trends in our technology lead to competing products becoming more and more alike."

— James Webb Young

Differentiation is difficult to achieve, and even more difficult to sustain. Trying to achieve market success by product differentiation or by a "Blue Ocean Strategy" is like trying to make money buying lottery tickets. Yes, it is possible to become rich by winning a lottery, just as it is possible to find winning products that are unique. Just as a small number people have won the lottery, a small number of companies have created unique products. But, in both cases, the chances of winning are so low, it makes more sense not to put too much emphasis on either winning a lottery or finding a product that can be differentiated from all others. A more sensible strategy would be to produce products that provide all generic benefits but perhaps better, faster or cheaper.

The exhibit below summarizes what we know about product differentiation.

What We Know about Product Differentiation

- The leaders in a vast majority of categories resemble each other.
- Most differentiation is product-oriented and meaningless to consumers.
- Consumer-oriented differentiation is not common.
- When there is true differentiation, the differentiated feature is quickly copied by competition.
- Technological know-how and fast dissemination of information make the window of advantage shorter and shorter.

How Do We Achieve Competitive Advantage?

So if differentiation is an elusive goal and a not very realistic one in most instances, what can you do to ensure that your brand is a preferred one? The most important thing to remember here is that consumers usually buy one brand against all the rest. *A minor advantage over other brands can make a difference between buying and not buying.* What, then, drives the perception of a brand being the preferred one?

Distinctiveness. Consumers don't buy different brands randomly, but they do buy them out of habit that manifests itself as brand preference. However, for consumers to have any preference at all, they first need to be able to distinguish one brand from another. Byron Sharp (*How Brands Grow*, 2010) calls the attribute that causes one brand to be seen as different from another "distinctiveness." To be distinct, a brand does not have to be differentiated in terms of its product qualities. Distinctiveness is made up of elements that may include factors like colour, logo, taglines, symbols/characters, celebrity endorsements, and advertising styles – collectively known as branding.

For example, Colgate and Crest are not differentiated in terms of what they do, but they are distinct in terms of packaging, advertising, promotion, etcetera. While most consumers believe these brands to be similar, they would not mistake Colgate for Crest, or vice versa.

Any aspect of branding that makes your brand look distinct reminds, and reinforces the brand in consumers' minds, thus providing the brand with a competitive advantage. Distinctiveness can be and often is built on attributes that are not particularly relevant to the brand itself. To be distinct, a brand does not have to be truly differentiated in terms of what it has to offer.

Salience. Salience is anything that reminds your buyers of your brand. This includes not only all the aspects of branding that build distinctiveness and positive feelings which remind a customer of your brand but, even more importantly, being readily available to customers when they are looking to buy. Salience, in most cases, is simply the availability to consumers at the time of purchase.

> Being better, being distinct, and being available are much more powerful strategies to grow a brand than being differentiated.

Summary

It is not necessary or important for a brand to be differentiated to be successful. Most leading brands are not differentiated. But a brand needs to be distinct in terms of consumer identification and the way it evokes positive feelings. Being better, being distinct, and being available are much more powerful strategies to grow a brand than being differentiated.

Dr. Chuck Chakrapani, PhD, CMRP, FMRIA, is president of Leger Analytics. He is also a distinguished visiting professor at Ted Rogers School of Management at Ryerson University, until recently, the editor of American Marketing Association's Marketing Research*, and a member of the board of directors of Marketing Research Institute International, which, in collaboration with the University of Georgia, offers the online course "Principles of Marketing Research." He is a fellow of the Royal Statistical Society as well as of MRIA and has authored over a dozen books and 500 articles on various subjects.*