KILLER DIFFERENTIATORS

13 Strategies To Grow Your Brand

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This book is dedicated to my parents,
Tai Kim Yee and Lee Chai Loy, for all the hardships
they had to endure, for all the sacrifices they had to make,
and for all the nonsense from me they had to put up
with in raising me. Thanks a million, Pa and Ma.

~ Jacky ~

I am proud to dedicate this book to all my
learned colleagues at StrategiCom. This firm is better
every day because of every single one of you.

~ Wilson ~

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INTRODUCTION

OVER the last three years, we have spoken at many branding seminars, conferences and forums. We have also conducted many branding workshops for Singapore companies. One of the things that we talk about regularly is the 10 rules of branding that all strong brands are built on, regardless of whether they are local, regional or global brands. Very often, we have been asked if there are special rules for small businesses since many of the companies that we speak to are small- and medium-sized companies from Singapore. We get this question a lot because the moment small business owners see the big brands that we use as case studies to illustrate the principles of branding, their eyes glaze over, their jaws drop a little and their minds go, "Ah! But these rules apply only to big brands. I am a small business. These rules don't apply to me."

Well, we have good news and bad news. The bad news is that there are no special rules of branding for small businesses. Just because you are small doesn't mean that you get special treatment. But the good news is that the rules of branding are like Mathematics: One plus one equals two. They are universal, and they apply whether you are big or small; Western or Asian; B2B or B2C. And the same rules that made the big brands what they are today can help your business grow.

IT'S TIME TO WAKE UP AND DO SOMETHING FOR YOUR BRAND

If you are still thinking that the rules of branding do not apply to you as a small business, we suggest that you radically alter your view because it is not going to do your brand much good. These rules do apply to you, and the survival of your business may very well depend on you understanding and applying these rules. So, it's time to see beyond what those big brands are today. Look deeper into their past, into their humble beginnings, and we can guarantee that you will discover a simple truth: Every big, successful brand started as a small, struggling start-up. Not that much different from your company, and in many cases, they were probably a lot worse off than you are today.

Coca-Cola, Microsoft, IBM, General Electric, Nokia, Toyota, Intel, McDonald's, Disney and Mercedes-Benz are among the 10 most valuable brands in the world, according to *BusinessWeek*'s annual 'The 100 Top Brands' (*BusinessWeek*, 6 August 2007). These companies were once small, too. And they once struggled, too. They did not go around asking brand gurus if there were any rules of branding that small businesses like theirs could follow. They looked for – and found – strategies that helped transform them into big, powerful global brands, and applied them consistently. That's why they became successful.

If they had followed some rules of branding designed for small businesses, we believe they would have remained small businesses. Think about it. If there are rules of branding for small businesses, then they are made for *small* businesses and they are developed under the assumption that small businesses will use them. What does that mean? That means if you want to play by these rules, you want to remain a small business. You do not want that. You want rules designed to transform your small business into a big brand.

Not all of you will become a global brand. The truth of the matter is that most of you will remain relatively small; many will even fail. But if you know the rules of branding, and use them, you will be giving your business a fighting chance of surviving the test of time and brutal competition. There's hope that your small business will become a medium-sized business tomorrow. And once you become a medium-sized business, who knows what might happen the day after? One step at a time. Do the right things and do things the right way.

WHO WANTS TO BE A MILLIONAIRE?

If you want to be a millionaire, you should emulate millionaires. But you should try to do what they did before they became successful. If you simply copy what they do now that they are successful – such as live in expensive homes, drive flashy cars, eat in posh restaurants, wear high-end fashion labels and so on – you will go bankrupt in no time. It's common sense! You don't need to be a financial whiz to figure that one out.

The same thing applies to your business. If you want to become a successful brand, you look at what successful brands did before they made it big. You study the rules they played by, rather than what they are doing now, because they might already have forgotten and abandoned all those things that propelled them to the forefront in the first place. When brands become big and successful, they tend to suffer from corporate amnesia. They very often abandon the rules of branding, until they run into trouble and have to go back to the basics.

Xerox is a marvellous example of a company that did almost every single thing right. However, once it became successful, it started to violate almost all of the rules and started line-extending the brand into computers, fax machines, scanners, laser printers and a host of other things. Xerox had the money (it poured tens of billions of dollars into all these new products) and the technical expertise (its Palo Alto Research Centre was famed for cutting-edge innovations like the laser printer, the computer mouse and the graphical user interface that inspired the famous Apple computer interface). The problem was, it forgot the rules of branding. All these ventures failed miserably.

Do not follow in Xerox's footsteps after it became successful. Do what it did before it became successful. What we are trying to illustrate here is that when you see one of these big brands being used as a case study, don't get turned off. Very often, what we try to show is *how* these brands went from just another company to household name, not what these brands are doing now that they have made it.

THE RULES OF BRANDING

As we mentioned earlier, there are 10 rules of branding to play by. We have written about them at length in our previous book, *Transforming Your Business Into A Brand*, but will recap them here briefly because one of these rules actually forms the basis for this new book.

Rule No. 1 – Perception Is Reality

Branding takes place not in the real world but in the minds of customers. And whatever the mind perceives to be true is true. You can object, but that is the way it is: PERCEPTION IS REALITY. Branding is not a battle of who can manufacture the better product (although that would not hurt). It is a battle of who can create the better perception.

Rule No. 2 – Fortune Favours The First

It is better to be first than to be better. Being first is no guarantee of success, but being first is important because it gives you the licence to establish your brand in the minds of customers before those pesky competitors start showing up. If you do not exploit this licence, you will lose that first-mover advantage.

Rule No. 3 – Create A New Category

If you are not the first brand on the market, or the second, there is still a chance for you to get into the mind first if you can set up a new category that you can be first in. You will need to promote it aggressively. But when that new category grows, your brand will grow along with it. And because you promote that category, you will naturally be seen as its leading brand.

Rule No. 4 – Focus

When you focus, your brand becomes strong as it can stand for one thing in the mind. But this requires sacrifice. A focussed brand is one driven by a vision to be No. 1 in something. It is willing to give up nine out of the 10 things it could have done, just to become the best in one. However, focussed brands tend to make more money in the long run, compared to diversified brands.

Rule No. 5 – Differentiate Or Sell Cheap

It is impossible to build a strong brand in the absence of differentiation. If your customers cannot perceive any difference between you and your competitors, they will buy from whomever is cheaper, and that may not be you. If you are not differentiated you will have to compete on price, and you may find that you cannot sustain that price advantage in the long run.

Rule No. 6 – Use Public Relations For Brand Building, Advertising For Maintenance

Advertising is what you say about yourself and, of course, you will tend to say good things. So, it has very little credibility. Public relations is what the media says about you, and since the media is a third party, what it says will seem to have a ring of truth about it. Public relations has credibility that advertising lacks, but advertising is needed to maintain the brand after it has been built.

Rule No. 7 – Find A Great Name

Business is tough enough without your product being saddled with a forgettable brand name. Having a bad name is half the battle already lost, so work hard to ensure that you have a unique brand name that is simple and easy to remember. Furthermore, your brand is nothing more than the name in the long run, because the great ideas you have now can, and will, be copied by your competitors. What remains to differentiate you is the name.

Rule No. 8 – Be Absolutely Consistent

Nobody likes to hang around people with multiple personalities. These people are often labelled as crazy. By the same measure, nobody likes to be around schizophrenic brands either. That is why your brand needs to be absolutely consistent in how it behaves. If it is erratic, customers will be confused and start defecting to the opposition's camp.

Rule No. 9 – Make Enemies, Not Friends

To build a strong brand, you need to supply a reason for its existence and justify why it deserves to live. That is why you need to make enemies. When you have a powerful enemy to fight, it gives your brand a reason to be accepted by the world. And your enemy need not be another brand. It can be anything from traffic congestion to environmental pollution to poverty.

Rule No. 10 – Know When To Launch A Second Brand

Your brand cannot stand for everything. When the time comes for your business to enter a new category, launch a second brand instead of line-extending your first and diluting what it stands for. It is advisable, however, to launch a new brand only when your existing one is a leading player in its category. If you are struggling to increase sales in a category you know well, what are the chances of you doing well in a category you know nothing about?

AND THE MOST IMPORTANT RULE OF ALL IS…

Rule No. 5 – Differentiate Or Sell Cheap. This rule is so important that we have decided to write an entire book on it. Since the publication of Transforming Your Business Into A Brand in early 2007, we have developed 13 strategies for differentiation. These form the backbone of all the branding projects we undertake. The purpose of any branding exercise is to develop a differentiated brand. Unless you are differentiated, it is hard for you to get your brand into the consumer's mind. In branding, out of mind is out of sight. And we don't have to tell you what out of sight means for your bottom line.

Although differentiation is not the only thing we do during the course of a branding project, it is the most critical. Without it, everything else you do will fall apart and it will be impossible to build a strong, lasting brand. The equation is very simple: If customers cannot see the difference between your brand and your competitors', they will buy from the cheapest supplier. If you are not differentiated while your competitors are, the picture gets even darker. If you are not differentiated and can't compete on price, we think it will be Doomsday for your brand.

Despite differentiation being such an important subject, there aren't many good books on how you can differentiate your brand. There are books about the *importance* of differentiation, but we need one that deals with the *how to* differentiate bit. From our experience, we have also discovered that there are very few consultants out there who know much about differentiation. This is quite a bold claim but you can ask around and judge for yourself. You will probably hear a lot of people telling you that differentiation is very important, but ask them how you can go about achieving meaningful differentiation and you will most likely draw a blank.

That is why we decided to write this book. Its purpose is to show you, step by step, how you can create genuine differentiation for your brand that cannot be taken away by your competitors. The key word here is *genuine*. There are many brands out there that are different for the sake of being different. We always tell companies that they must be different with a great idea, not a stupid one, because being different with an idea that is not relevant to the market or to your customers is being stupid and we hate that. After reading this book, you will know a stupid differentiating idea when you see one, so that you can steer your brand clear of that trap.

So, sit back, relax and enjoy the ride. We guarantee that by the end of this book, you will have a pretty good grasp of how to differentiate your brand from your competitors' – or, at least, you will have a constructive idea of how to get started and the land mines to avoid.

Chapter 01

What Is Differentiation?

IT is said that "necessity is the mother of invention". And necessity was certainly the reason branding was invented 4,000 years ago. Cattle owners in those days had a pressing need to find a way to tell each other's cows apart and came up with a simple but ingenious solution. They created a branding iron that had the owner's logo or insignia at one end. This was heated by fire until red hot, then used to burn a unique mark onto the cows' rumps. That done, the cattle owners could easily differentiate their cows. It was simple but it worked.

Branding is not about logo design although there are still too many people out there who have that misconception. Yes, it did start with a logo 4,000 years ago but that logo was there to serve the purpose of differentiating cows. Branding is not about the logo. Branding is about what you use that logo for.

And the need for differentiation remains the reason branding is still around today. Its form might have changed but its function remains, and that is to set your cows apart from your competitors' – except that the "cows" are now companies, products and services. Some of these "cows" also come in the form of people – yes, even people need branding these days.

Seen in that light, differentiation could be said to be the process of transforming something that is essentially a commodity into a brand. A cow is a cow is a cow. What makes our cows different from yours is just the insignia on their rumps and what it stands for.

Evian sells water, and water is an abundant commodity – after all, 80 per cent of the world is covered with water – but what transformed Evian into such a powerful brand is the fact that its water is put through the natural filtration process of the Alps, which fortifies it with essential minerals. Water is water is water, unless the water is differentiated, and Evian's water is differentiated because it comes from the Alps.

THE UNIQUE SELLING PROPOSITION

Differentiation is about creating a Unique Selling Proposition for your brand. Unique Selling Proposition, or USP, was a term coined by the advertising legend Rosser Reeves. In his 1961 book, *Reality In Advertising*, he defined it as a proposition that your competitor either does not or cannot offer.

Many people have argued that the Unique Selling Proposition as a marketing concept is now outdated and irrelevant. In our opinion, the USP might be an old concept but that does not make it any less credible today than it was in 1961. Differentiation is what makes a brand stand out from a sea of look-alike competitors. Without it, it is impossible to build a strong brand. To be different, you need to be unique. And that makes the USP a very important concept because having a USP means you are unique. And having a USP means that you are differentiated in a way that is relevant to your customers. Nonetheless, there are many reasons why so many people have dismissed it.

One, people tend to forget over time what works and what does not. In his book *Trout On Strategy*, Jack Trout, the man who invented the concept of positioning in 1969, writes that this is a phenomenon that affects many corporations once they become successful. He calls it The FWMTF (Forgot What Made Them Famous) Syndrome.

We agree. Look at the companies around you, and you can usually trace their success down to a USP that they had in the beginning. Ford is a company that is in a lot of trouble today. We think that is because Ford Forgot What Made Them Famous in the first place.

Ford was the first company in the world to mass-produce cars in an efficient, low-cost manner for the masses. Once it became famous, it forgot that. It got complacent, and that allowed the Japanese – and now the Koreans – to catch up.

Ford's problem is not that people are migrating from mass-market to premium brands as many analysts have suggested. Sure, premium brands like BMW and Audi are now outselling Ford in many markets (particularly in the mid-sized segment that is represented by Ford's Mondeo), but mass-market cars have not lost their footing and are still very much in demand. Those made by Toyota sell in the millions, so much so that Toyota has now become the No. 1 car manufacturer in the world, overtaking General Motors. Toyota is now aiming to make 10 million cars in 2008, an output that has been unheard of until now, according to a news report in SmartMoney.com dated 15 December 2007.

Ford's problem is one of differentiation. What is Ford's USP? That is hard to pin down. Toyota is very clearly differentiated by its reliability. Without a USP, Ford is vulnerable. It becomes the same as other car brands, and in today's hypercompetitive market, sameness is the equivalent of a death sentence for the brand.

The second reason is that people are always excited by what is new. In our previous book, Rule No. 3 discussed the setting up of a new category to create a powerful brand. People are also brands. And they want to be famous too. Rosser Reeves became a famous brand because he invented the USP. If you want to become a famous brand in the field of marketing, what would you do? Create a better USP? That would not work. You would need something new. So, academics and consultants come up with new concepts all the time, to make names for themselves. Do a search on Google and see how many you can find. Trust us, there will be more than you can remember, or use.

The fault lies not just with academics and consultants. People in general are to blame. Just because a concept is old does not mean it is outdated or useless. But people tend to think like that. They get all excited every time a new-fangled concept comes along. After a while, the buzz and hype surrounding that concept dies down and it becomes less relevant. And then what do people do? They look for The Next Big Thing or The Next Big Buzzword or The Next Big Whatever. It is a vicious cycle.

Therefore, it is no surprise that the good old Unique Selling Proposition as a business concept is almost dead. Well, you dismiss it at your own risk. Without a USP, you will not have a strong brand. The USP may be an oldie in the school of business but it is an oldie that is a goodie. Don't dismiss it just yet.

The third reason why the USP is not being given the attention it deserves has to do with how difficult it is to find a USP these days. Finding a USP is hard but hanging onto one is even harder. This is a huge problem for companies and we will discuss this further in Chapter 3.

THE RIGHT STRATEGY

Differentiation is also about creating the right strategy. To be successful, a brand needs to be powered by two very important components: One, the ability to strategise; two, the ability to execute.

Strategy and execution are equally important but strategy must come first, because even if a company executes well, it will not be successful if it is executing a flawed strategy. For example, if you are in a boat that has sprung a leak and you try to fix the leak by pumping the water out quickly, you will still fail at keeping your boat afloat because your strategy is flawed. Your strategy is targeted at the manifestation of the problem (water in the boat) rather than the root cause (a hole in the boat). The correct strategy would be to find the leak and plug it first. Otherwise, no matter how fast you pump, the boat will still leak and eventually it will sink. But you need to be able to execute that strategy well. That means you must be able to find that leak quickly and plug it effectively.

Business is no different. If your strategy is flawed, even the best execution is doomed to fail. At the International Enterprise Forum in 2006, execution guru Ram Charan used Toyota and Dell as examples of companies that have made it big because of execution. We agree that Toyota and Dell are brilliant at execution but we would like to add that they are successful because they had the right strategies and executed those strategies superbly.

Toyota's strategy was to build high-quality, mass-market cars by using just-in-time manufacturing, which in essence is the science of coordinating the entire production process in such a way that cars are built when they are needed and the parts to build the cars are sent to the production line only when they are needed. That was (and still is) the Toyota strategy. Dell's strategy was to dominate the computer market by using a direct sales channel to trim its distribution costs so that it can offer customers high-quality computers at a low price.

Now, what has the success of Toyota and Dell got to do with differentiation? Everything. Both created the right strategy through differentiation.

Toyota was the first car manufacturer in the world to use just-in-time manufacturing. That made it successful and transformed Toyota into a leading brand. Dell was the first (and only) major computer company in the world to sell computers directly to end-users. That catapulted it past all the other computer companies into the No. 1 spot, where it remained for many years.

If you want to build a strong brand, you need to have the right strategy and the right execution. And your strategy needs to be rooted in how well you can differentiate your brand. In other words, differentiation makes your brand strong because it sets your brand apart in the same way that Toyota's and Dell's strategies set them apart as companies that are unique in their categories.

A GOOD DIFFERENTIATOR

We have said earlier that it is very important for companies to be different with a great idea, not a stupid one but what makes for a good differentiator?

At the Global Brand Forum 2006, the renowned Professor David Aaker from the University of Berkeley revealed that the one thing that keeps him up at night these days is the subject of *relevance*. He said that to build a strong brand, you must be differentiated. More importantly, your differentiator must be relevant to your customers. Being relevant is the difference between having a great idea and a stupid one.

We agree with Professor Aaker. A differentiating idea must be one that is relevant to your customers. It is actually not that hard to be different. Anybody can come up with ideas that successfully differentiate a brand from its competitors. But to come up with differentiating ideas that are relevant to customers is another ballgame altogether. It is much harder. One of our colleagues loves cats (and we also think that she behaves like a very wily cat). Cat lovers like that will usually pamper their cats. Now, if you are making shampoo for cats and you create a shampoo that can make a cat smell like its owner, that would probably make your shampoo quite different. Is it a differentiating idea that is relevant? It probably is for many cat lovers like this colleague of ours. If you make a shampoo that can make a cat smell like a dog, we are quite sure that you would be superbly differentiated but is that a difference that is relevant to cat owners? Probably not. If they want cats that smell like dogs, they would have bought a dog in the first place.

On top of being relevant, we would like to add two other criteria. A differentiator must also be *desirable* and *defensible*. That makes a lot of sense, does it not? If you are different in a way that is not desirable, that would make your brand untouchable but not in a good way. You need to find a differentiator that is desirable. But herein lies the problem. If a differentiator is desirable, it will be chased down by many – if not all – of your competitors. There is a saying, “You snooze, you lose”. It works the same way in branding. If there is a differentiator that is desirable and you don’t grab it immediately, then chances are, it will be gone by the time you realise that it is a desirable differentiator.

The differentiator must also be defensible. Being defensible means that your differentiator cannot be easily taken away by your competitors no matter how much money they throw into their efforts to take it away from you. If you are differentiated by the fact that you only sell extra large pants for extra large people, that is a differentiator that is not defensible because any competitor can do that. The reality is that it has become very difficult to defend your differentiating idea because of the hypercompetition in the market today. Hypercompetition has resulted in everybody trying to get a piece of your business and vice versa, even though you might not have a tradition of competing in those other categories.

Hypercompetition is a two-edged sword. On one hand, competitors will try to muscle in on your category and that puts your differentiator, or Unique Selling Proposition, under a lot of strain. On the other, it makes you take your eyes off the ball as you chase other businesses. You lose focus, and as a result you may lose your differentiator altogether. But as promised, more of this in Chapter 3.

In A Nutshell

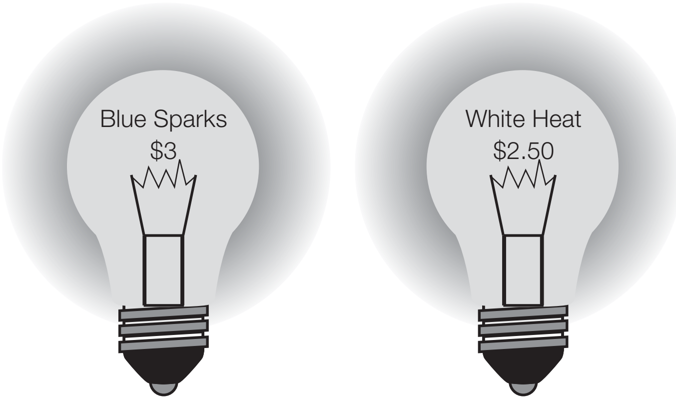
To sum it all up, differentiation is the reason that branding came about. It is the process of transforming something that could be a commodity into a powerful brand, and it involves:

- Finding and owning a Unique Selling Proposition;
- Finding the right strategy to help your brand gain a competitive advantage;
- Finding a differentiator that is relevant to your customers, desirable and defensible.

Chapter 02

Why Is Differentiation Important?

TAKE a look at the two light bulbs below. They are both brand new, 100-watt light bulbs. If you are faced with the task of purchasing bulbs for your office, which brand would you buy – Blue Sparks or White Heat? Well, you can't really tell the difference between the two, can you? So, how would you know which to buy? White Heat, of course! Because it is 50 cents cheaper than the other brand, that's why!



However, there is actually a very good reason why Blue Sparks is more expensive: It is longer lasting. Blue Sparks has a bulb life of 100 hours versus White Heat's 60 hours. So, the cost of Blue Sparks is 3 cents per hour of usable life versus White Heat's 4.2 cents. In the long run, Blue Sparks is cheaper but this is not readily apparent to the buyer at a glance, and therein lies its problem.

When your potential customers do not or cannot perceive any difference, they will buy the cheaper alternative. That is why differentiation is so important, especially in today's hypercompetitive marketplace where customers are spoilt for choice. If you are not different or if your difference is not easily perceived, you had better have a very low price.

Nonetheless, competing on price is a dangerous proposition, because the moment you lose your price advantage to a competitor from a low-cost country, you will lose the reason for customers to buy from you. That is why we always warn companies who are competing on price to be absolutely certain that they can maintain their low price in the long run because very often, there isn't any reason to buy from these companies other than their attractive pricing.

If you think the market is tough now, we have startling news for you: This is just the beginning. Competitors are like moths – they are attracted to fire. If your market or category is hot, it will naturally attract a swarm of competitors looking for a piece of the action. Their thinking is: Why should they let you have the market all to yourself? If the situation was reversed, you would probably think the same way. In fact, you might already be doing so – launching your company into new markets or categories that you perceive to be hot or rapidly growing.

Not only will competition get tougher, the number of competitors will increase. If you are a company like Blue Sparks, with an innovative product or service to offer, make sure your difference is clearly defined and properly communicated. Otherwise, the alternative is to compete on price. There will always be competitors who will come in later and try to take a piece of the market away from you by using a penetration pricing strategy. Some will succeed because their business models are entirely set up for low cost. If you cannot match them for price, you had better make sure you are differentiated. If you are not differentiated and can't compete on price, then you are putting your brand between a rock and a very hard place.

The bottom line is this: It is impossible to build a strong brand without differentiation.

HIGHER RETURNS ON INVESTMENT

Numerous studies have been done on the correlation between branding and stock market performance. Invariably, strong (meaning, differentiated) brands have been shown to perform better. One such study, conducted in 2001 by McKinsey & Co., a leading management consulting firm, found that strong brands scored 2.6 points on their Total Returns to Shareholders (TRS) index. Weak brands scored minus 6.2 points – a difference of 365 per cent.

The fact that strong brands have better-performing stocks is not surprising. After all, if you have a strong brand, it is easier for you to acquire new customers, retain existing customers, hire good people, and even block competitive moves by rivals. If you are able to do all of that, then your stock will be well-loved. Remember that financial analysts and investors are also influenced by their perceptions of brands when making investment decisions so a brand that is perceived to be strong (for whatever reason) will tend to be favoured by the investing community. You need a strong brand if you want your stock to do well. Simply put, investments in companies with strong brands have a better chance of yielding higher returns. Investors know that.

The most successful investor is arguably Warren Buffett. The share price of his company, Berkshire Hathaway, has crossed the US$100,000 (S$150,000) mark. In the book *The Warren Buffett Way*, author Robert Hagstrom discusses the companies that Berkshire Hathaway invests in, and it is clear that Buffet tends to buy brands that are highly differentiated. Coca-Cola is a favourite of his; it is differentiated by being The Real Thing. Dairy Queen has an ice-cream that is served upside down. Wal-Mart is set apart by prices that other retailers cannot match. ACME is the brand of bricks that is preferred by home builders. The list goes on and on.

Many of the studies done on the correlation between branding and financial performance use data from publicly-listed companies because the necessary financial data is easier to access. However, that doesn't mean that it is not relevant for non-listed companies. A strong brand will have the same positive effects on the financial performance of a non-listed company because it goes through the same cycle: A strong brand makes it easier for the company to acquire new customers, retain existing customers, hire good people, and even block competitive moves by rivals; and this leads to higher returns on investment.

THE FIRST MOVER'S DILEMMA

In our previous book, we talked about the importance of being first, because being first gives you the licence to establish your brand where it matters most – in the mind.

The mind is where the battlefield of branding is, because a brand is simply an idea that you own in the minds of your customers. As the advertising legend Walter Landor once said, "Products are made in factories, but brands are built in the mind." Therefore, the strategy that we advocate is to be first in something. Once you find something that you can be first in, move quickly to establish your brand in the minds of your customers. It is also easier to be the first to get into the mind if you have something that is new, rather than to try to dislodge a brand that is already there with something that is better.

However, there is a problem with that strategy. We have met a lot of resistance when we proposed to Singapore companies that they need to try to be first in something. Many companies have said that it is not a viable strategy. We shall call this so-called problem The First Mover's Dilemma. Many Singapore companies we have met – especially those in the technology sector – have told us that the right way to become a successful brand (but not necessarily the leading one) is not by being first but being fast. These companies propose that the way to do this is to watch the market leaders like a hawk, and the moment they launch something new, pull out all stops and race to get a competitive (or, in our lexicon, a copycat) version into the market before any other player can.

Puzzled, we questioned these companies on their reasoning. Very often, the answer that came back was, "It is too risky to be the first because you could lose your entire company and the shirt off your back by being first, especially in such a fast-changing and volatile sector as technology." Many Singapore companies would rather follow than lead. Some have even told us that Samsung Electronics became successful because it used this strategy. We disagree.

Samsung Electronics was a non-starter when it was just copying the leaders in the field of consumer electronics. It only garnered respect as a serious player when it invested billions of dollars in innovation and design. Look at Samsung's products today. They are so distinctive-looking that you can tell a Samsung mobile phone or television set even without looking at the logo. Samsung has managed to establish a design language that is unique to the brand, just like Apple or Harley-Davidson. We do not deny the fact that Samsung moves very quickly – but it moves fast in terms of innovation and in getting its products established in the minds of consumers ahead of the competition. It doesn't move fast in copying what others are doing. That strategy got Samsung nowhere in the past and it would not do your brand any good either.

Nowadays, because its products are highly differentiated in terms of innovation and design – think of its Ultra Edition mobile phones – Samsung products command a premium. Previously, as a copycat, it had to price itself really, really cheaply to move the goods. Even then, many people would not be caught dead using a Samsung product. Jacky was one of them. Throughout the 1990s, Jacky would not buy a Samsung product, no matter how cheap.

He was a Sony fan back then. But that is no longer the case. These days, Jacky would happily buy a Samsung plasma TV or mobile phone because a Samsung product today is highly differentiated by its design and its innovation. Samsung got to its current position by trying to be first in the customer's mind with something new. Samsung is not the first mobile phone brand in the market but it got into the mind first with its ultra-stylish and ultra-slim phones. At the time of writing, Samsung had just launched its latest super-cool G600 and E950 sliding phones.

Differentiation is what builds brands. But you must be the first with that differentiating idea. If someone else got to that idea before you, then it is no longer applicable to your brand. So, The First Mover's Dilemma is actually no dilemma at all. Yes, being a first mover entails a lot of risk. Then again, business is all about taking calculated risks. Fitness instructors like to tell their trainees that if there is no pain there is no gain. In business, if there is no risk, there won't be any gain as well. For example, when Wilson established StrategiCom, it was the first brand consulting firm in Singapore that was 100 per cent dedicated to B2B branding. That differentiated StrategiCom. However, it was a highly risky move that Wilson agonised over for a long time because, in those days, many B2B companies in Singapore still thought branding was for B2C companies. The market was very small or even non-existent. Wilson still remembers one meeting he had with the senior management of a B2B company. Wilson was making a presentation on the importance of branding for B2B companies. Ten minutes into the presentation, the CEO of this company raised his hand to stop him and said impatiently, "Mr Chew, we are not selling Coca-Cola. Why are you telling us about branding?" Yes, being a brand consulting firm dedicated to serving only B2B companies was risky but in return for that risk, StrategiCom managed to differentiate itself by capitalising on its first mover advantage.

Whatever business you choose to be in, risk is a given. Build a strong brand by getting into your customers' minds first with a powerful differentiating idea. Only then can you charge a premium. Only then can you have a strong hold on your market. The alternative is to sell cheap. The choice is yours. Think iPod. It got into the mind first with a powerful differentiating idea – portable MP3 players. That is why the iPod has such a strong hold on the market despite its premium pricing.

But is differentiation necessary in all situations? Are there scenarios in which it is not required for success? Yes! There are instances when it is a waste of time, as we will discuss in the next section.

THE COMMODITIES CONTINUUM

For years, we have been expounding on the importance of branding for Singapore companies in our seminars and articles. But in this section, we would like to talk about a subject that branding consultants usually do not touch on because it is not in their best interest.

Although we still think that brands are extremely important assets, there are situations in which branding is not required because it is not the correct solution. So, when is branding not necessary? The answer depends on where you fall on what we call The Commodities Continuum. Take a look at the diagram below.

The Commodities Continuum

Highly Branded

The right side of The Commodities Continuum represents products and services that are highly branded. Here, brand preference plays an important role in influencing purchase decisions.

Contrary to popular belief, highly branded products and services are not limited to the consumer (B2C) sector. Some of the most valuable brands in the world are commercial (B2B) companies. According to *BusinessWeek*'s annual 'The 100 Top Brands' (*BusinessWeek*, 6 August 2007), the 10 most valuable brands in the world are Coca-Cola, Microsoft, IBM, General Electric, Nokia, Toyota, Intel, McDonald's, Disney and Mercedes-Benz. Out of these, four (Microsoft, IBM, General Electric and Intel) are B2B companies.

If you fall on the highly branded end of the continuum, branding is – unquestionably – important to you. That is a no-brainer. What about those companies on the other half of the scale?

Highly Commoditised

The left side of the scale represents products or services that are highly commoditised. They do not have to be actual commodities like grains, crude oil or coffee beans. Many of these products or services are sold under well-known brand names but, for all intents and purpose, are commodities.

They do not have to be low-tech products either. Some very high-tech products on the market are generally regarded as commodities. Memory chips, hard-disk drives, thumb drives and CD-ROM drives – just to name a few – are high-tech products sold under various brand names but are not highly branded. Rather, these are highly commoditised products that are bought on price. There is no brand loyalty among their buyers.

Highly commoditised categories are characterised by two things:

1. Perceived Product Parity

When there is perceived product parity among the players, the category is in danger of becoming commoditised. Branding is all about perception. And perception is reality. Intel used to be the biggest manufacturer of memory chips. But it allowed competitors from Taiwan and South Korea to commoditise this category to the point where the price pressure became too great for Intel. Eventually, Intel was forced to abandon this market to concentrate on microprocessors.

In 1985, Intel reached what its former CEO, Andy Grove, called an inflection point where it had to decide which direction the brand wanted to take. Intel decided that the future for the company was in microprocessors but this time around, Intel focussed on building a strong corporate brand around its microprocessors, in combination with powerful sub-brands such as Pentium, Celeron, Centrino, Xeon, Viiv and Core Duo.

That prevented the microprocessor category from becoming commoditised. These days, there isn't any perceived product parity in this sector anymore. There may be actual product parity or even product superiority on the part of Intel's main competitor, AMD, but buyers perceive Intel to be superior. And that is all that matters.

2. Intense Price Competition

Price is a factor only when there is perceived product parity. When customers have a choice and they perceive no difference between one brand and another, they will usually buy the cheaper alternative. Highly commoditised categories are therefore characterised by intense price competition. There is little or no brand loyalty and customers switch between suppliers easily. This is something that you would do well to remember. Price is not a factor. Price is never a factor. Price is only a factor when there is perceived brand or product parity.

WHAT IF YOU ARE HIGHLY COMMODITISED?

If you fall on the highly commoditised end of The Commodities Continuum, branding is not necessary. What you need to do is implement productivity improvement, cost reduction and efficiency enhancement programmes. You need to be ruthless in trimming every gram of fat from your organisation to survive. You may even need to keep moving your centre of operations to low-cost locations to keep costs down.

Can a highly commoditised product or service be pushed into the branded half of the spectrum? Yes, but with a great deal of difficulty. It may not be worth the time and money. If you are in a commodities business, you can either work hard at maintaining or even improving your cost advantage, or you can choose to give up the business altogether.

THE MIXED PORTFOLIO

One of the things that most Singapore companies probably do not recognise is that within their portfolio of products or services, some could be branded and some commoditised. Before you can make a sound strategic decision, you need to understand where each of your products or services falls along The Commodities Continuum. Let us give you a couple of examples.

Samsung Electronics is a giant conglomerate with a wide range of products. Its memory chip and storage devices business falls on the commoditised end of the scale, and its mobile phones and plasma TV business falls on the branded end. General Electric is similar. Some of its products, such as electric motors and light bulbs, fall on the commodities end and others, such as jet engines and medical scanners, on the branded end. The bigger your company, the more likely it is that you will have a mix of branded and commoditised products or services.

Sorting your portfolio out will allow you to make the correct decisions about how to allocate your people and resources. Running a commodities business requires a different type of people and different types of innovation and marketing programmes, compared to running a branded business. In the book *Winning*, former General Electric CEO Jack Welch talks about the importance (and the difficulty) of correctly identifying a branded versus a commoditised business, and then assigning the right people and putting the right processes into place for each type but it is something that needs to be done, as the decision will affect how effectively those businesses are run.

WHAT IF YOU FALL SOMEWHERE IN THE MIDDLE?

If you are stuck in the middle of the Continuum, you can swing either way. Therefore, you have an important strategic decision to make: Which side of the fence do you want to be on?

If you want to compete on price, then commoditise your products or services. Design your business model to be the cheapest and most efficient. Run those productivity/efficiency/cost reduction programmes that we talked about earlier. Dell did that with the PC. It created and perfected a supply chain model that allowed it to be cheaper than its major competitors. That made Dell very successful.

If you want to push your company into the branded end of the scale, you need to run a properly strategised and well-executed branding programme. That was what Intel did with the microprocessor, which in the beginning was somewhere in the middle of The Commodities Continuum. If Intel hadn't taken proactive steps to brand its microprocessors, we think they might have become commodities by now.

Regardless of which side of the fence you want to be on, be proactive. Take charge of the destiny of your brand. Do not let your competitors decide your fate. As Donald Trump once said, "If you do not manage your brand, somebody else will do it for you and that somebody will likely be your competitor."

In A Nutshell

In today's crowded market – one that is getting more crowded by the day – you really do not have a choice but to differentiate yourself in ways that are relevant to your customers and defensible against the competition. If you are not differentiated:

- Your brand will not stand out and it will not be able to lodge itself firmly in the mind. If your brand is not firmly established in the mind, then it is not a real brand because brands are built in the mind. In the business of branding, out of mind means out of sight, and out of sight means commercial death.
- The only strategy you can use is to sell cheap. The bad news is that there could be many competitors who can do it cheaper (and better). But the good news is that you can still build a strong brand based on a low price. Interested in knowing how? Then, read the next chapter.

Chapter 03

You Can Build A Strong Brand Based On A Low Price

MANY brand experts will tell you that you need to build a strong brand so that you do not need to compete on price. Well, we are of the same persuasion. At the same time, however, we will not tell you that you can't build a strong brand if you compete on price because that is simply not true.

You can build a strong brand even if your strategy is to compete on price. There is nothing wrong with being the cheapest brand on the market. For some reason, people tend to think that the brands that can charge a premium are the brands that have made it. We think differently. To us, a successful brand is a brand that can dominate its category and earn a nice profit in the process, regardless of whether it is a premium or budget brand. Of course, being able to command a higher price is nice but those that sell cheap can become strong brands too.

When we met Vikas Goel, the Chairman of eSys Technologies, he told us that there are basically two types of companies that any businessman can operate – one that is focussed on innovation, and one that is focussed on efficiency. Vikas is very clear about the kind of corporate animal eSys is: It is focussed on squeezing every last ounce of efficiency out of every single process. That is why eSys can sell its computers – built in its Changi North factory in Singapore – for S$399 and still turn a profit. We think that eSys has the potential to become a strong computer brand that is built on the low-price formula – or, in Vikas' words, the efficiency platform – if it wants to. What boggles the mind is not so much the fact that eSys computers are cheap but the fact that they are that cheap despite being built in a high-cost location like Singapore.

Many brands have been built on the low-price formula. The catch is that you must be able to hold steady in the face of the toughest price competition from players that originate from a legion of lower-cost countries such as Brazil, Russia, China and India. To be a strong low-price brand, you will need to have a *structural cost advantage*, which means your cost advantage must be built into your business model and be an integral part of your infrastructure.

Moving your operations to a low-cost country, squeezing your suppliers and suppressing your employees' wages do not represent structural cost advantages because they simply are not and, furthermore, these things could be easily copied by your competitors.

We will share with you the success stories of some powerful global brands that have been built on the low-price formula and their unique structural cost advantages so that you can decide if this low-price route to building a strong brand is something that is viable for your company.

Dell

In 1984, Dell became the first company to sell computers directly to end-users. At the time, many people thought Dell would not make it because computers were not things that were traditionally sold that way. Michael Dell is obviously someone who does not let tradition get in the way. He is a visionary who thinks differently. Nonetheless, it was not easy making the system work. The advantages in terms of cost were huge. By doing away with the middlemen, Dell enjoyed much lower operating costs than its traditional competitors, and the savings were passed on to its customers without any effect on its profit margins.

The direct sales channel gave Dell a structural cost advantage that its competitors could not – and still cannot – match. It transformed Dell from a garage operation into a leader. Dell was the No. 1-selling computer for many years. It lost that top spot to Hewlett-Packard (HP) recently, but that doesn't mean its business model is flawed. It is still highly viable and its structural cost advantage is tremendous.

We believe one of the reasons HP overtook Dell was the explosive growth of the laptop computer. Dell made a name for itself in desktop computers but today, laptops have overtaken desktops in terms of sales and will continue to outpace desktops as the corporate world becomes unwired and offices become mobile. Much of this book, for instance, was written in cafés on an IBM ThinkPad T60 laptop, not in the office on a clunky desktop computer.

We suspect that the HP brand is better known for laptops than the Dell brand. It may not be the only factor in Dell falling to No. 2 but we think it is definitely one of the reasons. No matter what the current global rankings are, Dell is still a powerful brand built on the low-price formula.

Amazon.com

Amazon.com's low price was achieved through structural cost advantage as well. Running a bookstore requires heavy capital investments and involves high fixed costs because books are bulky items that require physical display and storage space. Jeff Bezos' genius was in moving the bookstore online.

In the virtual world, you can display millions of books but not incur the kinds of fixed costs that would handicap any start-up. And Amazon.com also made arrangements to have orders shipped directly from publishers' warehouses to the customer, thereby saving it a lot of money on warehousing. This structural cost advantage turned Amazon.com into the world's No. 1 online book retailer and the world's largest bookstore.

While Dell's strategy was to remove the middlemen from the equation, Amazon.com's strategy was to insert itself as the middleman between the publishers and the customers using its virtual bookstore. But what both Dell and Amazon.com have done is to remove a very high-cost component from the business model and in Amazon.com's case, it is the physical bookstore and the warehouse.

Like Dell, however, Amazon.com is now using its well-established distribution channel to sell other items like CDs, DVDs, VCDs, etc. We feel it should stay focussed on books because line-extending will dilute its focus and harm it in the longer run. But that's another story for another time.

Southwest Airlines

Today, budget airlines are a dime a dozen. AirAsia, Tiger Airways, JetStar Asia and many others have burst onto the scene. What most people do not know is that they are all modelled after the granddaddy of all budget airlines: Southwest Airlines.

Southwest Airlines, founded by Herb Kelleher, has been profitable in every single year except one. The company was incorporated in 1967 and the maiden flight was in 1971. It is a strong brand built on low price, thanks to an amazing infrastructure that has given it an unassailable structural cost advantage over every other American airline.

For starters, Southwest Airlines only flies one type of aircraft, the Boeing 737, and that makes its fleet easy to maintain because it only has to service one type of aircraft day in, day out. Today, Southwest Airlines operates more than 500 Boeing 737 aircraft in 63 cities. Training its crew also becomes easier as both the trainers and trainees only have to worry about mastering one type of aircraft. This has resulted in reduced costs. Southwest also operates on a first-come-first-served basis. It has no assigned seating. That means it is able to do away with expensive ticketing systems. Most of its flights are less than two hours long. It does not serve meals. It lands at small airports. It chooses to serve only 30 of the 50 states in the United States. Furthermore, Southwest flies direct to destination, avoiding expensive hubs. All these things add up to impressive cost savings and they form part of the company's structural cost advantage. This structural cost advantage has helped Southwest Airlines remain the world's No. 1 brand for budget air travel.

Southwest Airlines beats the other budget airlines hands down but how does it stack up against the regular, full-service airlines? In 2006, Southwest Airlines had US$9.1 billion (S$13.7 billion) in sales and US$499 million (S$748.5 million) – 5.5 per cent – in net profits.

Between 2004 and 2006, Continental Airlines had a total turnover of US$34.2 billion (S$51.3 billion). It recorded losses of US$134 million (S$201 million).[1] Although it managed to turn a net profit of US$343 million (S$514.5 million) on turnover of US$13.1 billion (S$19.7 billion) in 2006, its net profit margin of 2.6 per cent was less than half of Southwest's.

Between 2004 and 2006, United Airlines had a total turnover (from operations) of US$53.1 billion (S$79.7 billion) and a net operating loss of US$626 million (S$939 million).[2]

The situation at Delta Airlines is even scarier. The company suffered an accumulated net loss of US$15.2 billion (S$22.8 billion) from 2004 to 2006![3]

Considering the state of other US airlines, we would say Southwest Airlines stacks up pretty well, thanks in large part to its unrivalled structural cost advantage.

Toyota

Toyota is the most successful car company in the world. It has surpassed General Motors to become the No. 1 car maker in terms of units sold. But even when it was the No. 3 player behind General Motors and Ford, it was still a lot more

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1 http://www.hoovers.com/continental-airlines/--ID__41903,period__A--/free-co-fin-income.xhtml

2 http://www.hoovers.com/ual/--ID__11520,period__A--/free-co-fin-income.xhtml

3 http://www.delta.com/about_delta/investor_relations/annual_report_proxy_statement/

profitable than the two American giants combined. In its financial year ending 31 March 2007, Toyota reported US$202.9 billion (S$304.4 billion) in revenue and a net income of US$13.9 billion (S$20.85 billion), which gave it a profit margin of 6.9 per cent.[4]

In its financial year ending 31 December 2006, General Motors reported revenues of US$207.3 billion (S$311 billion) – better than Toyota – but it suffered a net loss of US$2 billion (S$3 billion).[5] For Ford, in its financial year ending 31 December 2006, it reported revenues of US$160.1 billion (S$240.2 billion) and a staggering net loss of US$12.6 billion (S$18.9 billion).[6]

Let's look at this from another angle. As of 14 December 2007, 4pm US Eastern Time, General Motors' stock was valued at US$26.52 (S$39.78), giving it a market capitalisation of US$15 billion (S$22.5 billion). As of 14 December 2007, 4pm US Eastern Time, Ford's stock was valued at US$6.90 (S$10.35), giving it a market capitalisation of US$12.9 billion (S$19.4 billion). As of 14 December 2007, 4pm US Eastern Time, Toyota's stock was valued at US$106.3 (S$159.5), giving it a market capitalisation of US$383.7 billion (S$575.6 billion)! Even the red hot Google could not come close to Toyota's market capitalisation, being valued at US$215.9 billion (S$323.9 billion). This means that Toyota is worth almost 18 times more than General Motors and Ford combined.

Toyota's success is based on providing high-quality mass-market cars at a low price because it has a structural cost advantage. We are sure you know about Toyota's famous Kanban just-in-time manufacturing system that has been copied by companies all over the world – even those outside of the automobile industry. The system, which is designed to have parts delivered to the assembly line only when required, allows Toyota to reduce inventory and cut each car's assembly time, both of which contribute to lower cost. Because of this structural cost advantage, Toyota can still build its cars in a high-cost location like Japan and sell them at competitive prices.

Ikea

One of our favourite examples of a brand built on the low-price concept is Ikea. As you probably know, furniture is extremely bulky. Each item takes up a lot of

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4 http://www.toyota.co.jp/en/ir/library/annual/2006/highlights/index.html

5 http://www.gm.com/corporate/investor_information/docs/fin_data/gm06ar/download/gm06ar.pdf

6 http://www.ford.com/doc/2006_AR.pdf

space in terms of storage as well as transportation. That results in very high fixed overheads for any furniture company.

But Ikea found an ingenious solution to this problem. It invented the concept of flat-packed furniture. All of its furniture is designed to be flat-packed so that it is easy to manufacture, store, transport and assemble. If you have ever seen the Ikea delivery people assemble the Ikea items that you have just bought, we think you will be very impressed at the elegance and simplicity of the concept.

Because of this, Ikea has achieved a structural cost advantage that other furniture companies only dream about. We have heard from furniture manufacturers in Singapore that Ikea furniture is not really that high-quality and not suitable for the island's hot and humid weather, but we disagree. Jacky used to work for an educational software company that ran a computerised tuition centre fully furnished by Ikea. The furniture not only looked great, it lasted a long time. On top of that, it was cheap.

Wal-Mart

The world's largest retailer, Wal-Mart, has also been built on the concept of low price. In fact, its slogan, "Everyday Low Prices" tells you that this is a brand that can beat anyone on price. And this structural cost advantage is gleaned from large economies of scale.

When Sam Walton first started, his strategy was to open a Wal-Mart store only in towns with populations of under 50,000 people. Those towns were too small for the big players to put on their radar screens and, as far as the existing competition went, it would be easy for Wal-Mart to steamroller those Mom-and-Pop stores.

You would have thought small towns are unattractive because the market size is small and the spending power typically lower, but that was just a stepping stone. With that strategy, Wal-Mart could build up economies of scale while remaining relatively unscathed by the competition. Those economies of scale, in turn, gave it superior bargaining power with suppliers. And Wal-Mart grew and grew and grew until it became the world's largest retailer that it is today.

At a later stage of its life, Wal-Mart also invested in a state-of-the-art supply chain management system that allowed it to keep its logistics operations functioning smoothly and efficiently, thus adding to its structural cost advantage.

AND NOW, WE ARE GOING TO DROP A BOMB

All the companies we mentioned in the earlier section of this chapter are brands that competed on price and yet still managed to build strong brands because of their structural cost advantage. Consider their structural cost advantage, and you will realise that it was achieved because of *differentiation*!

Dell did it differently from every other computer company with its direct sales channel. Amazon.com had its revolutionary virtual bookstore, which was very different from traditional brick-and-mortar bookstores. Southwest Airlines flew only one type of aircraft – it still does, even today – and that made it very different from other airlines when it first started. Toyota has a production system that keeps inventory level to a bare minimum at a time when other manufacturers are still stockpiling inventory of parts. Ikea's flat-packed furniture was unheard of until it launched the concept. And Wal-Mart did it differently by concentrating on small towns.

All of them did things differently, in a good way, and by being different, they managed to achieve their structural cost advantage. What this means for you is simply this: YOU CAN'T RUN AWAY FROM DIFFERENTIATION.

GOOD THING NO CHEAP, CHEAP THING NO GOOD

We apologise for the decidedly Singlish title of this section but we think it is an appropriate one. Whether you want to compete on low price or not, you need to understand some of the important characteristics of price. Singapore's obsession with wanting things "cheap and good" is actually undermining the brand-building efforts of local companies. The reason is simple. If you have a good or premium product, you need to charge premium prices for your brand to have credibility. Hard as it is for some of you to believe, customers actually expect to pay premium prices for a premium product.

"Ah hah!" thinks the typical Singapore company. "If we can make our product as good as the leading brand but price it only slightly higher than the entry-level ones, we will have a winner!" Yeah, right! Name one brand that has toppled the leading brand with such a strategy. You probably can't. But we are sure you know of some company that has products or services that are as good as the leading brand (if not better) but they are still very far away from the leading brand in terms of market share.

Leading brands need to carry a leader's price tag. That's how the mind sees things. If you tell people that your brand is as good as (or better than) the leading brand but a lot less expensive, they will think, "No way, my friend! If you are as good, why aren't you charging the same price? How come you are so cheap? Is there something wrong with your product?" You will have a credibility issue. Here is an example that you might be familiar with. Jacky recently walked past a provision shop that sells some well-known household brands that his wife likes to buy, such as Dettol shower gel and Organics shampoo, at really low prices. Jacky took his wife to that place and instead of buying those products, she said, "Why are these brands so cheap? Are they expired? Are they counterfeit items?" Jacky's response was, "Honey, this is Singapore so I am sure these are not fake goods. And I have checked the expiry dates. They are still good!" But his wife remained unconvinced.

Remember that branding is all about perception, and perception is reality. You are a customer yourself. That is how you think, whether you realise it or not: "Cheap thing no good. Good thing no cheap." Stop selling your brand short. If you are good, have the guts to price your product or service accordingly – after you have branded it properly.

By the way, an even worse strategy that we have seen Singapore companies adopting is this. "We are 80 per cent as good as the leading brand but we cost 30 per cent less." That kind of strategy puts your brand nowhere. Life is complicated enough without having to think in fractions. Eighty per cent as good means you are not perfect but that is why you are 30 per cent cheaper. Most of your customers, we believe, want simplicity: If they want something cheap, they go all the way and get the entry-level brands. If they want something good, they pay for the best that they can get. And this strategy will put your brand in the middle where you get hammered from the top by premium brands and kicked from the bottom by entry level brands. That's no place to be.

Why do people buy Rolex? Because it says something about them: That they are successful and have good taste in watches. Rolex is a top watchmaker. It charges premium prices, and its customers actually demand to pay premium prices. Demand? Yes, of course. If a Rolex is priced like a Seiko, nobody is going to take it seriously, even if the watch quality remains the same. People will think something must not be right.

That's the way branding works. If you are good, make sure you are priced appropriately. If you are not, then make your product cheap.

Hyundai sold 2,663,998 vehicles worldwide in 2006.[7] That is actually quite an impressive achievement. Who would have thought Hyundai would have been so successful just 10 years ago? But what is the primary reason people buy Hyundai? It is cheap. We have met a number of Hyundai owners who wax lyrical about how good their cars are. We have driven Hyundai cars and they have come a long way, especially in the areas of refinement and ride comfort, but if a Hyundai Sonata were not so much cheaper than a Nissan Cefiro or a Honda Accord or a Toyota Camry, we think many Hyundai owners would happily switch brands.

Hyundai owners may say otherwise, but if a Sonata is the same price as its Japanese competitors, we are sure Hyundai would not look like such an attractive brand to buy because Hyundai is not yet perceived as the equal of its Japanese competitors. As long as Hyundai is still perceived as less superior, it has to sell cheaper. Hyundai is working hard to move its brand up the perception ladder so that it will not be seen as a cheap Korean car in the future. Don't bet against Hyundai. It has the determination to get the job done. And when people start to see Hyundai as a more premium brand, then it can (and should) charge more premium prices.

In A Nutshell

If you want to compete on price, you can. And contrary to popular belief, you can even build a strong brand based on a low-price strategy. But you must go all the way to ensure that you can maintain your price advantage for many, many years to come. If you have even the slightest doubt, you had better not pursue that strategy. Be sure that you have the structural cost advantage to beat all comers on price. Otherwise, you need to find a differentiating strategy that works for you from the 13 that we have outlined in this book.

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[7] http://worldwide.hyundai-motor.com/common/html/about/news_event/press_read_2007_01.html

Chapter 04

Quality Is Not A Differentiator

BEFORE you throw this book into the dustbin and set it on fire, let us go on record to say that quality is very important in building brands. You can't build a strong brand based on smoke and mirrors. You also can't build a strong brand if you do not have product or service quality that is on par with your competitors. However, that doesn't mean that having a better-quality product or service can differentiate your brand. Isn't that a strange contradiction? You can't build a strong brand if you don't have quality. Right. But having quality won't help you differentiate your brand? Right again.

Quality is a must-have, but today, quality is nothing more than the price of admission into the playing field called the marketplace. That means, in order for your brand to have a chance of being considered by the customer, it needs to have quality. Without it, you do not even get invited to play. That is the reality of the hypercompetitive world that your brand has to live in.

Quality is still important but unfortunately, quality has become a commodity and, as we have established earlier, commodities are undifferentiated – virtually indistinguishable one from another. Because of that, quality has ceased to become a differentiator.

It hardly seems fair, because so many of you spend so much time and effort to ensure that you have top-notch quality and yet, here are the two of us telling you that quality is no longer enough. But that is the way it is. What we would like to do in this chapter is to systematically explore why.

EVERYBODY STANDS FOR QUALITY

We meet a lot of companies at the branding seminars and workshops we speak at regularly. When we ask these companies what makes them different, or special, most are quick to answer, "We stand for quality." That is great, actually! The world would be a much better place if every company believed in quality and delivered it.

However, from a branding point of view, when everyone stands for quality, no one *actually* stands for quality. This may sound contradictory but think about it: Branding is all about differentiation. If every company stands for quality, there is no differentiation. What then? People will buy whichever brand is cheaper.

Quality can only be a differentiator when there are enough companies brave (or stupid) enough to stand up and shout, "We are not a quality company." Only then would there be two opposing camps – one that stood for quality and one that did not. What are the chances of that happening? We think it would be easier to teach a chimpanzee to pilot a Boeing 747 than to find companies that do not claim to stand for quality.

If we were to take your vision statements and put them side by side with those of your competitors, minus the company names and logos, what are the chances that your employees (or even those in senior management) would be able to tell which belongs to your company? Exactly.

Everybody stands for quality. You work hard on improving your quality levels by running programmes such as Total Quality Management, Six Sigma, Zero Defects, etc. You deliver on that quality promise. We believe you. And we are always thankful that we have companies like yours around. But guess what? All your competitors are also taking a drive down Quality Lane. All your competitors are also singing the quality tune and playing the quality card.

Sometimes we get rather exasperated with business owners or company executives who tell us that we do not know what we are talking about because we are not in their line of work and therefore, we do not really understand how things work in their industry. They are fond of telling us that quality is the be-all and end-all of winning business from clients and that they are successful and profitable because they deliver uncompromising quality. To this, we typically say that if what they claim is true (that they are differentiated based on quality), then their customers would not mind paying a bit more. So, we would ask them if they were to increase their prices by 15 per cent, would their customers still buy from them? Furrowed brows and long silence. Okay, how about a 10 per cent increase? Slow rubbing of chins and long silence. Okay then, how about a five per cent increase in price? Would customers still buy? Surely they would pay five per cent more for such a high-quality product, right? Blank stares and long silence.

Sorry to rain on your parade, folks, but a reality check is needed here. If your customers think that you are different from your competitors because of quality and they buy from you because they see you as a quality brand, it wouldn't hurt to be doubly sure. What you can do to find out if people buy from you because you stand for quality or because you are cheaper is to conduct a thorough Perception Audit, which measures what customers and employees perceive of the brand. In 99 per cent of the cases we have seen – and between the two of us, we have seen over a hundred – what companies think they stand for is not what their customers or employees think the brand is all about.

Before you do anything else, do a Perception Audit to find out what your brand actually stands for in the minds of your customers and employees. You may think you stand for quality; your customers may think you stand for something else. By finding out the truth, you improve your chances of developing strategies that work. Wilson tells our customers that even if a perception gap exists between what companies think and what customers think, business still gets done but not for the reasons companies think. Well, that isn't all the bad news there is; that's just the beginning.

THE WORST PRODUCT IS USUALLY STILL SERVICEABLE

There used to be a time when quality could be used to differentiate brands because the gap between the best and the worst was huge and easy for customers to discern. But those days are long gone, and they are never coming back. Some time ago, companies started declaring war on poor quality.

Legions of quality consultants, along with a huge bag full of processes, standards, tools, courses and books, sprang up overnight to help companies fight and win The Quality War. It looks like they have succeeded because the gap between the highest-quality product and the lowest in any category has been reduced so much that it has become almost irrelevant.

Not only has the gap been reduced, but overall quality has increased so much that it is actually quite difficult these days to buy a truly bad product. Bad service is another thing altogether and we will deal with that in the next chapter.

Look around at the products that you buy for both personal and business use. Try to find the worst in each category and see if the quality is so bad that the product is unserviceable or unable to perform the task it was designed to. You will be hard-pressed to achieve that goal.

Is the worst razor on the market so bad that it can't give you a clean shave? The result may not be as clean as the latest Gillette Fusion five-blade system but we bet that it will still shave your face quite nicely. And it will not be so bad that you show up for an important meeting looking like you did not shave at all. In fact, razors have become so good that even that master of innovation, Gillette, is finding it hard to make quantum leaps in terms of quality. The latest Fusion is excellent but the difference between that and the older razors – at least to us – is not readily apparent. When Jacky switched to the Fusion, nobody sat up and said to him, "Hey, you look really smooth today! New razor?"

Is the worst photocopier on the market a lot worse than Xerox? We do not know. Jacky was once given five photocopies made by five different machines and asked to rank them in terms of quality. He had a difficult time telling them apart. And if he had to do that ranking exercise five times, there is a very high chance he would rank the photocopies differently each time. That is how close the quality of photocopiers has become.

The worst car on the market today is probably more reliable than any premium car of 20 years back. Even the worst computer on the market is likely to be able to do all the things that you require of it such as sending and receiving e-mail, Internet browsing, downloads, chats, video conferencing, word processing and all the other regular things you do on a computer. We do not even know what the worst computer on the market is, because we only buy IBM ThinkPad laptops for business use. But we suspect that even the worst laptop on the market (and it might be the ThinkPad, for all you know) is still going to be pretty serviceable.

The worst bulldozer on the market will probably still be able to complete the task of bulldozing in an acceptable manner. The worst jet engine in the world today will probably still be able to get an aircraft into the air and help it to stay in the air. The worst X-Ray machine on the market today will probably still be able to take a clear X-Ray picture of your chest without killing you in the process. The worst digital camera on the market today is probably still better than the best digital cameras of five years ago. The worst metal stamping machine today is probably still good enough to stamp intricate shapes out of metal.

You get the picture. In a situation where the gap between the best and the worst has narrowed so dramatically, you are in trouble if you do not have quality. And you will be in even more trouble if you rely solely on quality to differentiate your brand.

THE WONDERS OF BENCHMARKING

Even when you can widen the quality gap between you and your competitors to such an extent that people can easily notice the difference, there remains the strategic question, “Are people willing to pay for such quality?” After all, the Law of Diminishing Returns states that the closer to 100 per cent that you get, the harder and more expensive it is to make any incremental gains. So, given the generally high quality in most products today, trying to make a quantum leap in quality is bound to be extremely expensive and that cost will have to be passed on to the customers. Are they willing to pay a lot more for extreme levels of quality? Not necessarily.

That’s why companies practise benchmarking. They find out how their products fare against the competition, whether in real or perceived terms, and act accordingly. It’s not just the underdogs for whom this is a necessary evil. General Electric’s former CEO, Jack Welch – a man well known for his astuteness – encouraged his people to benchmark, as he openly reveals in his book, *Winning*.

Through benchmarking, companies set themselves targets to beat (or match). And for good reason. Customers do so too, relentlessly comparing quality, price, performance and whatever else they think is important in order to make a purchase decision. It has become a way of life. Inevitably, the overall standard is raised, and the divide between the best and the worst narrows to the point where quality is no longer a differentiator.

However, benchmarking cannot take all the credit for the surge in quality. In the past, companies could benchmark themselves against the best in their business but not be able to close the gap in quality. These days, with the proliferation of advanced and accessible technology, a breakthrough product could be introduced, only to be stripped apart, analysed, reverse-engineered and made better by competitors. Within months, a cheaper, yet higher-quality product could be out on the market. That is how scary the competitive landscape has become.

That was how the Japanese consumer electronics companies and car manufacturers made their mark in the early years. They benchmarked against established American and European brands, and they gradually closed the quality gap until they were able to surpass many American and European brands in quality. But the Americans and Europeans are now benchmarking against the Japanese (and against each other) to close the quality gap. What the Japanese did to the Americans and Europeans, the Koreans are now doing to them.

The rise of Samsung Electronics and Hyundai Motor follows this established pattern. And who is to say the up-and-coming stars from China and India will not do the same to the Korean companies?

Right now, Chinese cars, consumer electronics and home appliances still fall short of their Japanese and Korean rivals in terms of quality (or perceived quality). Thanks to benchmarking and the relentless march of technology – which will make it easier, faster and cheaper to produce high-quality products of any type – the situation will not remain that way for long.

EASY TO REPLICATE

Quality is something that has become quite easy for your competitors to copy. By the same token, it has also become quite easy for you to copy your competitors. When you use something that is easy to copy as a differentiator, it will not remain a differentiator for long.

Thanks to globalisation, companies are enjoying greater economies of scale. The cost of production has come down, and it is easier and cheaper for companies to buy the machines and software they need to automate production facilities and manufacture high-quality products. What you can do, your competitors can do as well.

These days, a factory that is not running with computer-controlled robots and laser-guided equipment is the exception rather than the rule. To make things worse, the rise of the contract manufacturing industry means that many companies outsource the production of their products. What your contract manufacturer can do for you, it can also do for your competitors.

Quality has become easy to replicate and standardise. That is another nail in the coffin for the “Quality As A Differentiator” brigade. It doesn’t matter if the product in question is a simple device like a thumb drive, or a highly-sophisticated piece of hardware like an MRI (Magnetic Resonance Imaging) machine, or an ultra-expensive piece of equipment like an oil rig. Anyone can buy the expertise and the tools needed to replicate any product to a specified quality level.

In A Nutshell

Quality is important. If we were to tell you otherwise, then we would be certifiable nuts. But quality is also something that is expected of you. That means, if you do not have quality built into your company, people, processes, systems and products, you will not get onto that all-important short-list that your customers use when evaluating potential suppliers. That is why quality is no longer a differentiator. Quality has become a must-have. It has been commoditised.

In the past, a quality product could surprise and delight a customer. These days, customers are spoilt. They have been conditioned (like Pavlov's adorable little dog) to expect high quality. And they get surprised when a new product cannot meet their high level of expectations. Even if your customers buy a very cheap product from you, they will still expect quality. These days, it doesn't mean that if you are cheaper, people will forgive you for poor quality. If you buy a new mobile phone that costs $600 and it doesn't work properly, you would get upset, right? Sure, that is an expensive phone. If you buy a cheap $100 phone and it doesn't work properly, you would still get upset. Just because it is cheap doesn't mean you don't expect quality. Even if the phone is given to you free by your mobile service provider, you would still get upset if that phone doesn't work properly.

What this means for you is that your life is a whole lot tougher these days. You will have to work harder and smarter to find ways that can truly differentiate your brand and make it rise above a sea of look-alikes. You will also find that you need to run really fast and work really hard at constantly making improvements, just to keep up with the market.

The good news is that you are not alone: Your competitors are feeling the heat too. And you can still gain an upper hand if you know how to differentiate yourself cleverly.

Chapter 05

Service Is Not A Differentiator

LIKE quality, service has also become somewhat of a commodity. People expect good service to come as part of the deal. If you cannot provide it, you do not get to compete in the market either. As such, service is no longer a differentiator.

However, there is a big difference between product quality and service quality. Service quality is extremely difficult for your competitors to replicate because it is not an inanimate object. They can't simply buy technology or machines that can duplicate your service quality because service is usually delivered by human beings, who are almost impossible to standardise. They have minds of their own and do not always do as they are told.

In fact, not only do they not always do what they are supposed to, they very often do what they are not supposed to. They should not smoke because smoking is harmful but many people smoke anyway. They should not litter because littering spoils the environment but there are still the unrepentant litterbugs plaguing every city. It is difficult for you to train your people to deliver a consistently high level of quality and that also makes it difficult for your competitors to copy your service quality.

The next time you walk into a café to buy coffee, watch the barista at work. Even if it is the same person making your coffee every time, he or she might not do it exactly the same way always. And individual baristas will do it with their own signature touch. Interesting, isn't it?

Service quality is not only tough for your competitors to replicate, it is extremely difficult for you to replicate even within your own company. The most difficult thing to get right is consistency. A product can be made to be consistent in terms of look, feel, function, performance and other important parameters but with service, that's hard. Even if delivered by the same person, it can vary from time to time. Put it down to human nature.

Some experts have tried to use the Six Sigma practices on service quality to eliminate variations. All we can say is, "Good luck." Jacky has been part of

Six Sigma programmes in the past that try to achieve consistency in service delivery, and he noticed that the results were not very encouraging. But there's still hope.

Because service quality is so hard to get right, it can be a powerful differentiator for your company. The caveat is that you must get it right. If you put your service quality in a class of its own and make sure it is consistently delivered to that high standard, regardless of who the customer is or in which country, you will have an unbelievable competitive advantage.

But if service can be used as a differentiator, why are we not including it as part of the 13 Rules Of Differentiation? There are three reasons.

One, it is extremely difficult to achieve and you are as likely to fail as succeed. No doubt the rewards are great but there are too many uncontrollable variables. Therefore, using service as a differentiator should only be done if you can achieve higher service quality than your competitors and replicate that consistently.

Two, customers are getting more and more spoilt, thanks in part to service quality consultants who get up on stage at every opportunity to tell people that good service is a must-have. Like product quality, service quality is also something that your customers expect you to deliver.

Three, using service as a differentiator is extremely risky because what a brand promises, it must deliver. If you promise great service and fail to deliver, there will be hell to pay. Bad service is very transparent. The whole world can see through it and it can destroy your brand. One of Jacky's marketing professors at the University of Wisconsin – Madison once said to the class that the quickest way to destroy a mediocre product is a great advertising campaign. Likewise, one of the quickest ways to kill a company is by promising great service and falling short.

That doesn't mean you shouldn't strive to provide great service. You should. Again, like quality, your service must be at least as good as your competitors'. Otherwise, you will need to have a very low price to compensate for the shortfall, and we are not even sure if a low price is enough to compensate for poor service when it comes to today's increasingly demanding customers.

Are there successful brands that have been differentiated based on service? Of course. As service quality in service or retail brands are more transparent, we will use these as examples in the remainder of this chapter to illustrate how some brands have successfully used service as a differentiator.

SERVICE QUALITY RANKINGS

Much has been written about the poor service quality in Singapore, and the island is ranked lower with each passing year in comparative studies. We think it will actually come as a shock to us to receive good service in a shop or restaurant. In the United States and Hong Kong, the opposite is true. When was the last time you dined in a restaurant in Singapore, even one located in a high-class hotel, and were amazed by the fantastic service quality?

Many Singapore companies could improve their service by doing simple, common-sense things. For instance, sales people should be made aware that following customers around the shop is extremely annoying. If we are trailed by shop assistants, we will usually leave the shop because we do not like to be annoyed. We are sure you feel the same way.

We used to think that this had something to do with the fact that Singaporeans are a pampered lot and after years of being waited upon by their mothers and maids, they are incapable of doing a good job of servicing others.

We have changed our minds somewhat over the years. We still think that Singaporeans (especially those from the younger generation) are a sheltered lot and it would be extremely difficult (if not impossible) to train them to excel in service jobs. But amazingly, two companies have managed to do so, consistently, for as long as we can remember. Unfortunately, neither is local.

We are sure you know Giordano and G2000. Some of you shop there. Some of you would never be caught dead in those shops because they are not high-class enough for you. Regardless of what you think of these two Hong Kong companies' products, they have been able to provide consistently good service over the years. Every time we walk into a Giordano outlet, we are always greeted with a "hello" and a smile. The shop assistants will say, "Feel free to look around. We are here if you need any help."

Even after we try on stuff and do not buy anything, they will still smile at us as we are leaving, wish us a nice day and say they hope to see us again. Same with G2000. These two brands have managed to differentiate themselves from the other clothing retailers in Singapore through the high quality of their service. And they hire local staff.

HOW CAN YOU ENSURE SIMILARLY GOOD SERVICE?

1. Pick The Right People

There is absolutely no substitute for picking the right people, so make sure you have a good selection process in place. Regardless of how good your training programme is or how world-class your business processes are, if you do not have the right people, these things will not mean a thing. When Jacky was working for IE Singapore, his division head once said to him, “If you do not get the right people, you are in trouble because the wrong people simply can’t be trained to do the job.” We totally agree.

While studying in the States, Jacky noticed that American companies place a lot of emphasis on the selection of their employees. He was trying to get a sales assistant job at a local department store (Kohl’s) and even for that job, which paid like US$5 (S$7.50) an hour, he was given two psychological evaluations to make sure that he was suitable. Singapore companies generally do not go to such lengths. Some have told us there is no point; since it is impossible to get good people in Singapore anyway, why bother? That is sad to hear. Many companies in the service industry have resorted to hiring service staff from Malaysia, China, Indonesia and the Philippines. But Giordano and G2000 have managed to provide good service with a predominantly local staff, so it must be possible to hire the right people. You just need to find out how.

In 1994, after he graduated, Jacky went to work for another American company called Land’s End – a US$1.6 billion (S$2.4 billion) company headquartered in Dodgeville, Wisconsin, which sells clothing direct to its customers – as a sales representative, one of 6,000 that Land’s End had hired for the peak Christmas season. During the training programme, which lasted an exhausting three weeks, Jacky remembered being amazed by the cutting-edge technology that Land’s End had in its arsenal.

The thing that he remembered most from his training was when one of the trainers, a giant of a man by the name of Larry, walked into the room to address the trainees. He said something to the effect of, “Good afternoon, boys and girls. At Land’s End, we have some superb technology that makes life so much easier for our customers and for us. But you know what, the most sophisticated piece of technology that we have is right here in this room – you! Without you, none of these multi-million-dollar computer systems means anything.” Land’s

End is a company that is known for great service and it knows how important the right people are.

Another brand that has been able to provide consistently good service is McDonald's. Despite having so many branches in Singapore, the fast-food giant is actually very consistent in its service delivery. Of course, you can't compare it to the service that you receive in a five-star hotel (even then, not all five-star hotels offer great service), but at least the staff members do what is required in a consistent manner. Try getting that kind of service from its rivals in Singapore – quite difficult, in our experience. Our conclusion is that McDonald's must have managed, somehow, to hire the right kind of people and train them correctly.

2. Proper Training And Follow-Up

Many companies emphasise the training that they give their employees. They claim that their programmes are world-class. You know what? We believe them. But the problem is sometimes not in the training. It is with the follow-up. After your staff is trained, you do not just let them loose and forget about them. You have to check on them regularly to make sure they are doing the right thing. One way to do this is through mystery shoppers – professionals whose job is to do random audits of the brand's service quality. Some Singapore companies hire students for the task, but that's a half-hearted effort. You need trained professionals.

When Jacky was in IE Singapore, he was told that the Prime Minister, Mr Lee Hsien Loong, sometimes calls up the various government agencies to see if they are doing a good job. Well, you do not need to get such high-powered mystery shoppers but it would be good for the company's bosses (CEOs and directors) to do a bit of their own mystery shopping from time to time.

Jacky once noticed that a taxi company had put in place a mystery rider programme entailing feedback forms available in its taxis for commuters to fill out. While we think it is appropriate to get this type of feedback, the company still needs to hire professional mystery shoppers because commuters might not recognise if the taxi driver is driving properly or not.

When Jacky was working for Land's End, the supervisors would randomly listen in on phone calls to make sure that the sales representatives were doing the right thing, and provide feedback. When you know that you are being checked up on, you will pay attention to what you are doing!

Jacky's wife used to joke that they get such good service from Giordano and G2000 because they look like mystery shoppers. Jokes aside, this follow-up is important to guarantee good service. M1's service representatives are quite good too. Part of the reason is probably because M1 sends its customers an SMS to ask them to rate the service representative's performance after the customers are done with their service call.

3. Pay Up!

You need to compensate your people properly. You know the saying, "You pay peanuts, you get monkeys"? Well, it's true. A service job is not easy. Jacky and his wife have worked in restaurants during their student days. Wilson, too, used to work in a restaurant when he was a teenager. It was really hard work, so when you received a decent tip, it felt good. In Singapore, there is a service charge so there isn't any incentive to work hard. But we understand why it is built in. Without it, nobody would tip because it is not an Asian practice.

You need to find ways to compensate your service staff for doing a good job. This is a simple principle that a lot of companies simply do not get! Why does a supermodel look like a million bucks when she struts down the catwalk? Because she is paid a lot of money. We know it sounds really shallow but let's face it. We are human beings. We like to get properly compensated for doing our jobs well.

Of course, if you are paid well, you had better perform well; that is the other side of the coin. If you are properly trained and compensated and you do not perform, the company should not hesitate to sack you. It is only fair. It takes two to tango, doesn't it?

In A Nutshell

Service quality is not as easy to replicate as product quality. Hence, it can be used as a differentiator and can represent competitive advantage.

But before you can use service as a differentiator, you need to:

- Understand what good service is about.
- Know where to draw the line with unreasonable customers. Giving in to every demand made by a difficult customer is not good service. Instead, you will lose whatever respect that person might have had for you. How and where you draw the line requires good judgment – something that can be taught only to a certain extent. Because of that, it is important to make sure that the right people are hired in the first place.
- Understand what is considered price-to-play service (the basic, bare minimum) and what is considered service that has a wow factor. Too many Singapore companies in the retail and service business do not even grasp the bare minimum that is required.
- Make sure that your service is consistently higher than your competitors (easier said than done, we know). If you can achieve that, you have it made, because you will have a powerful differentiator that is extremely hard for your competitors to copy.

Chapter 06

People Are Also Not A Differentiator

IT seems like companies are really running out of things to differentiate themselves with. Well, like quality and service, people have also ceased to be a differentiator because your customers expect you to have good people on your team to deal with them. We are sure you have seen companies with slogans like "Our People Make All The Difference". Unfortunately, even if you have the best people, they will not be able to make all the difference if your brand is weak due to the lack of a strong and clearly articulated differentiating idea.

Yes, you cannot function without a team of good people. Since we are both in the consulting line, we are acutely aware of that fact. After all, consulting is a highly people-dependent business. A fellow consultant once said to Jacky, "Consulting is a highly un-scalable business because it is so dependent on the person doing the work." That is quite true. We can create systems and processes and methodologies but whether these things are ultimately successful in achieving the objectives of a brand consulting project is dependent on the people executing them.

So, having good people is a must to build a brand. After all, you need both a brand champion and brand ambassadors to build a strong brand. The brand champion must be the CEO but the brand champion alone cannot build a brand. He or she needs to build an army of brand ambassadors and the recruits for that army come from the rest of the people who make up the company. You value good people. So do your competitors. You try to hire and retain good people. So do your competitors. It would be unwise for any business to operate in any other fashion.

But people cannot be used as a differentiating idea unless you are able to put together a company that is staffed entirely by Nobel Prize winners or people with an IQ of 180 and above. If you can staff your company with the kind of great people that your competitors cannot find, then you have a useful differentiating idea based on people. But it is hard to do because your competitors can most probably do the same.

However, there is one example where the differentiating idea was based on people, but it is a very old example and the company is no longer in existence. We are sure you have heard of the former Big Five accounting firm called Arthur Andersen – the very same one that was involved in the Enron scandal and had to close down as a result of that. The firm was founded in 1913 by Arthur Andersen and Clarence DeLany as Andersen, DeLany & Co. The name was changed to Arthur Andersen in 1918.[8]

Arthur Andersen managed to build his firm up in a very short period of time because he did something revolutionary for his time. He wanted to build a "different kind of firm" by hiring a different kind of staff. In those days, it was the normal practice for accounting firms to hire graduates of bookkeeping and commercial schools because they commanded lower salaries than accounting graduates from universities and colleges. However, Arthur Andersen believed in doing it differently. He hired only the top accounting graduates from the best universities such as Northwestern where he was also lecturing.[9] They cost a lot more but Arthur Andersen believed that their higher salaries would be offset by the more sophisticated work that they could do for the firm and its clients.

What Arthur Andersen did in terms of human resources differentiated the firm from its competitors because nobody else was doing that at the time. And for as long as Arthur Andersen remained at the helm of the firm, this high standard was observed. Arthur Andersen passed away in 1947. By that time the firm was already very big and still growing rapidly. Its competitors had also wised up to the fact that hiring top accounting graduates could actually help grow the business. So, it became harder to maintain that differentiator. This is often true of most companies. When the company gets very big, the average standard will, of course, drop. After all, not all the later hires can be expected to be as good as Mr Andersen and his original core team, right?

If you want to use your people as a differentiating idea, you must be prepared to do what Arthur Andersen did when he started in 1913. For that, you have to study what kind of people your competitors are hiring and try to do something that is revolutionary. For example, if you are running a trucking company and your competitors are staffed by truck drivers who do not speak much English, you could possibly try and be the first to hire truck drivers who are quite

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8 http://en.wikipedia.org/wiki/Arthur_Andersen

9 http://www.anbhf.org/pdf/moore_crampton.pdf

conversant in the English language. Is there value in that, as far as your clients are concerned? If there is, you can do it. Remember that the differentiating idea must be relevant to clients.

CAN PEOPLE REALLY MAKE A DIFFERENCE?

We would like you to consider this scenario. Let's assume that you are a world-class sales person. You have excellent product knowledge. You have great communications skills. You are quite pleasant-looking and you dress well. You are also a very likeable person. You go to work for a company that sells telecommunications equipment. This is a local company that makes high-quality products that are comparable to other well-known brands on the market. But the company does not have a coherent brand. The company does not have a strong differentiating idea. It does not stand out from the other companies in this field. Do you think that you can make a difference despite being a great sales person? It would be tough, we think.

But if you were to work for SingTel, Singapore's most established telecommunications company and a brand that every person in Singapore knows, what do you think would happen when you pick up the phone and call a potential customer?

"Hello, I am calling from SingTel and I would like to make an appointment to see you to introduce to you our latest line of wireless broadband modems for laptops."

Because you are from SingTel, it would be easier for you to secure an appointment. So, in this case, do you really make a difference? Or is it the brand that makes the difference for you?

BRAND FIRST, PEOPLE SECOND

If you look at what Arthur Andersen did, it looked like the people made all the difference. The people did make a difference but the difference is that they brought the company's brand strategy to life. They made the Arthur Andersen way of business possible. But the strategy came first and the people were fitted in later.

Arthur Andersen had a vision. It wanted to be a different kind of accounting firm. It wanted to offer more value-added (and higher value) business and financial services to its clients instead of just simple bookkeeping and accounting. It wanted to offer consulting as well. That was the brand strategy. It was settled first and then Arthur Andersen went about looking for the kind of people that were needed to make this strategy work.

If Arthur Andersen had hired all those brilliant young graduates but did not have a clear and coherent brand strategy, would the people have made a difference? They might have become world-class bookkeepers and auditors but would that have allowed Arthur Andersen to make the quantum leaps that it did? Probably not.

What we are trying to say is that you still need to have a powerful differentiating idea first for your brand before your people can make a difference. Your people, no matter how good they are, cannot help you build the brand if you are not differentiated in the first place. That is why people are not really a differentiator. They help to support the differentiating idea. They help to bring it alive. They help to project and communicate that idea. But without that one idea that defines what the brand is, even the best people won't help you grow.

In A Nutshell

Your people are like sunlight. Your customers are like a piece of paper that the sunlight needs to burn through. (After all, if your people cannot get through to your customers, business cannot be done.) In itself, sunlight cannot burn through a piece of paper. The sun gives out millions of kilowatts of energy but despite that, the best that sunlight can do to a piece of paper that has been exposed to it for a long time is to turn it yellow, perhaps. For the sunlight to burn a hole in the paper, it needs to be focussed by something like a magnifying glass.

That magnifying glass is your differentiating idea. With a differentiating idea, your people can be focussed and only when they are focussed (all singing the same song and dancing the same dance) can they make a difference and achieve a breakthrough with customers. We think this is an appropriate analogy to use, so don't forget your magnifying glass.

Chapter 07

Why Is It So Difficult To Differentiate?

EVEN companies who truly believe that differentiation is the only way to build a strong brand might end up with brands that are not differentiated at all – and not from the lack of effort on their part. It has become extremely difficult to create meaningful differentiation. That is why when you look around you at the thousands of brands trying to catch your attention and win your wallet, you do not see many that are outstanding. It's not that they are no good; they just happen to all look the same. In today's marketplace, sameness is not an asset. It is equivalent to the kiss of death. So, why is it so hard for companies to differentiate?

HYPERCOMPETITION

Companies have an insatiable thirst for growth. Everybody sees it as a good thing, but there is a limit to how much a company can grow. Once a company has hit the ceiling in a particular market, it has two options. One is geographical expansion: It takes what it has and sells to customers in other markets. The second option is line extension, which means the company moves into other categories in an effort to bolster its sales.

Regardless of the way in which a company chooses to expand, it will contribute to hypercompetition. Take the earlier example of the Blue Sparks and the White Heat light bulbs. Now, let us suppose that Blue Sparks' original market is Singapore and White Heat's is China.

After Blue Sparks has exhausted its growth opportunities in Singapore, it may expand into a new market like China. Suddenly, White Heat in China finds that it has a new competitor in its backyard. And Blue Sparks is not alone. Other light bulb brands from other countries that have experienced a sales plateau may also be entering China in an effort to grow. So, the market for light bulbs in China becomes overcrowded and hypercompetitive.

But the problem for White Heat is just beginning. As if trying to defend its market against foreign invaders is not enough of a headache, it will also have to contend with new entrants that are traditionally not in the business of making light bulbs.

For the purpose of illustration, let's say there is a company in China called Top Pow that has been in the business of making and distributing power sockets. In an effort to grow, Top Pow decides to make and sell light bulbs as well. In a flicker, White Heat has yet another new competitor.

The drive for growth will result in everybody trying to get into everybody else's business. Your brand has never been under so much pressure. Competitors are circling you like hungry sharks, waiting for you to make a mistake so that they can eat your lunch – and sometimes you along with it. The slightest mistake is punished immediately by the marketplace.

Because of this hypercompetition, it becomes difficult for companies to hang onto their Unique Selling Propositions. As soon as you find a USP, your competitors will jump on it, strip your product apart and reverse-engineer it, making it better and making it cheaper. We met a polycarbonate lens maker who told us that within three to six months of it launching an innovation, the competition introduces its own version and wins in the marketplace, because the competition comes in the form of better-known brands like Essilor, Hoya and Nikon. So, even with truly innovative new products, you will still find it very hard to hang onto your USP.

HYPERCONFUSION

To make matters worse, not that many people actually understand what differentiation is and this includes many of those people whom you will expect to know it. We were surprised to find out that not many people knew how to go about achieving real differentiation. If we get a hundred dollars for each time we meet someone who tells us that differentiation is important and that is why he or she has worked so hard to create a highly differentiated brand but ends up showing us a brand that is completely undifferentiated, we may actually be making pretty good money.

Examine any product or service category and see if the brands competing within this category are differentiated. Even if there is a difference, chances are it will be slight and near-useless for brand building. Many of these brands actually talk a lot about the importance of differentiation and how they are set apart from their competitors but at the end of the day, however, there is no difference. Why? Because many brands simply do not know how to go about it the correct way.

Not only that, most brands do not even know what makes for a good differentiator. Yes, there are good and bad differentiators. Just because something is different doesn't necessarily mean it is good. We think you will agree with us on that. We will discuss the various criteria in the next chapter so that you can know what is viable and what should be avoided at all costs.

MEANINGLESS SLOGANS

Companies often squander their USPs with meaningless slogans. And it is not just the unknowns that are guilty. Many of the biggest brands in the world are, too. But having said that, these are big brands. They can make mistakes and get away with them. You can't.

Connecting What?

It seems that every Tom, Dick and Sally has a mobile phone. What is the best-known mobile phone brand in the world? Nokia. Is it the best? Maybe. Maybe not. So, why is it so well-known? Because one in every three mobile phones sold is a Nokia. That is Nokia's USP. But is it using that powerful differentiating idea? No. We feel that Nokia has a meaningless slogan: "Nokia. Connecting People."

Connecting people? Isn't that what all mobile phones are designed to do? If Nokia is not connecting people, what is it connecting? The slogan is stating the obvious and therefore redundant. People who buy mobile phones know that these devices can be used to connect them with other people. The slogan Nokia should use is, "Nokia. The No. 1 Mobile Phone." It is not a sexy slogan but consumer psychologists tell us that 95 per cent of buyers are imitators – they will buy what other people are buying.

The typical buyer may think, "If one in three people buys a Nokia, it must be good. Why buy anything else?" The buyer may eventually end up buying something else but if the buyer knows that one in three mobile phones sold is a Nokia, then he or she might give Nokia more weight in the decision-making process.

Just Do What?

Nike is another brand with a meaningless slogan. Don't get us wrong. It is a catchy slogan. It is a famous slogan. Take away the Nike name and logo, and people around the world can still tell that "Just Do It" means Nike. Famous though that slogan might be – and Nike spends hundreds of millions of dollars a year in advertising to ensure that this slogan remains famous – it was not what made Nike into a strong brand. (According to *The New York Times*, Nike spent US$678 million (S$1.02 billion) in advertising in 2006 and that was in the United States alone.[10]) What is Nike's point of differentiation then?

People buy Nike because it is what serious athletes wear. Co-founder Phil Knight started the company because this former track star could not find track shoes that were good enough for him. So, he made his own. Other serious athletes started buying his shoes. That was how Nike, the company, was born. Being the brand preferred by serious athletes was Nike's USP and that built the brand.

Today, Nike still has the same USP. The best athletes in the world wear Nike. Never mind that the company pays them to wear its shoes and sports apparel. The fact is, Nike is worn by more athletes than any other brand and many of these athletes are household names like Roger Federer (tennis) and Tiger Woods (golf). So, what should Nike's slogan be? We think that "Nike. What The World's Best Athletes Wear." would be more appropriate.

If it is good enough for the world's best athletes, it should be good enough for you. That is the real motivating factor for you to buy Nike. Subconsciously, you might think that Nike's quick-dry sportswear (Dri-Fit), for example, is probably not much different from the competition's. And Nike stuff is not exactly cheap. But it is what the best athletes in the world wear, so why shouldn't you? Do you buy Nike just because it spends hundreds of millions to tell you to "just do it"? Not a chance. You are not that easily influenced.

One Step Forward, Two Steps Back

Why do people buy a Toyota? Because it is reliable. Even people who are not car enthusiasts know that a Toyota is super-reliable. We think it is probably more likely for you to get run over by a Toyota than it is for a Toyota to break down. The car maker tops the JD Power & Associates Initial Quality Survey for cars year after year.

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[10] http://www.nytimes.com/2007/10/14/business/media/14ad.html?pagewanted=all

So, how is Toyota communicating this USP that it has worked so hard and so long to own? With the slogan "Moving Forward". Is it a bad slogan? Well, you are free to form your own conclusion but we think it is rather meaningless. A Toyota is a car. Whenever that car is in motion, it is moving forward 99.9 per cent of the time. That is why people buy cars – to move them forward.

Some of you may argue that the slogan refers to Toyota's relentless march towards better quality, safety, productivity and sales (it has ousted General Motors from the No. 1 spot, globally). Nonetheless, it is redundant. Just like quality is a given, moving forward is also a given. Customers expect (and sometimes demand) that a company should be moving forward all the time.

In A Nutshell

A true USP is hard to come by. If you happen to find one, do not waste it with a meaningless slogan. We are not saying that Nokia, Nike and Toyota are not strong brands. They are among the best brands in the world and we have a lot of respect for their achievements. But they are also very *big* and as such, they can get away with using meaningless slogans. You are probably nowhere near as well-established as they are. If you use a meaningless slogan that does nothing to proclaim your USP, you will be putting your brand in jeopardy – unless you happen to have competitors who are nice enough or clueless enough not to take advantage of your mistake.

Chapter 08

The Criteria For A Good Differentiator

WE always tell companies that it is important to be different, but we also tell them it is even more important to be different with a great idea and not a silly one. What are the criteria for evaluating a differentiator? For the sake of simplicity, we use three measures.

RELEVANCE

In Chapter 1, we mentioned that your brand must be different in ways that are relevant to your customers. However, it is difficult to find differentiating factors that are relevant these days. To be different is easy. To be different in ways that are relevant to your customers will have most CEOs wide awake late into the night. Well, it did keep Wilson awake for many nights when he was trying to figure out a relevant differentiation strategy for our firm. Now, trying to figure out relevant differentiation strategies for clients keeps both Wilson and Jacky awake at night. (Like they say, it's a dirty job but somebody's got to do it.)

To illustrate this concept, let's say that we have a company that makes Radio Frequency Identification (RFID) sensors and this company can make its sensors read with 99.9 per cent accuracy. The nearest competitor's sensors can only read with 98.7 per cent accuracy. The first company actually has a performance advantage (and performance leadership is actually a good differentiator) – and this is significant in product or service categories that are performance-sensitive, like medical scanners or microchips.

Is the 1.2 per cent difference relevant to customers? It may well be, although the difference is small, depending on who the customers are. If the customer is a maximum security prison that needs to know exactly where all the inmates are at any one time, then 1.2 per cent could mean a world of difference. If the customer is a logistics company that ships low-value items like rubber ducks, then 1.2 per cent may not be all that relevant. There are categories in which a 1.2 per cent margin is the difference between life and death. There are categories in which it is irrelevant.

You need to find out if your point of difference is relevant to customers. It may be relevant to some but not to others. Since you can't please them all, we suggest that you pay more attention to what is relevant to your best customers.

DESIRABILITY

Not all differentiators are equally desirable. Some are more desirable than others. You have to make sure yours is one of those desirable ones. However, if all the desirable differentiators in a particular category are already taken up, do you settle for the less desirable? Yes, if those differentiators are still good enough to help you build a powerful brand.

Let's take an easy-to-understand category – cars. Some attributes like prestige, performance, safety and reliability are quite desirable. Owning a desirable attribute can be a powerful differentiator as we will discuss in more detail in Chapter 15.

So, who owns what in the car industry? Since Mercedes-Benz invented the automobile, it had the luxury of being the first to choose and it chose prestige. It took ownership of this differentiator by engineering cars that were a cut (or maybe two) above anything else.

BMW came later but found another desirable differentiator to own – performance. For decades, its rallying cry was, "The Ultimate Driving Machine". It changed that recently to "Sheer Driving Pleasure", a far weaker slogan because it doesn't speak "performance" quite like the original. But performance is a desirable differentiator.

Volvo could not own these two highly desirable differentiators; the Germans had already taken them. But the Swedish car maker found an attribute of its own – safety. Not as sexy, but it still built Volvo into a strong brand.

Reliability, as we discussed earlier, is the differentiator that defined Toyota, and still does.

These four car companies are strong brands because they found desirable differentiators. But they were not the only ones. Other car companies that came later also managed to find desirable ways to set their brands apart. For example, Mazda is sporty. Alfa Romeo is sexy. Honda is known for its engines. Fiat has small cars that ooze character, like the Panda, Punto, Bravo and the impossibly chic 500. The bottom line is that your differentiator must be desirable.

DEFENSIBILITY

In the previous chapter, we talked about how hard it is to own and defend a differentiator because of this phenomenon called hypercompetition. Everybody is trying to muscle in on your territory and erode your differentiator. Perhaps you, too, are trying to do the same to your competitors. Business is war. And in any war, there are offensive and defensive strategies.

Companies need to be aggressive and move fast to own or claim a differentiator. In war, generals always look for the high-ground advantage. Once you have occupied the high ground, it is harder for the enemy to dislodge you. In business it is the same, except that the "high ground" here is the mind of your customer. You need to get into your customer's mind quickly to own a piece of that expensive real estate. And to get in there, you need to have a differentiator so that the mind will remember you.

Companies that already have an existing differentiator need to work hard to defend it, because if it is relevant and desirable, competitors will try to take it away and own it. It is easier to defend a differentiator than to take it by force from another brand, but you have to do your part and make sure the differentiator is defensible in the first place.

In 2004, Jacky met Dato' Dr Jannie Tay, one of the founders of The Hour Glass, the luxury watch retailer considered to be one of Singapore's brand icons. According to Dr Tay, one of the hardest things for The Hour Glass to do is to find a differentiator that cannot be easily copied by its competitors. She said that when it tried to differentiate its stores through design, competitors followed suit within months. Now, that is not a defensible differentiator. Anything that can be copied easily will not be defensible in the long run.

A defensible differentiator would be something like what Ice Mountain, the mineral water brand, has. In 2007, Ice Mountain started sporting a thin red band at the top of the label on its bottles. It carried the line, "The No. 1 Best Selling Mineral Water In Singapore." And this was verified by none other than the renowned research company, AC Nielsen itself.

That is a defensible differentiator because sales leadership is a differentiator and there can't be more than one best-selling mineral water brand in Singapore at any one time. But we feel that Ice Mountain did not make greater use of that powerful differentiator by making it more prominent on the bottle. The slogan also suffered from incorrect use of the English language: "No. 1" and "best-selling" are one and the same thing; using both in the same sentence is redundant. But that does not detract from the fact that Ice Mountain has found a defensible differentiator.

NOW IT STARTS TO GET EXCITING

Up till now, we have been laying the groundwork that will facilitate your understanding and application of *The 13 Strategies Of Differentiation*, which, in turn, will allow you to build a stronger brand. Starting from the next chapter, we will dive into the nuts and bolts of differentiation using these 13 strategies.

Part and parcel of every project we undertake for clients, these strategies are not mere academic theories; we are not very interested in those. These are living, breathing strategies used by our clients every day to create powerful differentiation for their brands.

We have had plenty of success stories – some of which we will share with you. One thing that we would like you to bear in mind is that the principles of differentiation are the same whether they are being applied to B2C or B2B brands because branding takes place in the minds of customers. We would also like to reiterate that the big brands that we use as case studies should not deter you because we are only interested in what these brands did in terms of differentiation in order to become successful – not in what they are doing now that they are successful.

Chapter 09

Strategy No. 1 – Sales Leadership

LEE Iacocca, the CEO who turned a struggling Chrysler Corporation around in the 1980s, once said, “In this business, you either lead, follow or get out of the way!”

Iacocca was talking about the automobile business, of course, but that statement could be applied to any company. Some are leaders. Some are followers. Some eventually get out of the way or, more likely than not, are forced out of the industry by aggressive competitors. People look up to companies that have some form of leadership because if you are out there and ahead, you must be doing something right.

In the book, *21 Irrefutable Laws of Leadership*, the renowned leadership expert John Maxwell defines leadership as “influence, nothing more, nothing less”. This moves beyond merely defining the leader by his position to looking at his ability to influence others – people who are considered followers, as well as those outside that circle.

Harry S. Truman the 33rd President of the United States, had this to say about leadership: “My definition of a leader is a man who can persuade people to do what they don’t want to do, or do what they’re too lazy to do, and like it.”[11]

Maxwell and Truman were talking about human leaders, but the principle applies to brands as well. Brands that have some form of leadership are respected by people and can influence them to make a purchase because they will buy the leading brand when they are unsure of what to buy or when they are overwhelmed by choice, as they often are today.

There are three types of leadership a brand can use to differentiate itself. The easiest is probably sales leadership – provided, of course, that it is lucky enough to have that in the first place.

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[11] http://www.teal.org.uk/leadership/definition.htm

WHY SALES LEADERSHIP?

There are four fundamental reasons why sales leadership is a good differentiator.

1. Confidence

Buying anything involves risk. The more expensive the purchase, the higher the risk. B2B purchases are a lot riskier than B2C purchases because they are usually more expensive and are typically bought with other people's money – namely, the company's. A bad purchase can result in the business being affected.

In our previous book, we talked about the five risks that are involved in a purchase. Let's briefly revisit them:

a) Technical Risk

Technical risk refers to the risk of the product not performing as designed. In a B2B setting, a product that does not perform can be detrimental to the buyer's business. Even if you are running a small company, there are a lot of things that can go wrong. The printer might break down just when you need to print that million-dollar proposal in full colour. The e-mail server might go on the blink just as you are waiting for an important e-mail from a client 3,000 kilometres away.

b) Financial Risk

Financial risk is about value for money. It doesn't matter if the purchase is expensive or not. A cheap product may not necessarily be good value for money if it cannot perform certain critical functions or if it is likely to become obsolete really quickly. Sometimes, a product that is initially very expensive to buy might make more economic sense in the long run because it can be scaled or because it lasts longer. No matter what the purchase is, there is financial risk involved.

c) Delivery Risk

Buyers are also concerned about whether their supplier can deliver on what is promised. Non-delivery of a product or service could also bring your entire operation to a halt. If you have ever tried to plan a wedding, you will know what we mean. If one vendor fails to deliver on an item you need, you are in big trouble. Running a company is not a whole lot different, except that when you get married, it is (hopefully) for life.

d) Service Risk

Most products, especially commercial or industrial ones, require a lot of servicing support to ensure that they function properly. A factory, for example, runs many types of machines that need periodic maintenance. Buying decisions also involve service risk. Can the vendor service that product properly? Will the vendor be around long enough to provide the necessary after-sales service?

e) Professional Risk

Professional risk takes into account how a purchase will affect the way peers or clients will view the buyer. Will this purchase enhance my professional reputation? Will it have an adverse effect? This is, again, a serious risk that B2B buyers face. That is why at StrategiCom, we only use IBM ThinkPad laptop computers. Ugly as those things are, they look like serious business tools, suited to the image of a business consultant. Now that the IBM brand has been phased out and in its place is the less prestigious Lenovo brand, we are suddenly less keen to put up with the ThinkPad's ugliness. Does that make us shallow? Maybe, but an IBM is a less risky buy.

Because of the risks involved in every purchase, companies tend to buy from strong brands. Sales leaders are seen as strong brands because they must be good to become No. 1. Having sales leadership inspires confidence.

That is why if you are fortunate enough to have sales leadership, shout it out to the whole world. We have met a number of Singapore companies in this position, and when we told them to proclaim their sales leadership, the CEOs actually told us that they do not want to make known their sales leadership because "it is not nice to boast". The first time we heard that statement marked one of the rare occasions when we were speechless. You are only boasting if you cannot substantiate your claim. If you can, it is a statement of a fact and nothing boastful.

2. Natural Respect

When you are No. 1, you will engender two emotions – envy and respect. Your competitors will naturally be envious of your success. But potential buyers will respect you for your sales leadership. Because people respect the No. 1, they will want to be like the No. 1 and will buy from it. People want to do business with successful brands. Nobody wants to associate with a not-so-successful company, even though that company may offer a product of somewhat similar quality at a lower price. It is a strange human phenomenon. That is why the rich get richer. The poor may get richer too, but not at the same rate. Success breeds more success.

Of course, there are people who view leading brands with suspicion. Jacky has a former colleague who refuses to buy from leading brands because she thinks they are overpriced rip-offs. We are sure you know one or two people like that. However, there are more people who will buy from leading brands than will not. We always cheer for the underdog, sure, but when we buy, we tend to buy from the top dog.

And when you use a leading brand, you hope that people will see you in a better light too, as if some of the respect that people give the leading brand might rub off on you. One of our clients makes power generators. When we asked him how he sells his machines, his answer was, "By what goes in." His clients always look at the generator's components: If the power generator has components from leading brands like the Cummins diesel engine and the Marelli alternator, the customers are more inclined to make a purchase.

3. The Need To Fit In

Everyone wants to fit in. This need is very strong. That is why people buy what other people buy, and also the reason people buy from leading brands. Nobody wants to be seen as a misfit. It's a herd mentality but it works in building brands.

Let's take a look at Panadol, for example. If everyone else is taking Panadol and you are not, you might have this nagging fear that you are not getting the best. It is possible that the brand you are using is exactly the same in its chemical composition, active ingredients, production processes, etc, but because it is not Panadol there will always be some doubt in your mind.

Laying claim to your sales leadership will help you keep your leading edge because people will have confidence in you. They will have respect for the sales leader and will not want to take the chance of buying the "wrong" thing by not buying from you.

There are three different types of sales leadership, as we will examine later.

4. The Paradox Of Logic

We mentioned The Paradox Of Logic in our previous book. It is the fourth reason why bragging about your sales leadership is a powerful differentiator. The Paradox Of Logic states that the way companies think is quite different from the way customers think.

But, companies and customers are one and the same. How so? All of us are customers when we need to buy something – whether it is for personal or business use. All of us are companies when we try to sell something – whether it is a product or a service. So, we think like customers when we buy and like companies when we sell. That is dangerous, especially for companies.

In the beginning, both customers and companies think the best product should become the No. 1 brand. Very idealistic. But the thinking diverges thereafter. Customers think that the No. 1 brand is the best. Companies think that if they have the best product, their brand will be No. 1 on the market. That is where a lot of companies fall flat because customers do not think like they do.

Customers think that the No. 1 must be the best, that is why it is No. 1. However, there could be many other reasons why the No. 1 attained its position: Maybe it is the cheapest and this is a price-sensitive category. Maybe it got into the market before anyone else and established its sales leadership early on. It doesn't matter. Perception is reality in branding and customers (most of them anyway) perceive the No. 1 as the best.

Everyone wants the best. It is human nature. We may not be able to afford the best but that doesn't mean we do not aspire to own the best. And people often equate the No. 1 with the best.

If you have sales leadership, you should publicise it to differentiate your brand.

DIFFERENT TYPES OF SALES LEADERSHIP

Some of you might be thinking about skipping this chapter because you are not the sales leader. Well, hang on: There is more than one kind of sales leadership. You do not need to be the overall sales leader to claim leadership. You just need to be clever as there is more than one way to claim sales leadership for your brand. Of course, if you can claim overall sales leadership, that is so much better but most companies can't, so they have to be creative. There are three basic types of sales sub-leadership:

1. Market Leadership

You may not be the global sales leader, but you do not have to be. If you lead in a particular market, you can lay claim to it and use that leadership to differentiate your brand. It is even better if that market is an important market. Let us give you some interesting examples.

a) Barilla

Who knows more about pasta than the Italians? Nobody. Pasta is as Italian as hamburgers are American and rice is Chinese. So, if you are an Italian pasta brand, you already have a lot of credibility because you are seen as the real thing. It would be even better if you are the No. 1 pasta brand in Italy.

Barilla may (or may not) be the best-selling pasta in the world but that doesn't matter because it is the best-selling brand in Italy. Does it have the best taste and texture? We do not know. But if more Italians buy Barilla than any other brand, it must be good. The company understands this very well and that is how it advertises itself: "Barilla. Italy's No. 1 Pasta." Simple. Clean. Extremely effective.

Sure, Barilla is more expensive but droves of people still buy it because it is Italy's No. 1 pasta. What it is implying with that simple slogan is this: Pasta is an Italian thing and Barilla is the best-selling pasta in Italy, so if you are not buying Barilla, you are not buying the best. Now, that is a powerful differentiator. Being the No. 1 in Italy makes it easy for Barilla to penetrate supermarkets and restaurants in other countries.

Are you No. 1 in a market that is important enough for you to use that sales leadership as a differentiator? You might want to take a closer look at your various markets' sales charts. You could be missing out on something important.

b) Ice Mountain

Ice Mountain may not be the first mineral water on the market. It is also not the best-selling in the world. But it is the top seller in Singapore – perhaps due to a wider distribution network or a lower price. Having sales leadership in Singapore is important because Singapore is known to have very high standards when it comes to water quality. Being No. 1 in such a country could be used as a powerful differentiator, to drive the sales of Ice Mountain in other countries.

However, this differentiator is weaker compared to Barilla's. While pasta is a very Italian thing, bottled mineral water is hardly Singaporean. This differentiator works only in conjunction with other elements like the Singapore water story. Ice Mountain needs to tell that story – about how Singapore is very particular about food safety and water quality, and how Ice Mountain meets its exacting standards. Then, the "No. 1 in Singapore" label would look better. But it is still a form of sales leadership that Ice Mountain could exploit.

If nothing else, claiming sales leadership in Singapore will help strengthen its stranglehold on the Singapore market. If we were advising Ice Mountain we would say, use this sales leadership to drive sales in countries that have a high regard for Singapore's water standards.

You may not be able to use your market leadership the way Barilla does, but if you have leadership in a certain country, you can still use it to tighten your grip on that market.

c) Goodyear

Goodyear can claim market leadership in the United States, and it used to proclaim that pole position loudly on its blimps – those flying balloons that are popular advertising tools in the United States. Its message was simple: "Goodyear. #1 In Tires."

Most people do not think about tyres on a daily basis. Tyres are a low-interest product that most people only consider when they have a puncture. By proclaiming its sales leadership, Goodyear ensures that it will remain No. 1 for a long time – at least in the US, because most Americans will just buy Goodyear since it is what other Americans are buying and must, therefore, be good.

But other tyre companies can also claim sales leadership. Goodyear may be No. 1 overall but it may not be No. 1 in all tyre categories. For instance, Hoosier is nowhere near the size of the Goodyear company but it is a very popular brand of racing tyres. We are not sure if Hoosier has sales leadership in this area but if it does, it could claim to be the No. 1 Racing Tyre. And people would think, "Wow! If they are so good with racing tyres, all their tyres must be good."

Likewise, Pirelli may be able to claim that it is the No. 1 High Performance Tyre because Lamborghini cars are shod with Pirelli tyres as a standard practice. If Pirelli is so good with its high-performance tyres that are designed for demanding machines like Lamborghinis, then its other tyres must be pretty good, consumers might reason.

d) Heinz

Ketchup is as American as hamburgers. The two go hand-in-hand. When you have a hamburger (and fries), there is usually ketchup on the side. And Heinz is to ketchup what Barilla is to pasta. On every bottle of its ketchup, the company proudly boasts that it is “America’s Favourite Ketchup”. That helps when Heinz tries to sell its ketchup to restaurants, supermarkets and hotels overseas. If Heinz is No. 1 in America, it must be pretty good. Hence, there is a very compelling reason to buy Heinz.

2. Category Leadership

If you do not have market leadership, try finding a category that you are a sales leader in. In every category, there usually are sub-categories that are dominated by different players. If there aren’t, you can create your own. It is one way to build a brand. We talked about that extensively in our previous book.

Just look at every major category. Each is typically dominated by one big player. But you can also find leaders in sub-categories. The software category is dominated by Microsoft. While Microsoft can lay claim to overall sales leadership – The No. 1 Software Brand – other players, too, can make similar claims.

Oracle can claim to be The No. 1 Database Software Brand. That is category sales leadership. SAP is the sales leader in enterprise resource planning (ERP) software. Siebel is the leader in customer relationship management (CRM) software. Linux can claim to be the No. 1 open source operating system brand. Intuit is tops in financial software. Symantec is the leader in virus software. ACT! is No. 1 in contact software.

You do not have to be the overall No. 1 to claim sales leadership if you have made a mark in your own niche. That niche may be small now but it can grow, and when it grows, your brand will grow along with it. Let’s look at some examples of brands from other categories that have sales leadership in their category.

a) Dell

Dell was the No. 1-selling PC brand in the world for many years. Recently, it lost this spot to Hewlett-Packard (HP). HP can now claim to be the No. 1 brand in computers. But all is not lost for Dell. Since the day it started in 1984, it has never lost its footing in the category it pioneered – PCs sold direct. It can still claim to be the No. 1 brand here and we think it should. It will remind people why Dell has been so successful for so long.

That status could be even more powerful than HP's. HP only became No. 1 recently. Dell has been first in its category since the day it was born. To be able to tout that is to be able to say to the world, "We are the No. 1 brand in PCs sold direct to end-users like you and we have been unbeaten since 1984. That is a long, long time to be No. 1 in this business. And that is why you should buy from us."

So, HP can claim to be No. 1 In PCs but Dell can also claim to be No. 1: It is No. 1 In PCs Direct.

b) BlackBerry

BlackBerry is not the No. 1 computer in the world. That is HP. It is also not the No. 1 phone in the world. That is Nokia. But BlackBerry can claim sales leadership in the category called portable e-mail. That is what a BlackBerry is: A portable e-mail device. Sure, you can make calls using your BlackBerry but the overriding reason to buy one is to use it to send and receive e-mails while you are on the go.

That is a powerful differentiator for BlackBerry – one it is not asserting at the moment. The competition is keener than ever. Nokia, O2, Dopod, Samsung and Sony Ericsson have all come up with their own mobile e-mail devices.

It is easy for people to forget if you do not remind them constantly of your differentiating idea. Consumers already have so many things vying for their attention. The average person is bombarded with 246 marketing messages every day, according to the book, *The Rise Of PR And The Fall Of Advertising* by Al and Laura Ries. That was in 2000. We are quite sure that number has risen substantially since.

So, in order for BlackBerry to differentiate itself, it could claim sales leadership in its category. BlackBerry could claim to be No. 1 In Smart Phones or No. 1 In PDA Phones or No. 1 In Portable E-mail. By consistently doing this, BlackBerry will continue to strengthen its position in this category.

c) UOB

United Overseas Bank (UOB) is not the No. 1 bank in the world. It is not even No. 1 in its home market of Singapore; that place is occupied by DBS Bank. When Jacky met Francis Hsu, UOB's Senior Vice President and Regional Head for Credit Cards and Brand Management, he suggested that UOB can differentiate itself by proclaiming its sales leadership in the category of credit cards. With the merger of UOB and OUB in 2001, the bank consolidated its lead as the No. 1 issuer of credit cards in Singapore.

That is actually a powerful differentiator. After all, credit cards are important. Most people have at least one. All corporations are dependent on credit cards because they have executives who travel and they have clients whom they have to entertain, and the majority of these corporate expenses are charged to credit cards for convenience.

How can sales leadership in credit cards be used to take the UOB brand to greater heights? The Halo Effect. Just as the halo created by the red-hot iPod has rubbed off on other Apple products, the halo created by UOB's No. 1 position in credit cards could do the same. If UOB is the No. 1 Bank For Credit Cards, it must have done something right. If UOB is so successful in credit cards, it is probably a good bank, the customer might reason.

Will UOB use this strategy? Unlikely. Because a bank like UOB has many products and services to offer, it is unlikely to promote its credit cards as a differentiator. There are too many factors and the needs of too many divisions that it has to take into consideration.

However, if UOB were to assert its sales leadership in credit cards, another bank – let's call it Bank BOO – could still claim leadership by further sub-dividing the category. The way to do this would be to find a particular category of credit card in which UOB did not have leadership. If Bank BOO has sales leadership in a particular sub-category, it could claim to be No. 1 there. For the sake of illustration, let's say that Bank BOO has sales leadership in credit cards for pilots. Since being a pilot is quite a respectable (and maybe even glamorous) profession and pilots fly all over the world, being the No. 1 credit card among pilots may be quite a good thing. So Bank BOO could claim this as a differentiator. "Bank BOO. The No. 1 Credit Card For High Flyers." This comes off quite well actually. High flyers in the literal sense refers to the pilots but it could also refer to people who are successful in their careers or businesses.

3. Time Leadership

You can also claim leadership in a particular time period. The time period you use is entirely up to you. Pick something that would naturally show your brand off in a good light. Let's say you are No. 1 in 2007. Use that in all your advertising campaigns in early 2008 to give your brand a boost.

Perhaps you have chalked up the most sales, overall, in your category for the three years from 2005 to 2007. A competitor might have overtaken you as the best-selling brand in your category for 2007, but you are still ahead of everyone else when the sales figures for the three years are added up. You can claim to be the best-selling brand overall for 2005 to 2007. The time period that you choose is up to you. It could be the first half of the year. It could be the last quarter. It could be the last five years. It could be the last seven years.

For example, the Toyota Corolla is the best-selling car of all time. Over 30 million units have been sold since its launch in 1966. This gives Toyota a powerful sales leadership differentiator in every market that it competes in. It can claim sales leadership even in markets where it does not enjoy sales leadership. For example, in Malaysia, the best-selling car is now the Perodua Myvi. In UK, the best-seller has traditionally been the Ford Focus. But Toyota can still claim sales leadership in these markets by saying. "Toyota Corolla. The No. 1 Selling Car Of All Time." Even if the Corolla loses its status of best-seller in a particular year, it can still claim sales leadership. It depends on how you define sales leadership.

The art and science of differentiation is to create an unfair advantage for your brand. Go ahead and do it. If you do not, someone else will. Why should you let your competitors get an upper hand?

In A Nutshell

Sales leadership is a powerful way to differentiate your brand. But, the downside of using it is that it is not always easy to hang onto the leading position, which could fluctuate from year to year.

However:

- If you are the leader in sales in a particular year, shout about it at the beginning of the next year. It can give you a strong head start. Remember, people like to buy from leading brands. That is why sales leaders tend to remain sales leaders.
- Sales leadership can be classified into overall sales leadership; market leadership; category leadership; or time leadership. Find out if you have sales leadership in any of these classifications and use it to your advantage.
- There are many brands with sales leadership that do not proclaim their position, and that is a waste. Our advice to you is, if you have it, use it as a differentiator and you might just hang onto your No. 1 spot for a very long time.

CASE STUDY

Sales Leadership — Tiger Beer

Background

For a country that does not have a long heritage in beer brewing, Singapore has surprisingly produced an iconic beer brand. The story of Tiger Beer started on 15 April 1931 when the well-known Dutch brewer, Heineken, formed a joint venture with the well-known Singapore beverage company, Fraser & Neave, to brew beer in Singapore. At that time, Singapore was not yet an independent country (that came in 1965) and was still part of Malaya. The joint venture company was simply called Malayan Breweries Limited.

This joint venture seemed like a marriage made in heaven, for Heineken had all the necessary technical expertise and experience since it had been brewing beer since 1873. Fraser & Neave, on the other hand, had the necessary capital to set up a new brewery; it had in-depth local market knowledge and a strong and well-established distribution network. The joint venture company eventually evolved into Asia Pacific Breweries Limited, or APB, as most people familiar with the company would call it.

APB is a company that is listed on the Singapore Exchange. It is owned by four major shareholders: 65 per cent is owned by Asia Pacific Investment Pte Ltd, which is a 50/50 joint venture between Heineken and Fraser & Neave. Heineken by itself owns nine per cent of APB, and Fraser & Neave by itself owns seven per cent. And the balance of 19 per cent is held by institutional and retail investors.

APB has been consistently rated as one of Singapore's most valuable brands by International Enterprise Singapore (IE Singapore), the government agency tasked with helping Singapore companies build a stronger presence in international markets. In 2002, IE Singapore launched the Singapore Brand Award to honour the 15 most valuable brands in Singapore using the same methodology that *BusinessWeek* uses for its Top 100 Global Brands table to value Singapore companies. The table below shows how APB fared from 2002 to 2006. The Singapore Brand Award took a sabbatical in 2007.

YEAR	RANK	BRAND VALUE	% CHANGE
2002	4	S$ 820 million	-
2003	4	S$ 943 million	+15 per cent
2004	4	S$ 1,140 million	+21 per cent
2005	4	S$ 1,230 million	+8 per cent
2006	4	S$ 1,360 million	+11 per cent
(In 2006, the most valuable brand was SingTel at S$2.67 billion.)			

Source: www.iesingapore.gov.sg/wps/portal/AssistanceProgrammes/CapabilitiesDevelopment/Branding

The first batch of Tiger Beer was brewed on the 1st of October 1932 at the original Tiger Beer brewery on Alexandra Road and it was launched with much fanfare. Hundreds of people turned up for this momentous event. Watching Tiger Beer being born must have been a proud moment for these Singaporeans because it proved that the country was capable of doing something that had hitherto been the preserve of European and American companies.

This excerpt came from *The Straits Times*, which covered the launch event back then: "Over 200 guests attended and they were given as much beer as they desired, and an eloquent tribute to the new beverage lay in the fact that many who were not regular drinkers asked for a second while others had a third."

The Challenge

It was never going to be an easy journey for Tiger Beer right from the start because Singapore was a country that was not well-known for its beer-brewing prowess, not because Singapore couldn't but it was just that the rest of the world never associated beer with Singapore. Beer and Germany, yes. Beer and Holland, yes. Beer and Denmark, yes. But beer and Singapore, no. Beer has traditionally been a European thing, anyway, just like chocolate has traditionally been a Swiss thing; sushi has traditionally been a Japanese thing; and chicken rice has traditionally been a Singapore thing. (By the way, you will be really hard pressed to find lousy-tasting chicken rice in good old Singapore.)

On top of that, beer is also something that does not travel well and that was bad news for Tiger Beer as the home market was very small. Most beer brands have huge home markets to support them. Tiger Beer has a home market of 4.5 million people at the moment but that is even smaller than cities like Shanghai, Tokyo, New York and Los Angeles. So, in order to grow, Tiger Beer needs to export. But exporting beer is tough because of several reasons.

One, unlike other alcoholic beverages like wine or liquor, beer is very low in value but high in volume. Somebody once said to Jacky, “You are paying a lot of money to transport a lot of water.” Two, beer doesn’t get better with age. It gets flat. Beer can last at most six months from the date of brewing. Because of these challenges, Tiger Beer has no choice but to price its beer in the premium category when it exports or it will have to build breweries in or near to its export markets. These two challenges are being gradually resolved: Tiger Beer’s parent, APB, had 32 breweries in 11 countries as of June 2007 and the number will probably grow over time.

Two, Tiger Beer is currently sold in 75 countries in Asia and the West. For the Western markets, Tiger Beer could tap on its Asian heritage and the Far East mystique to draw beer drinkers in. It is fortunate to have gotten the name right in the first place. A tiger is a distinctly Asian animal and a macho one at that, so it does not tie Tiger Beer down to a specific country unlike other Asian beers, which are quite easily linked to their countries of origin. Tiger Beer is just Asian-sounding. But being Asian in Asia is no big deal. Being Asian in the West can be seen as exotic but being Asian in Asia makes you just like everyone else.

Finally, beer being the most popular alcoholic beverage in the world means that the beer market is overcrowded. Everywhere Tiger Beer goes, it faces stiff competition from entrenched local competitors – like Singha in Thailand, San Miguel in the Philippines, Tsingtao in China, Kirin in Japan and the list goes on; as well as the international beers like Heineken, Carlsberg, Beck’s, Budweiser, Miller and others. This is a much more difficult challenge to overcome and it is literally a problem of differentiation. Just take a stroll along any supermarket aisle and see how many brands of beer there are on the shelves, all vying for your attention. Tiger Beer needs to stand out from the crowd but the question is how? And Tiger Beer also needs a two-pronged differentiation strategy, one for Asia and one for the West. It is a big headache.

The Differentiation Strategy

Although this section is on Sales Leadership as a differentiator, Tiger Beer could actually use two other differentiation strategies – Attribute Ownership and Preference. We will jump the gun a little bit and talk about the two differentiation strategies that Tiger Beer is currently using for its brand before we discuss how it can use Sales Leadership as a possible differentiator. The case for Tiger Beer is more complicated because it is a consumer or B2C brand, so its customer base is a lot bigger and more diverse. B2B brands that sell their products or services to other companies typically have fewer customers than B2C companies of comparable sales revenue. Many of our B2B clients have 50 customers worldwide but each customer buys a lot from them.

Tiger Beer has many customers who can be divided by geography – Asia and the West. For the West, Tiger Beer is positioned as a premium Asian beer and uses all the mystique, exotica and allure of Asia to differentiate itself. Although other Asian beer brands can also use all the charms of the Far East to differentiate themselves, they have names that are strongly linked to their home countries so it becomes harder for them. Sapporo will be seen as a Japanese beer first and Asian second. Tsingtao will be seen as a Chinese beer first and Asian second. Bintang will be seen as an Indonesian beer first and Asian second.

Tiger, on the other hand, is seen as Asian first because the name is not that easy to link to a particular country. This is the Attribute Ownership strategy. Tiger Beer is trying to own the attribute of "Premium Asian". Judging by the fact that Tiger Beer was given the CoolBrand Leader award at the UK CoolBrand Leaders competition in 2004, 2005 and 2006, it looks like the strategy is working.

For the Asian markets, Tiger Beer has had to use Preference as a differentiator. Tiger Beer participates actively in prestigious international beer competitions held in Europe and the USA and it has won many gold medals, which proves that it is a great beer. All in all, Tiger Beer has won over 40 medals at these international beer competitions and we are sure this is not the end of the Tiger's medal trail. After all, if renowned beer experts who are on the judging panel of these competitions think that Tiger Beer is good enough to be awarded a gold medal then it is good enough. Tiger Beer tells Jacky that it needs this constant external validation to show its Asian customers that they are drinking a world-class beer when they drink a Tiger Beer.

Winning awards is one of the ways that Tiger Beer has managed to secure external validation. External validation also comes from the beer being consumed in countries that are *credible* – meaning countries that are well-known for beer such as the USA and Europe. That is why Tiger Beer pushes its brand hard in these countries. The other way of getting external validation is by the types of customers who drink the beer. The cooler, trendier and with-it your customers are, the better. That is why Tiger Beer also works hard to ensure that its beer is served in trendy clubs, pubs and discos in trendy cities around the world.

What About Sales Leadership?

Both of the strategies mentioned above are great differentiation strategies and they have taken Tiger Beer far. However, there is another differentiation strategy that Tiger Beer can consider, which is Sales Leadership. What? But Tiger Beer is not a sales leader except in its home market of Singapore. There are far bigger beer brands in the world. Even in Asia, Tiger Beer is not a Top 10 beer in terms of volume. If you look at Tiger Beer's annual production volume of around two million hectolitres, the brand is actually No. 18 in Asia, so how can it claim to be a sales leader?

This is where a brand needs to be clever. You are probably familiar with the saying, "There is more than one way to skin a cat." (For the life of us, we have no idea why anyone would want to skin a cat.) Likewise, there is more than one way to claim sales leadership for a brand. Tiger Beer found out from its research that most beer brands are much bigger in their home markets than outside. The other Asian beer brands are no different. Due to the characteristics of beer – such as it being quite easy to brew, low in value and expensive to transport – local beer brands tend to dominate their home markets. Tiger Beer, likewise, also dominates its market but Tiger Beer is much larger outside of Singapore than in it.

In fact, if you discount each of the Asian beer brands' home market, then Tiger Beer actually becomes the No. 1 Asian beer! Can this be used as a differentiator? Probably. It depends on how you present it. It might create a whole lot of controversy and/or howls of protest from Tiger Beer's competitors but we think that is okay, because when you claim sales leadership and other people challenge you, then you must have hit a raw nerve. When you are challenged, that focusses the spotlight on you and people start to pay more attention to you. If the challenge makes it into the media, so much the better. This will then give you the chance to explain your position.

So, what can Tiger Beer do to claim sales leadership? It can claim to be "The No. 1 International Asian Beer". This is a claim that is defensible because in order to be an international beer, you must sell internationally and among all the Asian beer brands, Tiger Beer's international sales (defined as sales outside of its home country) in terms of volume is the biggest of all. Whether Tiger Beer wants to use this strategy or not is up to the company. What we are illustrating here is how a brand like Tiger Beer can find a clever way to claim sales leadership.

Chapter 10

Strategy No. 2 – Technology Leadership

Little Girl	:	I have a question, Miss Lim!
Teacher	:	Yes, Linda, what is it?
Little Girl	:	Where do babies come from?
Teacher	:	Well, Linda, first, there were the birds and the bees and they …
Little Boy	:	That's not true, Miss Lim. Don't lie to her. I know where babies come from!
Little Girl	:	You do?
Teacher	:	Who told you, Adam?
Little Boy	:	My daddy!
Little Girl	:	Tell me! Tell me! Tell me!
Teacher	:	Okay… Why don't you tell us where babies came from, Adam?
Little Boy	:	Well, according to my daddy, you download them from the Internet!
Teacher	:	[Speechless but relieved.]

THE above story is made up, of course, but it reflects how technology has pervaded our lives. We can't live without it. Some of it you can see; some, you can't. But it is there, nevertheless – in your home, your office, your car, in the shopping mall, the train station and everywhere in between. It is even in the toilets – just consider how technology has made all those automatic flushers, water taps and fragrance dispensers possible, not to mention the lights that are triggered by motion detectors.

THE CTRL + Z SYNDROME

Hitting the "Ctrl" and "Z" keys on your computer typically instructs it to undo what you have just done. A very useful function for erasing mistakes. Beats having to use those unwieldy white-out liquid dispensers or strips like in the old days when you made a typing error. Some people use it so often that they find themselves wishing they could just hit the Ctrl + Z keys when they have made a mistake in the real world – like a wrong turn while driving. We know we wish that sometimes. Such are the signs of how reliant we have become on technology. And there is no turning back. In time, technology will seem like a second skin, if it is not already.

As technology gets more complicated and harder to understand for the man in the street, companies that have technology leadership will have an advantage. They can use this as a differentiator – without necessarily having leadership in sales – because people look up to technology leaders. People tend to respect people (and companies) that can understand technology and make it work seamlessly.

Of course, if you want to be a leader in technology, you need to have the technology first. That requires a lot of investment in research and development. However, the use of such leadership as a differentiator is not confined to the likes of technology companies like Microsoft, Intel and Google. Even companies that are non-technology (in the traditional sense) can use technology as a differentiator. Take the case of Lenzing.

Lenzing

Lenzing is an Austrian company that pioneered a lot of the cellulose fibre technology widely used in the textile industry today. Founded by an industrialist named Emil Hamburger in 1892, it started out as a paper mill. In 1938 – less than 50 years later – it began producing pulp and viscose fibres to sell to textile manufacturers.

Now, Lenzing fibres are 100 per cent cellulose. Cellulose fibres are industrially produced fibres made from natural raw materials – such as beech wood, for example. To this basic raw material of beech wood, Lenzing adds its magic touch in terms of technology, transforming this into cellulose fibres with different characteristics.

Tencel, for instance, is a fibre produced via the lyocell process, which dissolves pure wood-derived cellulose and directly reconverts the resultant solution into fibres. The auxiliary solvent is highly water-soluble and can easily be removed. It is environmentally sound, biodegradable and 99 per cent recyclable. Tencel is what is known as a nano-tech fibre. Just the description makes you think of Lenzing as a technology leader, doesn't it? Nano-tech fibre. Who would have thought?

Modal is another of Lenzing's inventions. It is a cellulose fibre distinguished by its particular softness. It is typically used for high-quality clothing that needs to feel luxurious. The fibre has enhanced properties such as strength and dimensional stability. Modal is well-known as the soft fibre.

There is also Viscose, which is regenerated cellulose fibre produced through the viscose process. Natural cellulose is dissolved as a chemical derivative. This is then regenerated, which means it is reconverted to cellulose during spinning. Viscose is the cool fibre because it has properties that allow clothing to dissipate heat from the body more efficiently.

Then, there is Lenzing FR, the first choice for flame-resistant protective clothing. It is used in the production of fabrics for the most demanding applications. These include protective apparel for use in fire and military service, electrical utilities work, the petrochemicals industry and with molten metals, as well as for upholstery fabrics used in the public transportation sector.

With such a long and established list of credentials, Lenzing can differentiate itself based on its technology leadership. And it does. It calls itself "The World Leader In Cellulose Fibre Technology". In 2006, Lenzing had sales revenue of EUR 1.1 billion (S$2.3 billion) and a profit of 15.5 per cent before interest, tax and depreciation. Very decent indeed. It may not be the biggest cellulose fibre brand in the world but it is the technology leader and it is highly profitable.

If you want to be known for technology leadership, you must have the credentials to support this differentiating idea of yours. You can't just claim to be the leader and not have the goods to back it up. Customers are not that gullible. They will ask, "You are the technology leader? Oh yeah? Prove it, mister." Lenzing has all the necessary credentials – not the least of which is a historical record of breakthroughs going back more than a century.

Sharp

Sharp invented a new category of TV called the LCD TV. And for a while, it was the best-selling LCD TV brand by a large margin. Competitors have caught up, but Sharp still has the credentials that enables it to claim to be the technology leader in this category. Sharp can position its Aquos as the pioneer. Having done so, Sharp can show how it is maintaining its technology leadership. Everything it does thereafter should communicate its efforts at creating the next big thing in LCD TV. Unfortunately, the company is not doing so. It is a wasted opportunity, we feel, because Sharp can do what Lenzing has been doing for decades – be the technology leader in LCD TVs.

Muvee Technologies

Video editing is such a chore. Even with powerful machines like Avid and advanced software, it is still a time-consuming process. Enter muvee Technologies, with its revolutionary automatic video-editing software.

This Singapore company has made it possible, for the first time, to perform video-editing functions in a really quick and easy manner. And muvee is using its technological breakthrough to take on the big boys. Its rallying cry is "Video Editing Is Dead", because with muvee, you do not need to buy expensive and complicated video-editing machines and software. The company is constantly improving upon its software. Every year, there is a new version that makes the old one obsolete. Certainly, it is working hard to maintain its technology leadership.

With technology as the differentiator, you do not have a choice. Once a concept is proven, competitors will appear on the horizon and try to catch up with you. These days it is easy because, ironically, technology can be used to reverse-engineer what you have done and make it better and cheaper.

You have no choice but to stay one step ahead of the competition. If you do not, they will soon overtake you. Customers are not as loyal a bunch as you think. If they buy from you because you are a technology leader, you had better maintain that leadership or they will buy from someone else.

Tunity Technologies

Tunity Technologies is a small Singapore company but it is highly innovative. It is an RFID (Radio Frequency Identification) specialist. It designs RFID solutions for clients that need to track the location of their goods. Tunity has some pretty cool products. It was the first to develop a three-directional sensor gate that can read with 99 per cent accuracy. You know those gates at department stores that sound a loud alarm when you pass through with unpaid goods? Well, most were two-directional sensors until Tunity came along.

Even more impressive than that was what Tunity developed for Changi Prison, which wanted to track its prisoners using RFID technology. That is a very difficult task. Tagging consumer electronics products, pharmaceutical products, auto parts, machinery and other inanimate objects is a walk in the park in comparison. But trying to tag a prisoner who can move, run around, climb a wall and be submerged under water is a different matter. And yet Tunity managed to do it with almost 100 per cent accuracy, with a technological breakthrough called the 360 Degree RFID Tag. This is a bracelet with sensors built into its entire length.

Tunity can differentiate its brand by telling potential clients that if its technology is advanced enough to track prisoners, it is more than good enough to track anything the clients might have.

NOKIA VS MOTOROLA

The battle between Nokia and Motorola should give you another lesson in technology leadership. Motorola is the inventor of the mobile phone, among other things. It is both the category (mobile phones) and the technology (mobile technology) leader in its category. Normally, the brand that invents the category becomes No. 1, unless it makes mistakes that allow its competitors to overtake it. Well, Motorola has not kept up the pace and as a result, Nokia has overtaken it to become the No. 1 brand in mobile phones.

In 2006, Nokia sold 345 million phones worldwide, which corresponds to a market share of 34.8 per cent. Motorola sold 209 million phones to come in second with a market share of 21.1 per cent.[12] Samsung was in third place with 116 million units, or 11.7 per cent market share.

How did the inventor of the mobile phone lose its lead to an upstart from Finland?

Motorola apparently did not work hard enough to maintain its technology leadership. When you are in such a position, you can never let up. You need to work really hard and reinvest your profits into creating more breakthroughs. Motorola did not do enough of that. Part of the reason, we think, is because Motorola got distracted. It lost focus trying to do too many things. Besides mobile phones, it also made computer chips (the ones that powered Apple Macintosh computers in the past), radios, walkie-talkies, switches, telecommunications equipment and a whole slew of other things.

When you are the technology leader, you must not take your eyes off the ball even for a second. If you do, you open a window for competitors to sneak in.

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[12] http://digital-lifestyles.info/2007/03/05/worldwide-mobile-phone-sales-grow-21-in-2006/

That was what Nokia did. Snuck in while Motorola was not looking. In 1993, Nokia usurped Motorola's leadership position by introducing digital mobile phones. Motorola phones at the time were still analogue models. Furthermore, Nokia invested a lot of money on better software and user interface technology, which made its phones so much easier to use. Nokia was to mobile phones what Apple was to personal computers. Even today, based on our experience, Nokia phones remain more intuitive and easier to use than Motorola phones.

Nokia is the technology leader in mobile phones today, and it continues to come up with innovations that further strengthen its position. At the time of this book's writing, Nokia had just released the groundbreaking E65, which had a built in Global Positioning Satellite (GPS) system.

Other mobile phone-makers have also used technology to establish a niche for themselves. Thanks to technology leadership in other areas, Samsung and O2 have managed to build strong brands. Samsung was the first to launch phones with coloured LCD monitors. Even today, its phones continue to have really sharp screens with vivid colours. Jacky got a Samsung U700 ultra-slim slider phone recently for his wife; the screen is sharp enough and the colours so vivid that the phone could be used as a makeshift torchlight during a blackout. O2 also established a strong position for itself in this smart-phone category through technology leadership. Yes, O2 is not as good a phone as the "real" phones like Nokia but among smart phones, it is quite well-regarded. As long as they maintain their technology leadership, Nokia, Samsung and O2 will be strong brands.

So, what can Motorola do? It has tried to use stunning designs to differentiate itself. That worked for a while with the sleek, ultra-thin RAZR V3. But Motorola seems unable to repeat that neat little trick, and the RAZR V3 is increasingly set to become a one-hit wonder. In terms of design, Samsung phones are more stunning – consistently. Well, you may not agree but in our eyes, Samsung has nicer designs than Motorola. Check out the latest E950 and G600 – very cool and very sleek phones.

There is, however, a differentiating strategy – a really powerful one – that Motorola could use to great effect. It is the same one that Coca-Cola, Hertz and Levi Strauss have used to build or rebuild their brands. Like Coca-Cola, Motorola is "The Real Thing". It is the inventor of the mobile phone but in the technology sector, being the original is not necessarily the best as people could perceive you as outdated. So, Motorola needs to supplement this by showing all the innovations that it has pioneered in its lifetime to assert its technology leadership.

Take a look at the impressive list of Motorola inventions:[13]

1930	First commercially available car radio
1936	Police cruiser radio receiver
1940	The Walkie-Talkie (an icon of World War II)
1943	World's first FM portable two-way radio
1955	First commercial high-powered transistor
1958	World's first vehicular two-way radio
1969	First words from the moon transmitted via Motorola radio transponder
1983	World's first commercial portable cellular phone
1991	First GSM cellular system
1995	World's first two-way pager
2000	World's first GPRS cellular system
2002	World's first wireless cable modem gateway
2003	World's first handset to combine Linux operating system and Java technology

Like Lenzing, Motorola has a long history of technological breakthroughs. But unlike Lenzing, it has not maintained its technology leadership. But there is still hope. If Motorola can regroup and rediscover its old ways, then it can claim to be the technology leader in mobile communications and its has decades of credentials to further back it up.

GAINING TECHNOLOGY LEADERSHIP

Technology leadership is either developed or bought. There are just those two ways.

Let's look at Google as an example. Google is the leading search engine in the world, and for good reason: Its search technology is tremendous. Founders Larry Page and Sergey Brin developed the technology and are the twin names behind Google's meteoric rise.

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13 http://www.motorola.com/content.jsp?globalObjectId=7632-10812

Google also has another incredible product called Google Earth. It allows users to view very detailed satellite photographs of locations all over the world. It is really amazing. It was used by TV stations in the United States to show viewers the devastation caused by Hurricane Katrina in 2005. (You could see the Google Earth logo imprinted on all the images they showed.) It has also caused a lot of controversy, as some countries are fearful that this tool could be used by terrorists to target strategic installations. No matter what, this product consolidates Google's leadership in the category called "search". You might be surprised to learn that Google did not develop this. It bought the technology or, rather, it bought the company that developed it.

CISCO – the American computer network company, not the security services company in Singapore – is the master of acquisitions. It buys innovative companies with leading technologies and absorbs them into the CISCO empire. It allows the respective founders to continue to run their "companies" and use CISCO's marketing muscle and distribution network to sell their products or services. This model has worked very well over the years.

So, what you don't have in terms of technology, you can always buy, provided you can raise the money.

WHAT DO YOU DO WITH YOUR TECHNOLOGY LEADERSHIP?

If you are fortunate enough to have technology leadership, there are many things you can do. We will name three of the things that you can do.

1. Use It To Establish Your Brand

If you have a new technology, do not be afraid to brag about it. Use it to differentiate your brand. That was what Hyflux did with its HVM membrane filtration. Hyflux was not the biggest or oldest water-treatment company when it entered the market. But its technology leadership allowed it to become a strong brand in a very short span of time.

Remember those model water filters you built in the science lab in school? Different sections acted as filters. The first had rocks to filter out coarse and heavy material. The next had finer stones. Then came a layer of sand, followed by another of finer sand. Finally, there was a paper filter. Water treatment plants are somewhat similar, but built on a much larger scale. Hence, construction takes a long time. They cost a lot of money too.

Membranes are very thin and can filter out microscopic particles very efficiently. But their main advantage is that their thinness allows Hyflux water treatment plants to be smaller and, hence, built more quickly. Both ultimately lead to substantial cost savings for Hyflux's clients.

Hyflux used its technology leadership to become a strong brand despite having to face more established players such as Dayen and Darco in the market.

2. Use It To Sell Your Company

Companies with innovative technology are very attractive buys for larger companies. Why can't these large companies develop similar technologies? They can. But it takes time. And it takes money. Sometimes, it is cheaper to just acquire another company that has the technology a large company needs or might need in the future. You can use your technology to build a brand, or to sell your company.

Sometimes, it is difficult for a small company with cutting-edge technology to build a brand. The technology may be fantastic but the company may not have the marketing expertise, funding or distribution channels needed to make the brand successful. Of course, if you want to sell your company, make sure you can get a good price for it. After all, you have invested a lot of your own money, blood, sweat and tears into the development of this technology that you have.

3. License The Technology

There are two types of science – pure and applied. There are also two types of companies – those good at developing technology, and those skilled in the commercial application of technology. If you are the former and not so good at (or not so interested in) applying it to build successful commercial products, we suggest you license your technology to other companies.

A Singapore company by the name of Trek 2000 invented the thumb drive. It decided not to license the technology to other players. Instead, it tried to build its own brand. We think that what Trek 2000 invented was a really great product but it was not very successful in building a brand around it. It might have made more sense for Trek 2000 to license it to other manufacturers in the first place. You can still make a lot of money doing that.

Creative Technology is another company that could have gone into the licensing model. Creative Technology beat Apple into the MP3 market by about 18 months. But Apple's red-hot iPod thoroughly trounced Creative's

MP3 players in the global market. However, Creative discovered in 2006 that Apple actually used a navigation system that infringed on one of its patents. Creative sued and eventually was awarded US$100 million (S$150 million) by the Federal Court in the US.

We have a lot of respect for Creative Technology. When it was focussed on selling its inventions such as the sound card to other companies, it was doing well. But we do not think Creative has what it takes to win in the consumer market. That is a very different ball game altogether. So, it might make sense for Creative to focus on what it does best – developing new technologies, which it can then license out to other players.

TECHNOLOGY LEADERSHIP IN FIRE GLASS

Sometimes, you gain technological leadership out of necessity. You might have heard of Pyrex. The company makes the heat-resistant glass bakeware that some of you use at home. It also makes glass laboratory apparatus that the science students among you might remember using in school. It really should come as no surprise that Pyrex has technology leadership in a category called fire glass.

Its beginnings date back to the early 1900s, when the railroads in America still used glass lanterns for lighting purposes. That posed a big problem when the lanterns were used outdoors and exposed to the elements. Struck by pelting rain or snow, the heated glass would shatter. So, the railroads approached Corning Glass Works and asked if it could come up with a solution. This was how Corning Glass Works came to create its renowned fire glass, which is made from a material called lead borosilicate.

Pyrex had a somewhat accidental start, too. The year was 1913. Bessie Littleton, the wife of Corning Glass Works' newest scientist, was not too pleased with a Guernsey brand casserole she had; it fractured after she had used it twice to bake. Bessie knew that her husband worked with a type of glass that was extremely tough and asked him to bring some home.

He returned the next evening with the bottoms of two sawn-off battery jars made from Corning's fire glass. Bessie baked a sponge cake in one of those surrogate baking dishes and noted that the cooking time was remarkably shorter than usual. The cake did not stick to the glass, which made it easy to remove, and it was unusually uniform. Furthermore, the flavour of the cake did not remain in the dish after washing. And then, there was the added novelty of being able to watch the cake bake and recognise when it was done by looking at the underside. Bessie was extremely impressed and excited.

As a result of this amazing discovery, a new line of “glass dishes for baking” – Pyrex – appeared in the nation’s hardware, department and china stores. On May 18 1915, Boston department store Jordan Marsh placed the first Pyrex bakeware order. It seemed to be the perfect material for baking. Ordinary glassware chipped, cracked and broke easily. Pyrex was not only sturdy, it was nearly unbreakable, eliminating the hassle and cost of replacement. (The durability factor would become even more important as resources grew scarce during the Great Depression and World War II.)

Pyrex became so popular that by 1919 more than 4.5 million pieces had been sold. For that time in history, the numbers were staggering, especially considering that during the first few years of Pyrex’s existence, America was deeply involved in World War I. By 1927, it was estimated that 30 million pieces of Pyrex cookware were in American homes.

Nearly 75 per cent of all American households today own Pyrex products, according to recent estimates. Just as Kleenex tissue has defined quality paper tissue and Thermos has defined quality thermal vacuum containers, Pyrex has become synonymous with quality glass bakeware.

Impressive, isn’t it? Pyrex’s leadership in fire glass technology has allowed it to become a leading brand of glassware not only in the home, but also in many laboratories around the world. Having gained an edge, it has worked at maintaining its leadership through the years.

The Pyrex example shows that it isn’t just hard-core high-tech companies who can effectively differentiate themselves using technology leadership. However, there is more that Pyrex can do, especially in new international markets. In America, it is well-known. But in other markets, people may not know the Pyrex story. We would suggest a tagline such as, “Pyrex. The Leader In Fire Glass Technology” to go with every product and advertisement. That would get people curious. What is fire glass? How is it made? Did Pyrex invent this?

We would also keep reminding consumers of its unique road to success. Pyrex might take its beginnings for granted, but to a lot of people out there – including the majority of you who are reading this book – that story is probably new and, therefore, interesting.

In A Nutshell

Technology is the new bread and butter. Without it, running a business would be difficult. Life, in general, would be very different. That is why everyone is interested in technology, and leaders in the field are given respect. If you have a technological edge over the competition – any edge – use it to differentiate your brand. But technology leadership is a fragile thing. You have to direct all your energy and resources into maintaining that edge. The day you lose it, you lose your brand differentiator.

CASE STUDY
Technology Leadership — Cimelia Resource Recovery

Background

Cimelia Resource Recovery Pte Ltd is an electronic waste (e-waste) recycling company. The company's core business is in the recovery of platinum group metals from e-waste such as electronic products that were used for data processing, telecommunications, or entertainment in private households and businesses that are considered obsolete, broken, or irreparable. It also provides consultancy services in the management of e-waste.

Metals contained in e-waste include gold, silver, palladium and platinum. Cimelia's global headquarters is situated at No. 3 Tuas Ave 2, Singapore. The company sits on a land area of about 200,000 square feet – the biggest e-waste recycling and platinum group metals recovery and refining facility in Singapore.

Cimelia understands that the growing global dependence on electronic products at home and in the workplace has given rise to a set of new environmental challenges to electronic manufacturers in the management of e-waste and the compliance with global environmental regulations. The founders of Cimelia structured the company with distinctive competencies to bring about effective solutions for its customers' management of their e-waste.

The Challenge

The recycling industry is one that is extremely difficult to differentiate because the recycler's brand is usually invisible to the end user and even to the recycler's clients. For example, Cimelia is able to crush an old motherboard and extract gold from it to form gold plates, which are then re-sold to clients who may re-use these in their products. Where is the Cimelia brand? It is not on the products that it sells. So, it is hard to differentiate.

One high-grade copper plate does not look different from another high-grade copper plate. Even when customers understand the difference between Cimelia's processes versus its competitors', it may still not be important enough to determine supplier choice if they cannot differentiate the end product.

With expected competition both in Singapore and in international markets, since it is a category of high interest with promising growth potential, a surge in the competitive arena is expected within a short period of time. The situation will quickly become hypercompetitive. What Cimelia can do and provide, its competitors may also be able to in time. When customers cannot distinguish one brand from another, the natural tendency is to buy from the cheapest recycler. So how does Cimelia differentiate itself?

The Differentiation Strategy

To stay ahead of the competition, Cimelia continues to re-invent itself with the latest recycling and refinery technology to ensure that both environmental protection and production efficiency are maintained. An example is its latest investment in a new technological invention that can convert plastic (a component also used in the manufacturing of electronic products) into usable hydrocarbon fuel. In this day and age, such an invention is incredible. The ability to extract plastic from e-waste and further recycle it into hydrocarbon fuel ranks as a very cool and innovative technology. At the time of writing, Cimelia had just announced its plans to set up the first plant in Singapore to fully recycle waste plastic into hydrocarbon fuel. This reflects the technology leadership that can differentiate Cimelia from its competitors. In recycling, technology leadership is paramount to success. While many may not be of the view that recycling is basically a technology business, being a technology leader can be a powerful differentiator in this industry.

"Cimelia. The Technology Leader in E-Waste Recycling."

This is the positioning that will highlight Cimelia's leadership in its field. This position in the marketplace will help the company secure greater mind share in the recycling technology space and will further create a halo effect for the Cimelia corporate brand and its developments in the future.

Chapter 11

Strategy No. 3 – Performance Leadership

YOU are watching a race: “The Tortoise versus The Hare”. You know the tortoise will win in the end because the hare becomes overconfident and takes a nap. That allows the slow and steady tortoise to catch up and overtake him. Still, you will bet on the hare. Why? Because it is faster.

Similarly, in the business world, anything that is high-performance will stand out and be remembered. That is why it is a good differentiator.

For our purposes, the definition of “performance”, according to askOxford.com, is “*the capabilities of a machine or product*”.

A better-performing machine or product, by its very nature, would have better capabilities than its competitors. If it were designed to carry out complex calculations really quickly (as in the case of a computer), then performance would be defined by the speed in the area of complex calculations. In luxury cars, high performance might mean the ability to travel quickly in comfort and silence. A better-performing weighing scale would be one that is more accurate (not one that tells you that you are five kilograms lighter than you are).

The measure of performance varies from category to category. Some categories are more sensitive to performance than others, and in categories such as computing, medical equipment and logistics, performance leadership can be used as a way to differentiate your brand.

But performance is similar to technology, in that you have to work hard to maintain the advantage you have. The day someone beats you on that score, you no longer have a differentiating factor. If you can quickly regain your lead it is not so bad, but if you let too much time pass, the consequences can be devastating for your brand.

Several factors need to be considered before you decide if you can use performance as a differentiating factor:

1. How Sensitive Is The Category To Performance?

If performance is not critical for the sector, there is no point in killing yourself trying to gain a performance edge.

For example, if you are a wine manufacturer, performance in terms of speed is probably not critical compared to quality. After all, grapes take time to grow and wine has to mature before it can be bottled. So, a brand that can produce wine faster than its competitors will probably not have any advantage. In such a category, performance is not critical. In fact, the "high-performance" winemaker – one who can develop a process that can mature wine in three months instead of the typical 18 – will probably be viewed with suspicion. People might perceive the wine to be not as good because wine drinkers have been conditioned to think that older wines are better than newer wines.

A category like semiconductors would be performance-sensitive because the performance of a semiconductor contributes to the speed of a computer – despite Intel's highly-successful effort to make us think the microchip (and especially Intel's brand of microchip) is the one thing that makes computers really fast. The truth is, each component plays a part, as we will illustrate.

All the parts of a computer are interconnected – mostly via copper (or other types of metal) connectors – and how fast data is transferred between these parts also affects the overall speed of the computer. This speed may soon plateau because there is a limit to which data can be transferred via metal connectors. If a company can create a connector – based on fibre optics, for example – to transfer data at the speed of light, then it can use performance as a differentiator because that sort of performance is critical in the world of computing.

2. Are Your Clients Willing To Pay For The Performance?

Performance is not cheap – not initially at least. Every high-performance gadget, technology or even service will cost a lot of money in the beginning. Before you put a premium on your service, you will need to decide if your potential clients are willing to pay for that performance advantage. There will always be companies who want a performance edge, but you will have to be able to find enough of these initially to give your brand a chance of surviving.

When FedEx first started in 1971 in the town of Little Rock, Arkansas (it relocated to Memphis, Tennessee in 1973), Fred Smith, the founder, took a big gamble by focussing the entire company on performance as a differentiator.

The company only offered one service: Overnight delivery of letters and small parcels within the continental United States. Its slogan at the time, “When It Absolutely, Positively Has To Be There Overnight” said it all.

FedEx is a high-performance brand. And as such, its services cost more. But fortunately for FedEx, its clients are willing to pay. When you are desperately in need of someone to send your important documents to a client who is 5,000 kilometres away, you will pay a premium to get it done. So, for FedEx, it is all right to use performance as a differentiator.

When it comes to determining if clients are willing to pay for extra performance, you may need to make judgment calls sometimes because if you ask potential clients, they might not tell you the truth – not because they do not want to, but because they might not know what they would actually do until faced with a choice.

Xerox did a lot of research before launching the world’s first fully automatic, plain paper photocopier in 1959 – the Xerox 914. It was a high-performance machine, able to produce copies that were super sharp at a high speed. But the cost was US$0.05 (S$0.075) per copy, which was very expensive at the time when compared to the prevailing thermal photocopiers at US$0.01 (S$0.015) a copy. The research indicated that people were not willing to pay for that kind of performance. Xerox launched the 914 anyway, and the rest is photocopier history. If Xerox had not ignored its research, it would have missed out on a tremendous opportunity to build the world’s greatest photocopier brand.

Likewise, in 1989, conventional wisdom dictated that no one would be willing to pay US$35,000 (S$52,500) for a high-performance Japanese luxury car. A Japanese saloon costing that much was just unheard of in those days. It was the equivalent of paying BMW prices for a Kia. But Lexus went ahead and introduced the high-end LS400 to the US, and since 2000, Lexus has been the best-selling luxury car brand in that market. It sells about 300,000 cars a year. That is a lot of cars, by the way.

So, you do have to take some calculated risks when deciding if your clients are willing to pay for performance and whether your brand should be differentiated based on this strategy. They might tell you that they are willing to pay extra for the performance or they might say that there is no way they will pay more for additional performance but these very same customers might change their positions when they are actually presented with the choice. You need to make that call on your own because you know your customers better than anyone else.

3. Can You Maintain Your Performance Advantage?

In 1985, Intel gave up its memory chip business because it could not maintain a performance advantage over its competitors from South Korea and Taiwan, and to make matters worse, these competitors could also make a cheaper product. So, Intel refocussed its brand on a new category called microprocessors and made sure it invested enough money on research and development year after year, so that it could maintain its performance advantage.

The lesson here is, even if your clients are willing to pay for the extra performance, you must make sure you can maintain your performance advantage in the long run. This is as much an art as a science because nobody can predict the future.

That is why Intel's co-founder and former chairman, Andy Grove, is such a paranoid person. He has even written a book entitled, *Only The Paranoid Survive*, because in the world of microprocessors, the loss of a brand's performance edge could adversely affect its ability to compete. How did Intel stay in front for so long? By being paranoid. By investing a lot of time, money and effort in making its latest products obsolete. Yes, that's how. Intel does not rest on its laurels. Intel is always on the move. Intel attacks itself more aggressively than its competitors could. Furthermore, it now does nothing else but focus on launching faster and faster chips.

4. What Is The True Measure Of Performance?

If you do not have outright performance, you can still sometimes use it as a differentiator by redefining the measure of performance. For example, when it comes to MBA programmes, one measure of performance is how highly the programme is ranked by reputable business publications like the *Financial Times* and others.

The National University of Singapore (NUS) Business School offers an MBA programme that was not the No. 1 programme in the Asia Pacific at the time we were asked to submit a branding proposal to the school, but we found out that the NUS Business School's MBA programme has been consistently ranked in the top three. *Asia Inc* ranked it amongst the top three MBA programmes in the Asia Pacific from 1999 through to 2001.[14] So, we proposed a differentiation strategy based on a redefinition of the idea of performance.

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[14] http://www.bschool.nus.edu/Media/PR28112006.htm

Most top MBA programmes boast about their ranking. For NUS, we recommended a shift of the measure of performance to consistency by communicating the message, "Anyone can get to the top once in their lifetime but the true measure of performance is how long you can stay there. The MBA by NUS Business School. Top 3 in Asia – consistently."

That is what you do when you do not have outright performance: You adapt the playing field to your advantage and change the rules of the game. As more and more devices become mobile, Intel is moving away from speed being the only measure of performance, to energy conservation. Laptops have overtaken desktops in sales and this trend is likely to accelerate. As a result, energy-efficient microprocessors are becoming more important. The more efficient the chip, the longer a device can last on a single charge. So, instead of outright speed, the new measure of performance could be energy efficiency – which, in turn, leads to longer battery life. The other reason for shifting the performance measure is that Intel's rival, AMD, has caught up in terms of performance. So, Intel needs to try and eke out a performance advantage in terms of the traditional measure of speed while changing the rules of the game by changing the measure of performance.

If you are a aircraft manufacturer like Boeing, you can differentiate each model (product brand) by different performance measures – speed, range, fuel efficiency, to name a few. The latest 787 is an aircraft that is differentiated by its highly fuel-efficient twin-engine design and lightweight construction. Boeing could use fuel efficiency as a measure of performance when pitching the 787 to airlines across the world. If you are similar to Boeing in that you have multiple product brands, you can do so, too. But you must treat each product brand as a separate entity – almost as if it is a different company altogether.

So, think about the meaning of performance in your category. If you do not have leadership based on the traditional measure of performance, can you use another indicator as a measure of performance? If you can, you might have a chance after all.

AMD Opteron

In the battle of the computer-chip makers, Intel alone has a market share of approximately 80 per cent as of the first quarter of 2007.[15] It is so far ahead

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[15] http://www.physorg.com/news96469223.html

in the game that there is no point talking about who No. 3 is. Even the No. 2 player, AMD, is far behind, with approximately 11 per cent. So, if you are AMD, what do you do? You avoid taking Intel head-on where it is strong. You find a soft spot and focus all your resources there. That is what AMD has done.

Instead of fighting in the computer chips sector, AMD has found a niche it can dominate – server chips. This is a category extremely sensitive to performance, perhaps even more so than for computers. Servers are often accessed by multiple users and therefore need high-speed chips that can handle complex operations simultaneously.

In the first quarter of 2005, AMD's market share for server chips was a dismal 0.09 per cent.[16] Then, it launched the Opteron 64-bit server chip, a speed demon that trounced Intel's Xeon in performance. Market share started to grow rapidly – rising to 16.1 per cent by the fourth quarter of 2005 and then to 22.1 per cent in the first quarter of 2006.

Of course, Intel did not sit still. It leaned on its considerable resources to upgrade the performance of the Xeon chip to match or beat the Opteron. But the damage was done. AMD had gained a foothold in the server-chip market. It is not about to let go either. AMD may not dominate the server chip market the way Intel dominates the PC chip market, but it will still have a respectable market share. That goes to show how you can use performance to overtake an entrenched leader.

There are two things you need to do if you want to succeed:

1. Find a soft spot in the leader's arsenal that you can attack aggressively. Make sure this is the right spot to attack because as a smaller player, you cannot attack on all fronts. You need to concentrate on one. AMD decided that Intel had a possible soft spot in the server chip category and launched an attack there.
2. Focus on leapfrogging the leader with your higher-performance product. Your attack must come as a surprise. You must move fast, aggressively and decisively. Do not hesitate. Attack. Attack. Attack. It is not enough to have superior performance. You must be fast to seize the high ground, then try to hold onto it with ever more superior products.

[16] ZD Net News – 25 April 2006

Fedex

FedEx is an excellent example for this chapter. It was actually a very late entrant into the air express services market. As mentioned earlier, it started in 1971. Emery Air, which started in 1946, was the air delivery giant at the time.

In fact, the FedEx idea almost didn't take off. The founder, Fred Smith, wrote a paper on it for one of his college projects and famously got a 'C' for his effort. But like all the best entrepreneurs, he had a stubborn, reckless, cowboy streak in him. He went ahead and set up Federal Express in 1971. His focus was, of course, on performance leadership as a differentiator: It would deliver letters and small parcels by 10am the next day to any destination within the continental United States, provided you gave them the items by the close of the day.

How did FedEx do it? By using its renowned hub-and-spokes model. All parcels collected by FedEx from clients were sent immediately to Memphis, which acted as the hub. The parcels were then sorted according to destination and sent out via FedEx's own fleet of planes – the spokes. Upon arrival, they were transferred to vans and distributed.

What a lot of people did not understand at the time was the logic behind the hub-and-spokes model that gave FedEx its performance edge. You see, if you lived in Los Angeles on 51st Street and wanted to send a parcel to someone on 55th Street, just a few blocks away, that parcel would be collected by FedEx and sent to Memphis, which was a few thousand kilometres away, for sorting, then sent back to Los Angeles and delivered to that someone on 55th Street. To a lot of people in the industry, that simply did not make sense. Why make a parcel destined for a location only a few blocks away travel all the way to Memphis and then back?

However, the genius of Fred Smith was in the realisation that the hub-and-spokes model was the only way to coordinate deliveries with speed and accuracy. One hub, many spokes – just like a bicycle wheel. To make the system work, though, FedEx had to invest heavily in infrastructure, planes, vans, people, machines, computers and software. And it had to integrate everything properly.

That is what it takes to be the performance leader in air express. Has it differentiated FedEx? Oh yes! So successfully that today, FedEx is a multi-billion-dollar company and Emery Air is no longer around.

The wonderful thing about FedEx's differentiation strategy is that it made people think, "If FedEx is so good with its overnight letters, it must be pretty good with its three-day service and ground service and international deliveries as well. Maybe we should use FedEx." FedEx's performance leadership in one area allowed the company to move into other categories, and that is how it became the giant that it is today.

Xpress Print

Xpress Print is a Singapore company that is well known for its financial printing services. It prints lots and lots of annual reports, as well as other time-sensitive financial documents. According to its clients whom we have spoken to, Xpress Print really lives up to its name. It can produce very high-quality work really quickly.

How does Xpress Print achieve its performance advantage? Fast machines. Fast people. And a workflow that is designed to minimise time loss. There is no secret to it. Just as a company that is focussed on efficiency would trim every ounce of waste and fat from its processes, a company set up for speed must not only have fast machines and fast people, but processes carefully designed to maximise speed as well.

Xpress Print has expanded into countries in Europe with this performance differentiator – quite ingeniously, we think. You see, due to the time difference between Singapore and Europe, Xpress Print has an added speed advantage. It may be the end of a working day in Europe when the designs for annual reports are finalised by its clients, but the files can be e-mailed to Singapore for printing. When it is night in Europe, it is day in Singapore. Xpress Print can start working the moment its clients in Europe shut down. By the time the clients are back in the office the next day, the print job could have been completed and be on its way back to Europe – maybe on board a FedEx flight!

That is how Xpress Print uses both its high-speed printing processes and the time difference between Singapore and Europe to further widen its lead in the area of turnaround time – a critical performance measurement for many of its clients.

Silicon Graphics

Silicon Graphics makes high-performance 3D computers used to generate the special effects seen in movies. Some animated films, like the ones from Pixar, might require a few hundred of these computers to render. What makes Silicon Graphics different is performance, and this is possible through the SGI Reality Engine it has developed.

It all started with a device called the Geometry Engine[17] developed by Jim Clark and Marc Hannah at Stanford University in 1981. The Geometry Engine performs all the complicated calculations that are required for the creation of high-resolution 3D images that are seen in popular animated movies like *Toy Story*, *The Incredibles*, *Cars*, *Monsters Inc.*, *Ratatouille*, etc.

The SGI Reality Engine is what gives Silicon Graphics its performance advantage. It should also be noted that to maintain its performance advantage, the company has had to stay focussed on 3D computing. This is a common theme for companies that want to differentiate themselves based on performance – they find an area that they can have a performance advantage over their competitors and focus on it; they don't ever take their eyes off the ball.

Cyberknife

The CyberKnife[18] is as sinister-looking as one of those high-tech killing machines from the movie *Terminator 3: Rise Of The Machines*, but the only thing it kills are cancer cells. It is a robotic radiosurgery device that is used to kill tumours.

Traditional radiosurgery – or stereotactic radiosurgery – has been used to treat tumours in the head for more than 30 years. High doses of radiation are precisely targeted at the site of the tumour, and these are typically delivered in one session. The administration of this treatment relies on a rigid metal frame fixed to a patient's skull, immobilising the head so that damage to the healthy tissue surrounding the tumour is minimised when the radiation is delivered.

In contrast, robotic radiosurgery combines image-guidance technology and computer-controlled robotics, which enable the system to deliver high doses of radiation without a metal frame to hold the patient's head in place while maintaining sub-millimetre accuracy. Because of this precision, other areas of the body become treatable with robotic radiosurgery, such as the spine, lung, prostate, liver and pancreas. As it is non-invasive, treatments can be delivered in single or multiple fractions, at the patient's convenience.

Since the CyberKnife is the only system we know that uses its form of advanced architecture, enabling the effective treatment of tumours anywhere in the body, it outperforms other such machines. That performance advantage has built CyberKnife into a powerful brand. To date, some 35,000 patients are

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17 www.wikipedia.com

18 www.accuray.com

estimated to have been treated with it – and more than half for tumours not located in the head.

CyberKnife is manufactured by a company called AccuRay, which also makes a host of other high-tech medical equipment, but as far as we are concerned the CyberKnife is the star player in its team due to its performance advantage. The CyberKnife even has looks that say that it is a high-performance machine.

In A Nutshell

Performance leadership is a powerful differentiator but you must work hard to get a performance advantage, and work harder still to maintain it. For a start, you must want it badly enough to sacrifice everything else to get that edge. You need to focus your entire organisation – its mission, people, systems, processes, goals and everything in between – on one objective, which is to be the best-performing brand in the category. Not that many companies have that kind of resolve. Wishing for performance is easy. Actually getting it is hard. We can't tell you what to do. You have to cross that bridge on your own.

Next, you must stay focussed. That is so important. It is easy to be overtaken by competitors if you lose focus. That is why Intel is so focussed. Reinvest your profits to create higher-performance products so that you can remain ahead. It is easier said than done because human beings, by nature, do not like to focus. They want to do everything. But focus is needed.

Finally, you must deliver what your brand has promised, at every customer touch-point. For Volvo, which is a high-performance brand in car safety, that doesn't just mean things like passive safety – as in, how strong the frame of a Volvo is in a crash – but also active safety: How easy it is to see out of a Volvo and how secure the car is on slippery roads.

If you decide that performance is not for you, then perhaps you will want to differentiate your brand based on it being the latest or newest, as we will discuss in the next chapter.

CASE STUDY

Performance Leadership — Bondflex Abrasives (Jiangyan)

Background

Bondflex Abrasives (Jiangyan) Co. Ltd was formed on 10^{th} July 2005 with a strategic intent to create its own brand of abrasives.

Used to shape or finish an object or component part through rubbing, abrasives are commonplace and used extensively in a wide variety of industrial, domestic and technological applications. This gives rise to a large variation in their physical and chemical composition, as well as shape. Common uses include grinding, polishing, buffing, honing, cutting, drilling, sharpening and sanding.

To create its new "Bondflex" brand of abrasives, Bondflex Abrasives (Jiangyan) Co. Ltd acquired a 72 per cent equity stake in Jiangyan Sumeng Grinding, a company that manufactures abrasives. Bondflex's expertise allowed it to improve on the quality of Jiangyan Sumeng Grinding's abrasives and bring these up to premium standards, on par with some of the more well-known brands. To further strengthen its product quality, Bondflex hired a European consultant to assist in advancing the abrasives it produced.

Bondflex would like to establish itself as one of the significant players in the marine and oil and gas sectors, as well as in heavy industries. It targets shipyards, fabrication yards, and infrastructure construction sites in China.

With its new range of abrasives, Bondflex is able to cater to the quality-conscious. It generally manufactures the "normal wheel abrasives" commonly used by the marine, oil and gas companies, and the "big wheel abrasives" used specially by steel mills.

The Challenge

Among Bondflex's major challenges is brand acceptance by its prospective customers. Being a newcomer to the China market and lacking market presence and history, it naturally would have to spend more on marketing, in the hope of bringing about product substitution.

It also faces intense competition from established players. Flexovit, Norton and Tuff are leading brands, and attempting to outdo such renowned names is an uphill battle.

Yet another challenge is product parity. Delivering an abrasive that is clearly different from and/or better than a competitor's has become nearly impossible in many markets. Everywhere, companies providing abrasives are struggling to differentiate their products with quality and superiority.

The next challenge is all about the innovation ceiling phenomenon. Technological breakthroughs do not appear every day, and only so much can be done to an abrasive that would make it extremely valuable to a customer or that a competitor wouldn't be able to copy. Such a phenomenon leads to only one outcome: Price wars. Competitors lose, customers win and are spoilt for choice.

The people at Bondflex tell us that the basic requirements customers look for in abrasives is regulatory approval, ie. that Bondflex's abrasives have met required technical specifications. Beyond this, product availability, consistency in quality, knowledge, convenience, competitive pricing, product warranty and after-sales service are equally important.

Our argument in this book, and particularly in this chapter, is that such competencies make entry into the market easy. So the golden question is WHAT KIND OF COMPETENCIES DO NOT?

The Differentiation Strategy

The challenges that Bondflex faces are not uncommon in the world today:

- It is late in the game;
- Brand leaders lead the category;
- There exists product parity; and
- The innovation ceiling phenomenon has taken hold.

Bondflex operates in a category where performance is a critical factor. This type of abrasive is used to smooth over the welts caused by welding. It must perform its job quickly and effectively because if it does not, too much time will be spent trying to smooth a welding joint. In this business, time equals money. Any delay can be costly.

Building a brand is about creating a perception. While competition, competitors' brand leadership, product parity and innovation ceiling are all realities, so is perception. In industrial buying, aside from technical specifications (which most companies can achieve today), buying behaviour is affected by a complex web of psychological variables. These include perception, motivation, knowledge, memory and attitude.

With abrasives, performance (for easy understanding) is measured by the speed of its abrasive ability (how fast it can grind or cut) and effectiveness (how accurately and consistently is its ability to grind or cut). Significant product performance advantage over the competition is probably hard to achieve and might make Bondflex's products so expensive that it would fall outside of its customers' budgets. So, over and above competitive product performance, Bondflex must create perceptual differentiation.

In recent times, the leaders of Bondflex have discovered a new line of highly sought-after abrasives generally known as "big wheels". Large steel mills require large wheels like the roller wheel, big cutting wheel and heavy-duty grinding wheel for their operations; these are in particularly high demand in China. Seizing the opportunity, Bondflex started manufacturing these big wheels. Today, it has achieved some success in this unique category.

Since building a brand is about creating a perception, what's the winning perceptual differentiation? It is Performance Leadership. Perceptual product performance leadership lies in creating a perception, where the customer perceives superiority in the product vis-à-vis the competition in the area of performance.

Being the first to claim performance leadership is often more important than having a huge performance advantage, as long as you are competitive. A search on Google did not turn up any brand of abrasive that is clearly differentiated based on performance leadership. As such, Bondflex can go ahead and claim this for its brand. It is similar, in this regard, to the bond paper manufacturer in Chapter 12.

Bondflex can try to stake out its claim as the performance leader in abrasives in a big way. But what if the other brands start to mount a challenge? So much the better! As long as Bondflex can deliver on its claims of high performance, it will be fine.

In fact, Bondflex does not even need to claim it is the best, just that it is high-performance. It is already doing that. Bondflex's tagline is "High-Performance Abrasives". It is almost there. We would recommend tweaking this slightly to read, "Bondflex. The High-Performance Abrasive For Marine, Oil & Gas." This tells people that Bondflex is *the* abrasive to choose if they need a high-performance abrasive for the marine and oil and gas industries.

Bondflex needs to keep communicating this at every customer touch-point to make sure that the message sinks into its customers' minds and takes root. If it can do so, over time, a perception of performance leadership will emerge in its category.

Chapter 12

Strategy No. 4 – The Next Generation

WE have never had the urge to put on a pair of Rollerblades, don Oakley sunglasses, strap iPods onto our arm bands, and try to look cool rollerblading down East Coast Parkway. It's not that we know we are clumsy people who will probably spend more time flat on our backs than on our feet, but because we do not have kids. We have seen middle-aged people struggling on these contraptions for the sake of their kids, who want to do it. They are just trying to be hip parents and keep up.

Most of the time, what we see on the faces of these middle-aged folks – especially the men – is fear. Not just the fear of a heavy fall that would likely require an expensive hip-replacement surgery but the fear of being perceived as not with-it.

Those of you who fall (no pun intended) within this category can argue all you want, saying that you rollerblade because you love your kids and want to do things with them (which we do not doubt). But there is a deeper reason most people would not care to admit: People are afraid of being seen as outdated. That is why they do things that should best be left to their kids. Maybe when we have kids, we will do likewise but we doubt it. If you know us, you will realise that it is easier to bend a beam of light around an object than it is to bend us.

The fear of being labelled dinosaurs is what makes people keep up with the latest trends, fashion, mobile phones, cars, management theories, gadgets, gizmos and whiz-bangs – basically the latest of everything. Nobody wants to be left behind in the Jurassic Age because they think they will lose out. You can either see this as the innate desire of human beings to make progress or as a pathetic human condition that makes them slaves to the rat race.

What do we think? Well, since we are brand consultants, we try not spend our time thinking about such things. We see things as they are and then try to figure out if our clients can make use of the situation to build a strong brand and secure more business. Call us cold-hearted mercenaries, but if you are one of our clients, we are sure you would not have us any other way. (We are tempted to put a smiley face after this last sentence but this being a serious business book, our editor would not allow us to.)

Because people are the way they are, being the next generation product or service can be a powerful way to differentiate your brand. People are always on the look-out for what is new. What is new is interesting. And exciting. On top of that, what is new has built many of the best brands in the world.

IS BEING THE NEXT GENERATION THAT IMPORTANT?

When your brand is positioned as something (anything) next generation, it gets you noticed. It will not get you the sale just yet, but to make any sale, you must first be invited to the negotiating table. And being differentiated based on being the next generation could be your invitation card.

As we mentioned, people have this almost pathological need to be at the forefront. They will check out everything that is new. When you are new, you get looked over. The media will talk about you. So will potential customers. Of course, you have to communicate to the world that you are new or have something that is new. And there are two ways you can do so.

Firstly, you can make your competitors look like yesterday's leftovers. You can hang the dinosaur label on them and make them look outdated. This gives customers a reason not to buy from them because nobody wants an outdated product even though it could still be very good. (Customers may still buy that outdated product if the price is very low.) In war, the first thing that most generals would do is to send in the Air Force and try to soften the enemy by taking out its defences. That is what you are trying to do here – soften the enemy by taking out its defences. The way you do it is by making the enemy look obsolete. You don't have to do it in a brash and offensive manner, though. Just by highlighting to potential customers that you have the next generation product while your competitors are still selling last generation ones may be all it takes to deal an effective first blow.

Secondly, by being the next generation, you can tell your customers that you are the future and the future is now here. You should communicate to your customers that if they do not buy your brand, then they are not getting the latest and not getting the latest could result in them losing out in the rat race. People often equate the latest with the best. Sometimes it is, sometimes not, but it doesn't matter. Perception is reality in branding.

But being next generation is also hard work because only five per cent of buyers are initiators, as we will discuss later in Chapter 19. Getting one or two of these initiators (or innovators, as marketing textbooks sometimes label them) to buy, however, will create a positive cycle. The other 95 per cent (the imitators) might think that perhaps they need to at least evaluate your product – in case they get left behind.

Remember that being the next generation:

- Gets your brand noticed.
- Makes it risky for customers not to buy from you.
- Gives you a deadly weapon to use against competitors.

WHAT TO DO NEXT?

The single-most important thing that a next generation brand must do is attack the existing brands in the category. A next generation brand must be aggressive. It must become a real pain in the neck. Because you can only claim to be next generation for a limited period of time, you must move fast to make your competitors obsolete. Hang the last generation label onto your competitors. Make them look like they are no longer relevant even if they still are.

We have been told before that such a move smacks of bully boy tactics and it is not nice. Well, are you in business to be nice or are you in business to win? Whether it is nice or not, if you are a next generation brand and you don’t use that advantage to attack your competitors, then you are not doing your brand justice. Business is about winning. Of course, we are against doing anything illegal but we are not against giving our clients an unfair advantage. We can guarantee you this one thing: If you are a next generation brand and you don’t make full use of that edge, someone else will come along with another next generation brand and make you look obsolete. That is the way of the hypercompetitive marketplace. Be nice to your people. Be nice to your customers. Be nice to your suppliers. Be nice to your distributors. But you don’t have to be all that nice to your competitors because if the situation is reversed, they will not give you any breathing space.

A case study we like to use involves the time-honoured typewriter. It illustrates how a differentiation strategy based on being next generation can be potent. The typewriter was invented almost 130 years ago. One of the most well-known brands back then was Remington Rand. It was a mechanical typewriter. The biggest mistake that the company made was not working hard enough to keep its lead. You see, when you are the next generation brand, your job is to make everyone obsolete – and that includes you. There is no rest for the next generation brand. The moment you establish yourself as the next generation anything, you must immediately work on making yourself obsolete by launching Version 2.0 before your competitors can.

Back to the typewriters. Brother came along with its electric typewriter and became the next generation brand. It made Remington Rand look like a dinosaur because it was still relying on mechanical actuation whereas Brother was all about high-tech electrical actuation. But Brother also became complacent. When it failed to make itself obsolete, the door opened for Wang to take over with its new invention, the word processor, which succeeded in making Brother look so last generation. Wang was a powerful brand until Compaq came along with the personal computer and did to Wang what Wang did to Brother. What should Wang have done? It should have kept going. It should have attacked itself before Compaq did.

Being the next generation brand is a double-edged sword. You can make your competitors obsolete and become the new king of the hill. But you will only rule as long as you keep making yourself obsolete. A next generation brand must constantly attack itself. Better that than to be rudely awakened by some young upstart who comes along and consigns you to the Obituaries section.

It is starting to look like no matter what differentiation strategy you use, building a strong brand is extremely hard work. But we promise you that the first four differentiation strategies are the hardest. That is why they are among the most effective. Nothing good ever comes easy.

IF YOU ARE SMALL, THERE'S GOOD NEWS!

You might be surprised to learn that many of the next generation brands actually came from small companies or start-ups. We are not saying that big companies can't do it – Intel and Gillette did – but small companies have an advantage, for several reasons:

1. No Need To Protect Existing Business

It is very difficult for any company that has worked hard to establish a category to pull everything out by the roots and make that category obsolete. It goes against the natural instinct of human beings. Once a company has built up a successful category for itself, it will do everything in its power to grow and protect this category. Asking a category leader to do otherwise is unthinkable.

The strange thing is, being a next generation brand is like being that mythical bird, the Phoenix. The Phoenix will burst into flames from time to time and burn to ashes, yet it rises again to become stronger. Fortunately, you do not have to raze your entire company to the ground, but you do have to keep making yourself obsolete.

This is very hard for companies because they want to hang onto their existing categories for as long as they can. Many hang on too long and, as a result, let someone else usurp their next generation title. That is the way the cookie crumbles. That is why it is easier for a small company or a start-up to become the next generation brand than it is for a big, established corporation. No strings attached. No emotional or historical baggage. No existing category to protect.

But if these start-ups are successful, they will soon be faced with the same problem. For example, established brick-and-mortar bookstores like Barnes & Noble and Border's would have had all the resources in the world to create a next generation bookstore like Amazon.com but they did not, because that might have cannibalised the sales of their existing bookstores.

Auction houses like Sotheby's and Christie's did not go into online auctions for the same reason. So, Pierre Omidyar and his wife came along and created the hugely successful eBay.

AT&T could have created something like Skype, which is a Voice Over Internet Protocol (VOIP) phone service but didn't because that would have eaten into its traditional telecommunications business. Skype made a big name for itself as the next generation brand for voice calls. It was eventually sold to eBay for a whopping US$2.4 billion (S$3.6 billion). See, being a next generation brand pays – handsomely at times.

This is a serious issue for successful companies but good news if you are a small one. Now that you know where the Achilles heel of those big companies is located, you can attack that spot with a next generation product or service and build a very successful brand.

What if you are a big company? What do you do? Well, you need to get back a bit of that start-up energy again. There are several ways of doing that.

One is by investing in promising start-ups. Nokia has an investment arm that does just that. Not all of them are going to pay off but if only a handful of those start-ups becomes successful, you would have hit pay dirt. Two, you can set up a separate company and let it run on its own. Its job is to create the next generation. Don't even house this company within the corporate headquarters. Let it get as far away physically from the parent company as possible. Allow it to feel and act like a start-up. Three, buy over potential next generation companies if you can. This is what CISCO Systems has been doing for years.

2. The Inability Of The Brand To Stretch

If you want a strong brand, you have to make it stand for something and lock it into a pigeonhole in the minds of customers. That makes your brand powerful. But that is also sometimes limiting when you are trying to be the next generation brand: Once a brand stands for something, it cannot stand for other things.

For the Remington Rand brand to have been stretched into electric typewriters would have been all right as it would still have been about typewriters. With Brother and word processors, however, it might have been difficult as the word processor was quite a different animal altogether. That is why it is sometimes difficult for companies to remain the next generation brand as their brands cannot be stretched.

This is not a problem if the category remains the same. For example, Intel's category is microprocessors and Gillette's is wet shaving. So, they can launch next generation products or models under the same brand because these would be the same kinds of products. A next generation microchip is still a microchip. A new generation shaver is still a shaver.

The hitch comes if the category itself becomes obsolete, as in the case of the typewriter. The word processor that came along to replace the electric typewriter was not just a next generation product, it was a whole new category altogether. When you have a situation like this, the brand cannot be used for this new category but companies are reluctant to kill it and create a new one. They will try very hard to hold on, as in the case of Kodak. Kodak stands for photographic film but digital cameras have just about made analogue cameras obsolete and, with that, the category that Kodak stands for. Kodak also has a line of digital cameras but Kodak stands for film, which is very different from digital cameras or any kind of camera. The acid test is whether consumers will buy a Kodak digital camera over a Nikon, Canon, Olympus or even a Pentax. Would you?

Well, it's better to kill the brand and create a new one than for the brand to be killed by someone else, which would drag the whole company down. Kodak could have created a new brand for the digital camera category and that might have allowed Kodak to become successful in the digital camera category. But Kodak was faced with a dilemma. The photographic film business was highly profitable and Kodak was the dominant brand in the category. But this was also a category that was under threat from digital photography and it would have been just a matter of time before this new category replaced the existing one. Kodak launched its digital cameras too late and it was launched under the wrong brand – the brand that stood for film.

So, you have to watch your space very carefully. As long as the category remains the same, you can keep launching next generation products under the same brand. When a next generation *category* comes along that makes yours obsolete, you have to decide if your brand can be stretched into that category. It probably can't. You will have to move fast to launch a new brand and establish it in the new category.

THE NEXT GENERATION IN PORTABLE MUSIC PLAYERS

The first portable music player was probably the Boombox mini hi-fi set from Sony. People used to carry those things – bulky as they were – on their shoulders everywhere they went so that they could take their music from Point A to Point B. A bit cumbersome, but that was the best they could do then. When you need your music on the go, you need your music on the go.

The next generation of portable music players came from Sony as well. It was the portable cassette player called the Walkman – so successful that it sold 340 million units in its lifetime. You see, Sony was smart enough to recognise that the portable cassette player was not only a next generation product but a next generation category – very different from the mini hi-fi that the Boombox represented. As such, it launched a new brand to go along with this new category – the Walkman. Next generation categories must have next generation brand names. And the Walkman was a fantastic name.

Sony continued to attack itself in a similar vein. What followed the wildly successful Walkman was the Discman, a portable CD player. It made the Walkman obsolete but not immediately, because many people still had cassettes and wanted something to play them in. But the death of the Walkman cassette player was to come. It was just a matter of time. After the Discman came another category called the MiniDisk.

Sony was a textbook example of how to run a next generation brand. It was unbeatable and unshakeable. But the company became too big, too successful and too unfocussed. As a result, it missed the MP3 boat. The MP3 is the next generation category that makes everything else obsolete. That allowed Apple to usurp Sony's position as the leader in portable music players with its iPod.

Sony has tried to make a comeback in the last few years with its own range of sleek-looking MP3 players. Given its expertise in music, we have no doubt its MP3 players are great. Unfortunately, it has recycled the name, Walkman. It is a great name but one that stands for cassettes, not digital music. The digital music market has gone to Apple as far as we are concerned.

THE NEXT GENERATION IN WET SHAVING

"The Best A Man Can Get" is the slogan from Gillette, although it could easily be mistaken as one from some social escort service. We would have used a slogan like, "The Closest Shave That A Man Can Get" but that is just us. Anyway, rather than advertising slogans, we want to talk about how Gillette attacks itself aggressively with next generation products so that it can continue to differentiate itself in the market with the latest.

The wet shaving market is extremely competitive because most men shave, making it a very lucrative business. Anything that is lucrative will attract keen competition. Just like babies need diapers, men need razors. Just to give you an idea how important this market is, it is documented in the book *The Warren Buffett Way* that the investment guru Warren Buffett – who only invests in businesses that he thinks can last for an eternity – invested in Gillette.

So far, Gillette has done everything right. It invests heavily in research and development to make sure that when a new shaving technology makes it into the market, it is from Gillette.

The company's history of innovation goes back all the way to 1895 when it invented the safety razor, which made shaving less of a hit-and-miss affair. It also made it more difficult to cut yourself while shaving. Of course, macho men then still preferred the old-style razors but eventually they decided it was not worth the hassle. The safety razor, patented in 1904, established Gillette as the next generation brand.

In 1946, Gillette created the razor dispenser, which further consolidated its lead in this category. The pace of innovation picked up in the 1960s. The year 1963 marked the arrival of the stainless steel blade, sold under the sub-brand, Super Stainless. The double-blade Trac II was introduced in 1971, followed by Trac II Plus with a lubricating strip. The disposable double-blade razor, Good News, was also launched in 1971, to pre-empt this new category that was threatening Gillette.

1977 saw the introduction of another next generation Gillette razor called the Atra, which had an innovative pivot point so that the blades could follow the contours of the face more closely. With Atra Plus, Gillette added a lubricating strip that softened facial hair and acted like an after-shave.

The spring-loaded Sensor came along in 1990, making it even easier for the blades to follow the contours of the face. Sensor Excel with microfins was launched in 1995. The fins tickled the facial hair, making them stand up so that they were easier to cut. The triple-bladed Mach 3 came in 1998, followed by the battery-powered M3 Power, which involved sending a mild electrical pulse to the blade to make it vibrate. Jacky saw a documentary on *Beyond 2000* showing that when the blades of a shaver vibrated, they shaved better. Amazing discovery.

Gillette is showing no signs of letting up. It is serious about protecting its position as the next generation brand. Its latest products are the Fusion and the Fusion Power. Both have five closely-spaced blades in the front to reduce irritation to the skin and a single blade in the rear for those hard-to-reach places. The only difference is that the Fusion Power incorporated that cool vibrating blade technology from the M3 Power.

As long as Gillette keeps up its blistering pace in razor innovation, it would be difficult for a competitor to overtake it. That is why Gillette is still the No. 1 brand in wet shaving systems today. We do not know if it is the best a man can get because we have never used anything other than Gillette, but what the company is doing is certainly the best that any next generation brand can get.

THE NEXT GENERATION IN COMPUTING POWER

Intel gives new meaning to the concept of the next generation brand. It launches new microprocessors with a speed that would leave even Olympic sprinters breathless. It seems to us that even before the dust settles on the launch of a chip, Intel is already getting ready to release another. It started with the 286, which was quickly made obsolete by the 386, which in turn was replaced by the 486, then the 586. After that came the Pentium family (I, II, III and IV), the budget-priced Celeron, the Xeon and Itanium for computer servers, the Centrino for laptops and the Xscale for smart phones.

Each of Intel's chips is sub-branded so that it is a brand in its own right. They are such strong brands that when you mention that a laptop is powered by a Centrino, most people would probably know that you are talking about Intel's chip for mobile computers. Just the Pentium series alone is further divided into sub-brands like the Pentium Extreme, Pentium D, Pentium 4 Hyper Threading, Pentium M and Pentium Dual Core. Then, there is Core 2 Duo, Core 2 Mobile, Core 2, Core 2 Extreme and Core 2 Quad. By the time this book is published, Intel would undoubtedly have renewed its entire range of microprocessors with next generation chips.

The speed with which Intel launches new products keeps its main competitor AMD off-balance, and it also prevents potential competitors from coming into the market. Nobody can effectively attack Intel because it attacks itself relentlessly and ruthlessly. That is Intel's corporate culture – built under the Andy Grove regime. Andy Grove is fond of saying, "Put all your eggs in one basket and watch that basket carefully." Intel puts all of its eggs into the microchip basket and it sure is watching that basket carefully – constantly working at breakneck pace to make sure that it always has the next generation product.

Now that Grove has retired, will we see a shift in this next generation? Too early to tell, but it is likely that Intel will maintain its brand differentiation via performance leadership. Anyway, just the idea of having to take on a gladiator like Intel will make potential competitors weak in the knees.

In A Nutshell

Being the newest kid on the block is a powerful way to differentiate your brand, but getting there is just the beginning of a never-ending journey. Being the next generation brand means that you have to be paranoid like Intel. Watch every trend, every development, every competitor closely. Move fast to make your brand obsolete before your competitors do it for you. You do not have a choice.

Is this the right strategy for your brand? It depends on how you answer the next question. Are you ruthless enough to keep attacking yourself and making yourself obsolete even though there is no need to? That is what it takes to be a next generation brand. In some businesses, you do not fix anything if it ain't broke. For a next generation brand, you break what is perfectly good so that you can replace it. We think that sums up what a next generation brand is very nicely. To be the next generation or not, that decision is yours to make.

CASE STUDY

The Next Generation — MXR Corporation

Background

MXR Corporation was founded in 2004 by Dr Steven Zhou ZhiYing and Professor Adrian David Cheok, Director of the National University of Singapore's Mixed Reality Lab. MXR stands for "mixed reality", an emerging, cutting-edge technology that merges the physical and virtual worlds to allow users to interact with 3D objects as if they were in the real world.

MXR Corporation has developed a range of patented mixed reality products for children aged three to eight. Its current flagship product, wIzQubes™, is regarded as a breakthrough in educational software, revolutionising the learning and playing experience of children. The company's founders were awarded the Lifetime Fellow title at The World Technology Award 2004, sponsored by Microsoft, NASDAQ, Time and CNN.

wIzQubes™ has created a whole new way of learning. It enables children to enjoy virtual stories from a preferred 3D angle, which leverages Mixed or Augmented Reality technology to bring stories to life. Users access 3D virtual reality and interact with story characters, thus diving into the magical world of mixed reality. By allowing children to actively participate in the storytelling and directly engage with their favourite story characters, the company shows that children can play and learn at the same time.

wIzQubes™ are easy to handle and fun to play with. And it does not take long to get started. Users take two plastic cubes with images on them. A web camera captures these images and the wIzQubes™ software calls up the animated story already stored in the programme. Users then view and interact with the story in an all-rounded 3D format, which is the unique advantage of the product.

The Challenge

There are many products in the marketplace that claim to help develop the brainier child, each with its own proprietary tool fashioned either from a previous product or a new scientific discovery. On the flip side of the consumer-seller relationship, parents are on a never-ending quest to acquire the next miracle product for their children.

From a simple snapshot of the competition, it is clear that almost every product takes on the "bogeyman threat" approach of: "Buy this product and your child will become smarter faster … blah blah blah … " Sad but true. That's really how the consumer market in this category works, and MXR Corporation MUST undoubtedly become the next generation in learning software if it is going to be successful. The challenge is, how can it reach a stage of perceptual acceptance?

You would think it is easy for MXR Corporation to blaze a trail with such an incredible product. Not so. The business landscape is littered with companies that have failed even though they have had what looked on paper like winners. The problem is one of resources. Many have very little money left for communications after they are done with the expensive – and often time-consuming – process of creating their breakthrough products.

Also, many companies make the mistake of not using public relations to build their brands. Instead, they use advertising. It is PR that builds brands. However, getting the media to tell your story is a big challenge. It has 1001 things under the sun to talk about. What is so newsworthy about your story that it should be given media space or air time? Nonetheless, a start-up should try to court the media. Once the brand is established through PR, advertising plays a maintenance role. But the advertising message needs to be consistent with the ideas PR has already planted in the consumer's mind, otherwise it will have no credibility.

For example, in your mind, Volvo is a safe car. So, when Volvo advertises that it is safe, you believe it. If Volvo advertises itself as high-performance, you are likely to go, "Whoa! Performance? Isn't that BMW's position?"

The Differentiation Strategy

MXR Corporation is positioned as "The Next Generation In Learning". With this strategy, it has managed to generate some interest from the media, which is a good start for this very young company. What it needs to do next is to take this initial publicity and try to escalate it – fan the PR fire that has already been lit and make it burn brighter.

The other thing MXR should do is use its software to make its competitors look obsolete. It can do the same thing Advil did. A next generation painkiller, Advil came up with an ingenious ad when it was launched in the United States. It simply showed three painkillers side-by-side. On the left was Aspirin and the word "1899". In the middle was Tylenol (the best-selling painkiller in the United States) and the word "1955". Then, on the right was Advil and the word "Today". Advil showed itself to be the next generation in painkillers and dismissed Aspirin and Tylenol as outdated. Its tagline, "Advanced Medication For Pain", further reinforced the idea.

MXR does not need to run advertisements but in its communications material, it can use the same concept to show that it is next generation. What we suggest is this: Use three pictures to illustrate the different styles of learning through the ages. On the left, show a caveman trying to teach his kids about dinosaurs with cave drawings; the accompanying sentence would be "In The Beginning, This Was How Children Learnt." In the middle, the picture would be of a modern classroom with a teacher using modern visual aids. The accompanying line would be, "Today, This Is How Children Learn." Finally, children playing with wIzQubes™ can be shown, accompanied by the text, "wIzQubes™. How Children Will Learn Tomorrow."

MXR needs to try to make its competitors look obsolete. And its competitors may not necessarily be another brand of e-learning software. It could be a method of learning or teaching that is commonly used today. And it needs to keep pushing the next generation story.

Finally, it needs to make itself obsolete by launching new versions of wIzQubes™ at least once a year. By doing this, MXR is preventing its competitors from making it obsolete. It also gives the company the opportunity to go to the media and the market to tell the story of the next generation wIzQubes™ 2.0, then 3.0, and so on.

But we think that MXR Corporation is onto something great here. We will wait and see if this next generation brand can become the next big thing in educational software.

Chapter 13

Strategy No. 5
– How A Product Is Made

HAVE you ever heard the story of Obvious Adams?[19] It is that of a young man who dreamt of becoming a copywriter but ended up being one of the most influential figures in the New York advertising world.

It began as a series in the *Saturday Evening Post* back in 1916 but the collection of stories about him was subsequently published in a book entitled *Obvious Adams: The Story Of A Successful Businessman*, authored by Robert R. Updegraff. It was very well-received, and *The New York Times* even had this to say: "The young man who is going to seek his fortune in the advertising business should have *Obvious Adams* for a handbook. Indeed, any young man who is going to seek his fortune in anything might be aided by the common sense and business acumen displayed in this little volume."

The famed Obvious Adams has been quoted in many business circles. He is a work of fiction but within the tale are true-life illustrations of the principle of differentiating a product by how it is made. Companies have used his story as a primer for new advertising personnel. They have described him as an ordinary-looking guy and pointed out that nothing he said is new but pure common sense.

All too often, however, we do not heed our common sense and that is why it has become the most uncommon commodity these days. We will not tell you the entire story of Obvious Adams but there is one episode in his career with the Oswald Advertising Agency that is relevant to Strategy No. 5 of Differentiation.

How Great Bond Paper Is Made

This is an interesting Obvious Adams story. It begins with the Oswald Advertising Agency receiving a letter from a bond paper manufacturer, asking if it could send someone to talk to them about the possibility of advertising. Mr Oswald

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[19] Robert Rawls Updegraff, *Obvious Adams,* Presslink Publishing (2003)

was due to sail to Europe the day the letter arrived. So, he asked Adams if he would like to call on this paper mill. Adams jumped at the opportunity.

The next day, Adams visited this manufacturer. The president asked if bond paper could be advertised successfully – something that nobody had managed to do. Adams replied that he would not be able to tell until he knew more about the mill and the product. He wanted to have all the facts first, and for the next two days he did nothing but learn as much as he could about paper.

What he found out was most interesting. He learnt that this mill's paper was made only from carefully selected white rags and the purest filtered water to ensure quality. The paper was dried in a clean loft, then each sheet was inspected by hand.

These were things that did not look like the stuff of great advertising campaigns, but since they were not common knowledge and none of the other bond paper companies had made the effort to publicise how their bond paper was made, Adams saw a great opportunity. He spent the third day writing the copy and laying out a preliminary advertisement, but when the company president saw Adams' work in the afternoon, he was sorely disappointed.

The president rocked back and forth in his chair for a few minutes before saying, "Young man, I don't need to get an advertising man from New York to tell me how bond paper is made. What I wanted was some original ideas. Everyone knows these things about bond paper!"

"Really? Is that so?" Adams replied. "I never knew that! Our agency purchases thousands of dollars' worth of bond paper every year, yet I dare say that not a single man in our organisation knows much about paper-making, except that good paper is made of rags. You see, Mr Merritt, we are not paper-makers, and no one has ever told us these things. I know there is nothing clever about these advertisements. They are just simple statements of fact. But I honestly believe that by telling your potential customers in a simple, straightforward way as to how your bond paper is made, it would make people begin to think of your paper as something above the ordinary among bond paper in a comparatively short time. You would be at least two or three years ahead of your competitors, and by the time they got around to advertising, your paper would already be entrenched in the public mind. It would be almost a synonym for the best in bond paper."

Mr Merritt was impressed by Adams' arguments and could see the logic behind them, but was still hesitant because he was afraid his company would become the laughingstock of the bond paper industry. He told Adams about his reservations, to which Adams replied simply, "Who are you selling to, Mr Merritt? Paper makers or paper users?" That persuaded Mr Merritt. The advertising campaign was approved and it turned out to be a huge success.

Many companies have told us that their product is no different from their competitors' in the way they are made – the raw material is the same, the process is the same and even the end product itself is almost exactly the same – which would make them look silly if they told their customers how their product was made. These companies are assuming their customers already are a well-informed bunch, but very often, customers do not know as much as you think they know. Sure, we believe that they do know a lot but we think that you probably know more about your product than even the most knowledgeable customer because it is, after all, your product.

So, if none of your competitors are educating customers on how their products are made, maybe you should educate them on how yours are made. Even if your customers are somewhat familiar with the way your product is made, telling them again and again would not hurt. In the example above, even if customers have become familiar with the way Merritt makes its bond paper, the company should still keep telling them because this will reassure customers of Merritt's high standards.

From Orchard To Can In Six Minutes

This is another interesting Obvious Adams story. One of the Oswald Advertising Agency's clients was the California Peach Canners' Association. The agency's best creative minds were struggling with the Association's campaign because it was (and probably still is) extremely hard to differentiate one canned peach brand from another.

Adams was not on that account but decided to work on it anyway – in his spare time. At the time, his job was just to check and file periodicals. But the persistent young man treated the account like his own. He thought, studied, dreamed and ate peaches – fresh, canned and pickled. He sent for government bulletins. He spent his evenings studying canning.

One day, while sitting at his little desk in the checking department, putting the finishing touches on an advertisement he had written and laid out, he was asked by the copy chief, Mr Howland, for a document in the files. Adams went to get it, leaving the advertisement on his desk. The copy chief caught sight of it.

"Six Minutes From Orchard to Can" was the headline. The layout showed pictures illustrating the six operations necessary, each with a small heading and a brief description:

CALIFORNIA SUN-RIPENED PEACHES

Step 1	: Picked ripe from the trees
Step 2	: Sorted by girls in clean white uniforms
Step 3	: Peeled and packed into the cans by sanitary machines
Step 4	: Cooked by clean live steam
Step 5	: Sealed airtight
Step 6	: Sent to your grocer for you – at 30 cents the can

The copy chief read the advertisement through. And again. When Adams got back to his desk, Mr Howland was gone. So was the advertisement. In the front office, Mr Howland was talking with the president, and they were both looking at a mock-up of Adams' advertisement on the president's desk.

"I tell you, Mr Oswald, I believe that lad has the making of a copy man. He's not clever – and goodness knows we have too many clever men in the shop already – but he seems to see the essential points and he puts them down clearly. To tell the truth he has said something that we upstairs have been trying to say for a week, and it has taken us three half-page ads to say it. I wish you would apprentice that boy to me for a while. I'd like to see what's in him." Mr Oswald agreed and Adams' career in advertising got a boost.

What this story reveals is that you don't need to tell clients in a complicated manner about how your product is made. You have to be accurate with the details, that's for sure, but tell the story in a simple and straightforward manner. Simplicity often works very well especially when everyone else is trying to razzle and dazzle the world with complicated stuff.

THE MORAL OF THE STORY

The two stories we have just told about Obvious Adams show that the way a product is made can be a powerful differentiator. Most products within a category perform the same function, provide the same benefits and even look more or less the same. What differentiates them is usually the way they are made.

So, *how* your product is made can be a powerful differentiating idea. To you, it may not be very interesting or that big a deal because you are so familiar with the process, but your target customers may know nothing about it. Telling them can differentiate your brand from your competitors'.

Even if all your competitors make their products the same way, you can still use the manufacturing process as a differentiator. All you have to do is be the first to tell the story. When Jacky was studying in the United States, he was told an interesting story of an American beer company that shot up the sales charts because it claimed that all its beer bottles were washed with steam. People naturally assumed that if the bottles were so carefully cleaned, this company's brewing process must be world-class and as a result, the beer probably tasted better too. This company saw a sharp increase in sales. Some years later, the beer-drinking public found out that all beer-bottling plants in the United States were required by law to steam-wash their beer bottles! But only one beer company had the sense to announce this to the world.

As Adams mentioned to Mr Merritt, do not worry even if everyone in your industry laughs at you when you state the obvious. You are not selling to your competitors. You are selling to potential users. So, tell them what they need to know to make an informed decision. Tell them how your products are made. Even if all your competitors' products are made the same way, it is still a good differentiator because customers like to be reassured that the products they buy are made in accordance with very strict manufacturing processes.

WHY NOT TELL THE WORLD HOW THINGS ARE MADE?

None of the thousands of companies we have met during the course of our work tells a good story about how its products are made – even those with a genuine difference in their manufacturing processes. We have been asking companies why, and what we have found out is not surprising, given the culture of Singapore businesses.

1. Bosses Who Are Natural-Born Paranoids

We mentioned earlier that Intel had a culture of paranoia under the leadership of Andy Grove and that was what made it successful. Intel was trying to be the next generation brand or, rather, it was trying to remain next generation. It did not have a choice but to be paranoid, and some of that paranoia from the Andy Grove era probably still exists. In Intel's business, losing is easier done than said.

The paranoia that pervades many Singapore companies is of a different kind. Company bosses, especially if they are the founders, hold many things close to their chests. We understand that trade secrets must be safeguarded, but many of these bosses do not even communicate the company's vision, mission and direction to their staff.

On top of that, they tend to think they are the best – that their processes are so unique that it would be disastrous to reveal how their products are actually made. Well, to that we are usually tempted to throw our hands up and say, "Bull," because only rarely do we find companies that are actually different in the way they make things. So, what is the point of being so secretive anyway? In fact, if your competitors are all cagey about their manufacturing processes – and you know their methods are not all that different from yours – share how you make your products and you will stand out! People will see you differently. Tell the world how you make your canned peach so that when they want to buy canned peach, they will buy yours because they know the six steps involved in the making of your brand of canned peach.

2. Thinking That Customers Know It All

This is also known as The Truth Will Out Syndrome. Companies, especially those selling technical products, tend to think that since their customers are staffed with technical people, there is no need to tell them how the product is made because they will know. These companies also think that if they have the best processes, their customers will naturally know, too. What is the point of telling customers what they already know?

Well, we think these companies are giving their customers too much credit. We are not doubting that their customers are technically competent. But if you take the trouble to educate your customers on how your products are made and why, they might appreciate your products more. It would also help to form a psychological barrier against the competition. The logic is simple. If you are very familiar with a particular product – what it does, how it works, how it is made, why it is made that way – you would probably prefer it to something that you know nothing about. You know the saying, "Better the devil you know than the devil you don't." This is how most buyers think and behave due to the risks involved in trying something that is unfamiliar to them. So, they would rather stick with what they already know and the brand that they are already using.

For example, the customer that buys air compressors may know that all air compressors are made a certain way but the first brand to actually detail, step by step, how its compressor is made will create a stronger impression in the mind, and the mind is where the battle of branding is won or lost.

That is why when we meet potential clients, we usually take them through the StrategiCom process of branding step by step, so that they will understand what each phase is about, why it is important and the outcome that can be expected – even with clients that are quite marketing savvy. We want them to know the process that we use to “manufacture” their brand strategy and how we arrive at the solutions that we arrive at.

Do not assume. Tell your customers how your product is made or how your service is delivered. Nobody knows your product or your service as well as you do.

3. Thinking That Customers Are Too Stupid To Understand

There are companies who fall on the other extreme. They think their manufacturing process is too sophisticated or complicated for customers to understand. That really gets us scratching our heads. If the process is really that sophisticated or complicated, there is even more reason for you to explain the nuts and bolts to your potential customers so that they can appreciate how sophisticated or complicated or advanced your manufacturing process is.

The trick is to put things across in a way that everyone can understand, rather than present all your technical charts and models. No matter how complicated a product is, you can simplify the way you communicate its workings without insulting anyone’s intelligence.

HOW TO MAKE GREAT PIZZA

There is a pizza chain in America called Papa John’s.[20] Unfortunately, it is not here in Singapore. Since learning about the way Papa John’s makes its pizza, we have been longing to try it and our American friends tell us that Papa John’s pizza is simply to die for.

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[20] www.papajohns.com

Jacky was speaking to 80 business owners one evening at a Mediterranean-style hotel on the 13 strategies of differentiation. When he came to this particular strategy, he showed on his PowerPoint slide Papa John's logo and before he could even say anything, an American businessman in the audience said in a loud voice, "YES! Now you are talking! I miss that pizza so much, man! Great stuff!" And then he gave a two thumbs up sign to Jacky.

Although pizza was invented by the Italians, it seems to have become a staple in the American diet. And the pizza market in the US is extremely competitive. There are many powerful brands deeply entrenched in the US market, and those are just the brands you have heard of. There are smaller pizza chains, too. Everyone is fighting for a slice of the lucrative pizza pie.

Pizza Hut is the No. 1 pizza brand overall, and its sales leadership continues to differentiate it.

Edwardo's Natural Pizza is the No. 1 brand in the category called stuffed pizza. Its pizza looks more like a giant pie; the centre is stuffed with cheese, peppers, meat and anything else from the menu that you want. Jacky used to work for Edwardo's as one of its speed demon pizza drivers. He has set some all-time records, too, flying down a certain very well-known road in Madison, Wisconsin, at two-and-a-half times the legal speed limit in his trusty 1988 Geo Prizm GSi (a light and powerful hatchback based on the Toyota Corolla GTI but sold by General Motors). Those were good old days, but we are not here to talk about Jacky's reckless youth (interesting as that may be).

Little Caesar's is the No. 1 brand in pizza take-outs.

Domino's is the No. 1 brand in pizza delivery.

Uno's is the No. 1 brand in seafood pizza.

And then, there is California Pizza Kitchen, which has 200 outlets in the US. California Pizza Kitchen is the No. 1 brand in what we call exotic pizza. It was the first to introduce all kinds of pizza flavours from around the world including Thai, Jamaican, Indian, Greek, etc.

At the time when John Schnatter started Papa John's, it did not look like there was a lot of room left for another pizza brand – at least not one that had the potential to become a category leader and grow rapidly. All the good categories were already taken up. But Schnatter found a great way to differentiate his brand based on how his pizzas were made.

Papa John's believes a good pizza must start at the bottom with the crust. It makes this from wheat that is specially blended, then ground to the consistency that Papa John's wants. The resulting flour is mixed with *filtered water* to form the dough. Yes, you read that right. The dough is made with filtered water so as not to corrupt its taste. Walk into the kitchen of a Papa John's restaurant and you will find a water filter as a part of its kitchen equipment.

And the dough is always made fresh. Papa John's never uses frozen dough. On top of that, Papa John's uses only the freshest ingredients to complement its hand-tossed crust to ensure consistency in quality. Sounds mouth-wateringly good, doesn't it?

All these things are clearly and consistently communicated to its customers. The way Papa John's pizza is made is what makes it different from all the rest. And this differentiating idea, encapsulated by the slogan, "Better Ingredients, Better Pizza", has transformed Papa John's from a tiny outfit into a powerful pizza brand.

CAN SERVICE BRANDS BE DIFFERENTIATED THIS WAY?

Although we titled Strategy No. 5 "How A Product Is Made", it also applies to service brands – in which case, it would be "How A Service Is Delivered". The steps are the same:

1. Find out if there is a difference in the way your service is delivered versus your competitors'.
2. If there is no great difference, find out if anyone is using this method of differentiation.
3. If you can use the way your service is delivered as a differentiator, then work on communicating this differentiator in a clear and easy-to-understand manner.
4. Finally, make sure that your differentiating idea is actually communicated at all customer touch-points at all times, because if you have a great differentiating idea but you are not communicating it, the idea is wasted.

QB House

A service brand that has successfully differentiated itself based on how it delivers its service is QB House,[21] an innovative Japanese company founded

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[21] 'Barbers At The Gate', Nov 2 2006, www.economist.com

by Kazutaka Iwai to deliver what he calls "not a haircut, but a shorter period of time". In fact, QB stands for "Quick Barber". It was started in 1995 and today has 340 outlets in Japan alone. It opened in Singapore but after the first 25 outlets were started up, disaster struck. The Singapore franchisee took the idea and opened a new chain using a somewhat similar name.

How is QB House differentiated? Speed. It is famous for its 10-minute haircut. In Singapore, you get this for only S$10. To deliver such speed, QB House employs a very different method of delivering its services.

Firstly, it has done away with the shampoo-and-wash feature of a regular hair salon. Instead, it uses a vacuum cleaner to clean up the loose hairs on the customer's head, neck and shoulders – something it calls "a dry wash". It is a very nice feeling having your head vacuumed. Very therapeutic. That is one of the main reasons Jacky used to go to the QB House in the basement of Bugis Junction where his former office was.

Secondly, the barber's station is designed to be self-contained. Everything is within easy reach. On the dresser in front of the customer's seat is an ultraviolet steriliser (it looks like a mini microwave oven) to clean all the equipment after each haircut. Hair on the floor is swept into an opening at the base of the dresser, which is attached to a vacuum hose that sucks everything away in seconds. This sweep-and-vacuum method also enhances the speed of QB House's operations.

Thirdly, there is no cash register. There is a ticketing machine in which you insert a S$10 note and get a ticket in return. Thereafter, you sit on a bench and wait your turn. This machine, which only accepts $10 notes along with the one-price policy are also innovations that contribute to QB House's speed. What if you don't have a S$10 note? Too bad. Go get one, come back and insert it into the ticketing machine to be eligible for that special QB House haircut.

Fourthly, underneath the waiting bench are sensors linked to a computer, which calculates how much time the next customer will have to wait. This information is displayed on a panel outside the shop. There are three displays: "NEXT", "5 MINUTES" and "10 MINUTES." All very high-tech. And all designed for speed.

QB House has become a powerful barbershop brand because of the way its service is delivered. Today, it serves up 10 million haircuts a year in Japan. We do not have the figures for the other countries that it operates in, but 10 million haircuts a year at S$10 a pop would work out to be S$100 million. Not bad for something so simple and cheap.

In A Nutshell

How your product is made or how your service is delivered can be used to differentiate your brand. Do not be afraid to use this differentiating idea. People in your industry might laugh at you but you are not selling to them. While they are busy laughing at you, you could be busy laughing all the way to the bank. But you need to do it right in both the strategy and the execution. The strategy involves finding out if you can differentiate your brand in this manner and the execution involves communicating your brand message clearly.

CASE STUDY
How A Product Is Made — Danovel

Background

Danovel Pte Ltd ("Danovel") is a pioneer in the field of high-quality, high-comfort soft furnishings, all of which are custom-made to meet each customer's preferences and needs. Its products are handcrafted to a high level of fit and finish.

Danovel had its start in 1960 when it began producing sofas for the Singapore market. In the 1980s, it expanded its business to include other furnishings such as cushions, throws, curtains and supporting services such as interior design and works.

The company typically provides complete home furnishing services to more than 200 homes per year, with the majority of its customers being expatriates working for multinationals. Some of Danovel's clients are well-known banks and major government agencies such as the Standard Chartered Bank, HSBC, Agri-food and Veterinary Authority, Subordinate Courts, Estee Lauder and PriceWaterhouse Coopers. It also provides sofas and soft furnishings for hotels in the Mauritius.

Danovel is the appointed sole distributor in Singapore for Biggie Best, an international brand of country-style furniture with a network in 20 countries. The company has established partnerships with renowned luxury yacht manufacturers to supply complete furnishings and upholstery.

Danovel has always been a conservative company, preferring to focus on what it does best, ie. soft furnishings. Now, having accumulated 47 years of experience and expertise and with the second-generation management team in place, Danovel is ready to consolidate all its products and services under one brand and push into international markets. It realises that it needs a differentiated brand to compete successfully in the international arena, which is estimated to be worth S$400 billion annually.

The Challenge

Danovel is in a highly competitive industry. The furniture category is lucrative but there are way too many players. There is an explosion of choice and with this comes confusion: Customers are not sure what to buy. With choice also comes suffocation. There are so many brands jostling for a unique place in the market and it is very hard for smaller players like Danovel to gain visibility.

In the furniture business (unless the brand and product are highly differentiated and renowned), most of the product classes look alike. However, furniture is a highly visual product and design plays an important role in differentiation. Then again, designs are easily copied. Even if you have a trademarked design, less-than-desirable competitors can still find ways to copy it without blatantly infringing on your rights. Besides, how different can a sofa look?

The common challenge for any business – and Danovel is no different – is the abiliity to get repeat business. Furniture is not a product that consumers buy often. It is normal for a sofa to have a life span of five to seven years (sometimes as long as 10 years). After such a long time, how do you get customers to remember the brand? More importantly, how do you get them to recommend the brand to others? Turning customers into brand ambassadors is a sure way to win.

The Differentiation Strategy

Although Danovel offers a range of soft furnishings, it needs to narrow its focus and find a superstar product to make it famous, to build the brand in the minds of its customers. Once that is done, it will probably be easier to sell them other related products and services. That is what FedEx did when it first started. FedEx created a new business model – and perhaps even a new industry – in 1972, with the overnight air express package delivery concept.[22] It became so good at delivering overnight packages that this performance leadership not only differentiated the brand but had its customers thinking, "If FedEx is excellent with overnight letters, it is probably just as good at other types of delivery." The overnight package was FedEx's superstar product.

If you look at the history of Danovel, you will find that the one thing it could probably use as a superstar product is its handcrafted sofa. Danovel started out as a sofa manufacturer and its core competency is still in making sofas. But it faces much larger and stronger competition now. So, how should it differentiate itself?

Firstly, it needs to narrow the focus even more to *fabric* sofas, since some of its competitors specialise in other forms of finishings. Danovel has found its specialisation in fabric sofas, but that is still not good enough because there are many fabric sofa makers in the market.

Secondly, Danovel needs to determine what makes its fabric sofas different. We have tried its sofas. They look comfortable and feel even more so. Once we sit on

[22] Assoc. Prof Donald L. Lester, *An American Entrepreneur Manages Across The Life Cycle*, Arkansas State University (2003)

the sofas, we do not feel like getting up. The Danovel sofa just seems tailor-made for our bodies, wrapping itself around our contours in just the right places. We believe that one of the reasons Danovel sofas feel so special is the fact that they are made the old-fashioned way – by hand. Danovel can use the way its sofas are made as a powerful differentiator:

"Danovel. Premium Handcrafted Fabric Sofas."

Can a machine-made sofa feel as good? We are sure it can; but the difference in a handcrafted fabric sofa lies not only in the actual physical sensation of sitting on it. The difference is also in the mind, and by this we refer to perceptual differentiation. When Danovel tells people that its sofas are handcrafted by skilled craftsmen in Singapore, it will create the perception that its sofas must be good. So, even before they sit on Danovel's sofas, their minds will have already formed the perception that Danovel sofas must be good because they are handcrafted.

There are certain things that you want machines to make, such as cars or mobile phones. But there are things like shoes, clothes and sofas that you would prefer to be handmade as that gives them a more premium feel – well, at least, perceptually. That is why people are willing to pay more for handcrafted products. Being handcrafted also gives Danovel reason not to compete on price. On the contrary, it will be able to charge a premium as its factory is located in a very high-cost location like Singapore.

The next thing is to make sure that this difference is communicated clearly to its customers. Danovel needs to take the time to tell the world how its sofas are made. The process of making a Danovel sofa by hand might not be very different from that which other sofa manufacturers use to hand-make their sofas. It does not matter, as long as Danovel is the first one to tell the story and to tell it consistently at all customer touch-points, reinforcing the message that Danovel is premium because it is handcrafted.

Chapter 14

Strategy No. 6
– Where A Product Is Made

WHEN Jacky was the branding manager with International Enterprise Singapore, the government agency tasked with helping Singapore companies expand their businesses successfully into foreign markets, he was asked on one occasion to come up with a paper on export branding. The purpose was to propose ways to brand Singapore's exports better.

Jacky did the Obvious Adams thing – he rejected the idea as a waste of time because Singapore companies export very little or rather, they don't export very many things that are truly Made In Singapore. Many Singapore companies have done the Nike thing and outsourced their production to lower-cost locations like Malaysia, Thailand, Indonesia, Vietnam and China. So, the Export Branding project would have had little chance of success because many Singapore companies cannot slap the Made In Singapore label on their products.

Some of Jacky's peers argued that it could still be done because Nike did it. Nike is made everywhere except in the US. Yet, Nike is still perceived as an American *export*. Likewise with Sony. Sony has factories all over the world. In fact, when Jacky went to the US to study in 1991, he bought a Sony hi-fi set and was surprised to see that the player was made in China and the speakers, in Malaysia. Yet, Sony is perceived as a Japanese export. BMWs are now made in South Africa – some of the bread-and-butter models anyway – but BMW is still seen as a German export even though that 3 series that you can get here comes not from Germany.

But these three companies are different. They became famous brands before their production was so thoroughly outsourced to other countries. Many Singapore companies that outsource their production to other countries are not yet household names globally, so if the label on their product says Made In China or Made In Malaysia very few people will say, "Ah, never mind that! It is still a Singapore brand and I trust that brand." If you are not a globally renowned Singapore brand and your products are made in China, people would be inclined to see you as a China brand.

In this day and age of globalisation, where all the big brands outsource their production, the smaller companies can use a differentiation strategy based on where their products are made. We are talking about products that are made in their countries of origin here. Why is that important? Because people are basically insecure. If you are a big and trusted brand, you can make your products anywhere and people will still buy them because they trust the brand. If you are not in the big league, you can't bank on your brand to gloss over the country of manufacture issue.

Branding is all about differentiation, right? And this book is all about differentiation strategies. You need to be different to build a powerful brand. How your product is made is a powerful differentiating idea as we have discussed in the previous chapter. Where your product is made is equally powerful, especially when all your big competitors are not making their products in their home countries.

Let us give you a simple example to illustrate. What brand comes to mind when we say Traditional Chinese Medicine? Most likely, Eu Yan Sang. Eu Yan Sang is an iconic Singapore brand, with more than 100 years of history. Because of its track record, it is trusted by generations of customers. If we tell you that none of Eu Yan Sang's products are made in Singapore, would that stop you from buying them? Nope. Because Eu Yan Sang is the Nike of Traditional Chinese Medicine. It does not really matter where it makes its products or who makes them. All that matters to customers is that the products carry the highly-trusted Eu Yan Sang brand name.

So, if you are a small Traditional Chinese Medicine company, what would you do? Well, if you have a factory in Singapore that has the Good Manufacturing Practice (GMP) certification, you can start differentiating your brand based on where the product is made – in Singapore. Whatever you may think of Singapore, it is quite well-known for being a country that is obsessed with safety when it comes to food products and pharmaceuticals.

In a world where big players like Eu Yan Sang do not make anything in Singapore, small Traditional Chinese Medicine brands like Tai Tong Ah and Tong Jum Chew can differentiate based on where their products are made. When you tell customers that your Traditional Chinese Medicine products are "100 Per Cent Made In Singapore", they will probably think that you have high-quality products and therefore will not mind paying a premium for these products.

But what happens if you are a Singapore company making pasta? Is Singapore well-known as a country that makes pasta? Nope. It might be quite well-known for making Asian food products like *popiah* wraps or fish balls but not for pasta. If you are making pasta and your factory is located in Singapore, then where your product is made will not give you an advantage. In cases like this, it might make sense for you to set up a factory in Australia or use your factory in Singapore to make something else.

WHY IS WHERE A PRODUCT IS MADE IMPORTANT?

Countries are also brands. They each stand for something. When you tell someone you are from a certain country, it evokes a mental image of what you must be like because you come from there. The same thing with brands. When you tell people that your product is made in such-and-such country, it will evoke a mental image of what that product must be like since it comes from that country. And that can aid your brand-building process.

Like we said earlier, once your brand is well-established in the minds of your customers, it matters less where your product is made. But to get to that point, you might need to keep hammering home the message that your product is from a particular country so that the good qualities associated with that country will be associated with your brand. It is The Halo Effect again.

Japan

What is Japan known for? Quality. Whatever you may think of Japanese products such as consumer electronics and cars, you cannot deny that they are of a high-quality. It is common knowledge, so much so that people just take it for granted that a product made in Japan must be a high quality product. Yes, it would cost a lot more to manufacture your product in Japan but the pay-off would be a solid gold reputation for your brand.

Take a look at Lexus, the luxury car division of the world's No. 1 car maker, Toyota. While Toyota makes its cars at factories all over the world, Lexus cars are all made in Japan. Every single one. Why? Because although Lexus is the best-selling luxury car in its key market, which is the United States (we read somewhere that Lexus is actually a contraction of **L**uxury **Ex**port **US**A), it is still not that well-established around the world – unlike Mercedes-Benz, BMW and Audi.

Therefore, the German triumvirate can make their cars outside Germany and still rack up sales of over one million units each annually. For diehard Mercedes-Benz fans like Wilson, you can probably use a sledgehammer to drive home the fact that his Mercedes-Benz E240 is made in South Africa and it would not change his mind about the brand one bit. His next car would probably still be a Mercedes-Benz whether it is made in Africa or in Stuttgart.

Lexus does not have that option. It needs to be as closely identified to Japan as possible. Lexus built its reputation based on its refinement and superb fit-and-finish. And to propagate that image, it must continue to make its cars in Japan because people still perceive Japanese cars that are not made in Japan as inferior in quality. Would you buy a Toyota that is made in Thailand? Probably. Many of the Toyotas sold in Singapore – such as the Vios, the Corolla, the Camry and the Fortuner – are now made in Thailand but people still buy them because Toyota's reliability and manufacturing prowess are so well-known that people are willing to accept a Thai-made Toyota. On top of that, the Toyotas that are sourced from Thailand are much cheaper. Would Lexus buyers stay loyal to the brand if Lexus starts to make its cars in Thailand? Doubtful.

So, all Lexus cars are made in Japan, and being made in Japan also helps to differentiate Lexus from its German rivals. Lexus can say, "These days, German luxury cars are not that German after all. But Lexus is still 100 per cent pure Japanese." Being made in Japan makes Lexus' slogan of "The Relentless Pursuit Of Perfection" more credible. After all, if Lexus is not made in Japan, how could it be anywhere near perfect? Nobody beats Japan when it comes to getting the build quality right. However, we have not seen Lexus play up its Made In Japan status.

Switzerland

The Swiss are known for their watches and chocolates. If you are a new company and want to make chocolate, what is the quickest way to gain market acceptance? Make your chocolate in Switzerland. Would it be more expensive than making it in Singapore? Probably. But what price do you put on credibility? Furthermore, despite the Made In Switzerland label, success is not a sure thing because the market is quite saturated with Swiss chocolate brands. On top of being made in Switzerland, you would need a new concept (or category) to increase your brand's chances of being successful.

Another example is Swatch. Swatch was a latecomer to the watch market. It did not have heritage on its side. It was conceived as a fashion watch and in that regard, Fossil and Guess? were much better established. How did Swatch become so successful? It managed to effectively differentiate itself from its competitors by using funky designs and by hanging that Made In Switzerland label proudly on itself.

We have owned Fossil, Guess? and Swatch watches before and you know what? Swatch watches are quite annoying because they make very audible ticking noises. Jacky used to take his Swatch watch off and put it the drawer when he was in the office because the loud ticking noise was driving him insane. But Swatch is, and continues to be, a successful brand partly because it is Swiss-made. When you are a stylish Swiss watch, people can forgive you for a bit of noise. If Timex or Seiko made such a noisy (but equally stylish) watch, people might call it rubbish and throw it into the trash can.

New Zealand

New Zealand has more cows than Singapore has people. This amazing fact was broadcast by Anlene in a TV commercial to promote its milk. New Zealand is well-known for its dairy industry. As long as it comes from a cow from New Zealand – be it cheese, milk or beef – it must be great. So, when a New Zealand dairy brand such as Anlene, Anmum, Anchor, Mainland or Tip Top goes overseas, it can differentiate itself from the competition just by pushing its origins. After all, New Zealand is known for the purity of its air and grass, which the cows breathe and eat every day.

United States

The US leads in terms of high technology, especially in the field of computing. It has a long history of innovations in both hardware and software: IBM, Cray Supercomputer, Silicon Graphics, Microsoft, Oracle, Google, etc are all high-tech powerhouses born in the US.

So, just being an American high-tech brand gives you an advantage. Of course, you need to deliver on the implied promise to be successful. But being

Made In America is a good label to have. That is why Singapore companies like Creative Technology and Third Voice needed to have an office in Silicon Valley in their early days to build credibility.

By the same token, Made In America is not a good label to have if you are a car or a consumer electronics company because America is not known for those things.

Germany

When you talk about Germany, one phrase comes to mind: Precision engineering, thanks to the success of superstar brands like Bosch, ZF, Siemens and VDO. When you are a German brand trying to sell precision-engineered machines, you have an edge. With fashion, it is a bit tough. It's not that there aren't any talented fashion designers in Germany, but the country is just not perceived as the centre of fashion the way France is.

JUST SAYING WHERE IT IS MADE IS NOT ENOUGH

You have to understand how your country of origin is perceived by the world, before you decide if being made in that country will give your product a positive or negative spin. If you are an oil rig builder, then being located in Singapore is a plus because Singapore is quite well-known for ship building and oil rig-building and refitting. So, if you are Sembawang Marine or Keppel Marine, by all means, wear your country of origin on your sleeve.

But that alone may not be enough. You have to supply another reason for customers to buy your product. For example, Italy is known for its leather goods. So, if you are selling men's leather shoes and you make them in Italy, that is a good start. But to make your differentiator stronger, you need to add spice to it. Instead of Made In Italy, you might want to say, "Handcrafted In Italy By Artisans". That projects an exclusive and high class image. It is not just made in Italy, but handcrafted there by skilled artisans who take a lot of pride in their work. So, that pair of shoes must be really good.

Or you can say, "Handcrafted In Italy From Grade A Leather". This way you are focussing on the fact that your shoes are not only made in Italy by hand, they are also made from the highest quality leather that moneycan buy.

WHAT IF YOUR COUNTRY OF ORIGIN CAN'T HELP YOU?

Sometimes your country of origin is not helpful in differentiating your brand because it is not known for that product or category. Either bear with it or move your business to an appropriate country, such as what Creative Technology and Third Voice have done by opening offices in Silicon Valley. It is not that Singapore does not have a strong technology sector, but Silicon Valley is better-known for that industry.

At the Global Brand Forum 2006, Jack Trout shared an enlightening case involving an Argentinian client of his. At the mention of Argentina, what comes to mind? Tourism. Salsa. Hot babes in bikinis. Beef. Leather. Would you think of high-tech? High what? Exactly.

Jack's client, Compudata, made high-performance laser bar-code readers sold under the brand, Multiscan. It was better than anything else on the market at the time. But being made in Argentina, nobody wanted to buy it. Would you buy anything high-tech that came from Argentina? If you have a choice, we think you would rather buy your high-tech stuff from the US or Singapore.

To make the problem worse, the name of the company was confusing. Compudata sounded like a data-entry company. The founder's name, Roberto Martinez Taylor, was also a bit of a problem. The name linked the company back to Argentina. So, what did the legendary Jack Trout do?

Firstly, he recommended that the client change the company's name to Multiscan because that more accurately represented what the company did. The client did that. Secondly, he suggested that the founder change his name to a more American-sounding one: Robert M. Taylor. So far so good.

But what about the perception that Argentina is not a country that can make good technology products? Well, Jack recommended that the client move its headquarters to Miami, Florida, which would make Multiscan an American company. Why not Silicon Valley? Florida is closer to Argentina. And Florida is as American as apple pie.

If you go to Multiscan's website (www.multiscan-corp.com) you will find that on the homepage, Multiscan has written: "World Wide Leader in Automatic Document Data Capture. With headquarters in Florida, U.S.A., it has been developing top-notch technology to solve the data capture problem for large volumes of documents since 1987. Reliable high speed machines and a commitment with Excellence..." The use of English could be better but Multiscan has managed to establish two things right from the start: One, it is a leader in automatic document data capture; two, it is an American company that is headquartered in Florida.

This differentiates Multiscan on two levels – leadership and country of origin. Of course, Multiscan would probably prefer to be seen for its leadership. But that would not have had a chance of happening if it did not first differentiate based on country of origin. By establishing itself as an American company, it faced less resistance and overcame the perception hurdle of "Argentina cannot make world class technology products." Overcoming that negative perception was critical to its success. Everything else hinged on it.

Did it work? Yes, it succeeded brilliantly. After implementing the changes Jack Trout recommended, Multiscan's sales skyrocketed. The company registered a 1,000 per cent increase in sales. Exports to other countries, which were abysmal in the beginning, now account for 60 per cent of its revenue. And Multiscan is now sold in 55 countries. Not bad at all, and it all started with a change of address…

THE BATTLE OF THE VODKAS

Mention vodka, and what country comes to mind? Russia. That is the country people associate with vodka more than any other. One of the most popular brands of vodka is Absolut, but Absolut is made in Sweden, not Russia. What? Yes, Absolut is as Swedish as Bjorn Borg, Ikea, Volvo and the Swedish Bikini Team.

Absolut's success has been built on the back of its highly imaginative print advertisements, which we think are simply stunning. Perhaps you might have seen them. Absolut also makes no mention that it is made in Sweden, because people have the perception that vodka is a Russian thing.

So, if you are Stolichnaya, how would you fight Absolut in its key market of the US? Make use of your country of origin. Stolichnaya is from Russia. It is the real thing. So, Stolichnaya could hang the "Not From Russia" label on Absolut. This is a differentiating idea that is hard for Absolut to fight as long as people still perceive Russian vodka to be, well, more authentic.

Absolut might well make the best vodka in the world, but perceptions are hard to change. So, if we were Stolichnaya, we would keep playing the Made In Russia card. Maybe even use a tagline like *From Russia, With Love* but that might infringe on the copyright of the James Bond franchise as that was also the title of a Bond movie. Furthermore, Bond does not drink vodka. He drinks martini, stirred, not shaken. But being Russian is a big plus for Stolichnaya.

WHAT DOES THIS MEAN FOR YOU?

Your country of origin is important because it can either help to differentiate or hamper the growth of your brand. Before you even start a business, ask yourself two very important questions: "What kind of business do I want to do? Is the country I am in perceived as a leader in this type of business?" These are critical strategic questions that can make or break your brand. If you already have an existing business, find out if your country of origin can be a differentiator or not. If the answer is yes, then slap on that "MADE IN [COUNTRY NAME]" label proudly on your product. If the answer is no, you might have to do a Multiscan.

Wilson was involved in the early stages of a project to brand Singapore's furniture industry. That is an uphill task because when you mention furniture, Singapore is not a country that comes to mind. Although there are many good furniture companies in Singapore, "Made In Singapore" is not going to help because Italy, USA, Germany and Australia are much better known for their furniture industries.

Mention furniture that comes with the "Made In Italy" label, and the image that comes to mind is probably one that involves high-quality leather, superb design and second-to-none craftsmanship. Mention Singapore furniture, and what comes to mind? Hard to think of something, isn't it? The problem is not just that Singapore is not well-known for furniture but the fact that there isn't a type of furniture that can be instantly identified as Singapore in origin. China has Tang Dynasty-style furniture. Japan has tatami mats. America has overstuffed, oversized sofas. Germany has minimalist designs. Sweden has Ikea. Indonesia has dark mahogany wood furniture. What does Singapore have?

If you are in a similar situation, it is better to locate your headquarters elsewhere, in a country that is well-perceived for your category. You can either do that or sell your products cheaply. Even so, people may not buy.

A WORD ON BRAND SINGAPORE

In *The Art Of War* by Sun Tzu, the author wrote that for a military campaign to be successful, you must remember this: "If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

Although *The Art of War* is a book on military strategy, companies have successfully used the principles outlined in it to win a different kind of war – the one that takes place in the minds of customers all over the world. However, the war of branding is probably a harder one to win than a military war, even for companies with considerable marketing muscle, precisely because the battlefield of branding is not in the marketplace but in the mind.

Besides knowing yourself and your enemy, you will need to know one more thing to win this war: Your ally. Who is your biggest ally? Many Singapore companies do not realise that their biggest ally is actually Brand Singapore itself.

Singapore may be a young nation but it is a brand that has been on the market for 40 years, since its independence from British rule. As such, it has acquired a certain amount of brand equity. People around the world perceive Singapore a certain way. Some of these perceptions are positive and some negative. You need to know how to leverage the positive perceptions and manage the negative ones. In fact, even the seemingly negative perceptions can sometimes be turned into positive ones.

Listerine, the leading mouthwash, was labelled by its main competitor, Scope, as bad-tasting. And customers agreed that Listerine equalled medicine breath. But Listerine managed to turn this negative into an advantage by actually admitting that it tasted bad. Its tagline was, "Listerine. The Taste You Hate. Twice A Day." By doing so, Listerine managed to get people to think that it must be really good at killing germs if it was so foul-tasting.

Avis used to trail Hertz in the car-rental business. Avis admitted in its tagline, "We Are No. 2 So We Try Harder" and turned a negative into a positive.

There are many ways for Singapore companies to leverage on Brand Singapore's positive attributes, as well as turn some of the negatives to their advantage.

The Good Thing About Brand Singapore

Before you can leverage on Brand Singapore, you must know what you can leverage on. You must know its strength. Notice that we use the word "strength" and not "strengths", because you cannot use them all.

Yes, Brand Singapore stands for many good things! Clean (thanks to an army of cleaners), green, modern, honest, efficient, meritocratic, quality, safe, stable, progressive, etc. But what do all these attributes add up to? What is the one position in the mind that Brand Singapore occupies? Remember that a brand is all about an idea you own in the mind. All these positive attributes add up to one thing – trust. It is a brand that can be trusted.

A brand is also about promise and delivery. Brand Singapore is one you can trust because it has consistently delivered on what it promises, internally and externally. As a Singapore company, you are part of Brand Singapore. When people look at your company, they see a brand that promises to be a trustworthy business partner, supplier, distributor, client, etc. All you have to do now is *deliver* on this brand promise. It is as simple as that! In all you do, behave in ways that are consistent with the promise made by Brand Singapore.

The Problem

Through the years, we have been hearing companies, brand consultants and even government officials say that we need to create an umbrella brand under which we can promote Singapore companies overseas. Many such branding projects have been undertaken, usually to promote specific sectors. All have run into the same problem: "How do we position this sector? The rest of the world already perceives us a certain way. These perceptions are strong and deeply entrenched. If we repeat the same thing, we sound like parrots. What is the point of the branding project then? We need to do something different to justify the project. Something exciting."

You can't! How you present your brand has to be consistent with what people already perceive the brand to be. Too bad, but that is how the branding game is played. Refuse to play by the rules, and you may not get to play at all.

Volvo is a classic example. What is the Volvo brand all about? Safety. But in the 1990s, Volvo tried to be the high-performance brand. That was, and still is, a place occupied by BMW. Undaunted, Volvo created a range of high-performance turbocharged cars that could outrun BMWs in a straight line and cost a lot less. Volvo even won many races, such as the British Touring Car Championship, mainly with the 850T5.

But did that change the perception of Volvo? Nope. When buyers wanted to buy a performance car, they still bought a BMW even though it was slower and more expensive! That's branding. Volvo still makes powerful cars these days but the emphasis has gone back to safety. There are many such examples of brands that run into brick walls because they try to send a different message than the one that customers are willing to accept.

Customers think : Volvo is a safe car.
Volvo says : Volvo is a high-performance car.
Customers think : No, it is a safe car.

Who usually wins in a situation like this? Customers.

Many of the industry branding projects in Singapore are stuck between a rock and a very hard place. If the people driving these projects position the industry consistently with how the world perceives Brand Singapore, they might be called unimaginative by the players in that industry. If they try to brand the sector differently, the rest of the world will probably refuse to believe them. Perception is still reality.

So, what do we do? As far as branding goes, nothing. Brand Singapore already has built up valuable brand equity in the international community. All that Singapore companies need to do to benefit from this is to deliver on the brand promise.

Dealing With The Negative Perceptions

As good as Brand Singapore is, there are still many negative perceptions attached to it. We, too, have some negative perceptions of the brand. At the risk of sounding overly simplistic, we think these negative percetions can be summed up with the big K for *Kiasu* (a word in the Hokkien dialect that means "afraid to lose out") and we have come to this conclusion through open conversations over the years with businessmen from other countries and from what our Singapore clients tell us of their foreign customers' perception of Singapore.

Singapore companies are sometimes so afraid of losing out that they try to cover all the bases. That slows down the organisation. It becomes unwieldy, unimpressive and totally forgettable. When you are overly-*kiasu* you give the impression that you are such a loser. However, you can actually try to turn that negative *kiasu* perception into a positive – the way Listerine has done with its bad-tasting mouthwash. Communicate to your partners that you are interested in coming up with win-win business solutions and state that the reason you are sometimes seen as slower or more risk-averse is because you want to make sure your partner's interests are also protected.

The two things to keep in mind when trying to do this are:

1. Your body language says more than words. Make sure your body language is communicating not just the right things, but the same things as your speech. Working with a good body language consultant or a PR consultant can help you with that.
2. Be clear and specific. Do not beat around the bush. Don't be overly non-committal. Remember that the last things potential customers or partners want is to do business with a brand that is wishy-washy and not sure of itself.

And remember, for Brand Singapore to continue to work for you, you must do your part in delivering on that promise. It is a two-way street.

In A Nutshell

Your country of origin is a powerful way to differentiate your brand if it is well-known for the product or service that you are offering. Germany is well-known for precision engineering and if you are a German company making industrial machines, for example, you will want to proclaim your German origin loudly. If you are a German company making pasta, your country of origin will not be of much help to you. Therefore, if you want to use the country of origin as a differentiator, you have to make sure that you are in the industry that your country is highly regarded for, especially if you are a small player.

When you are big and successful, the country of origin is less important. Eu Yan Sang is a Singapore Traditional Chinese Medicine company that makes its products everywhere but Singapore. Toyota is a Japanese car company that makes it cars all over the world. Nike is an American sports equipment and apparel brand that makes its products everywhere but America. But these are established brands, so it is all right for them to do that.

What if you are in an industry that your country of origin is not well-known for but you are really good at what you do? You might have to move your base of operations to a country that is well-known for that industry. For example, Creative Technology is a successful Singapore technology company. However, when it first started, it quickly set up an office in Silicon Valley while maintaining its home base. Being located in Silicon Valley gave a bit more credibility to the brand. Now that Creative Technology is well-established, the country of origin is less important than consistently delivering on the brand promise.

CASE STUDY

Where A Product Is Made — Intraco

Background

Incorporated in 1968, Intraco's initial corporate roles were to source for competitively priced raw materials, commodities and manufactured goods for the domestic market to support Singapore's early industrialisation programme, create export markets for locally manufactured products, and promote external trade.

The company was listed on the Singapore Exchange in 1972 and has since undergone significant changes in business focus and leadership. Today, Intraco is closer to its vision of being a leading integrated solutions trading company through global partnerships.

Over the years, the group's operations have evolved to come under five sectors, each with a different area of focus:

- Agri-Business & Food
- Energy & Environment
- Industrial Materials
- Building Materials & Security Solutions
- Semiconductors.

While growth has been steady, resulting in a global operation with 20 subsidiaries and associated companies, Intraco also serves as a viable launch pad for companies seeking regional expansion. This is bolstered by an established Intraco international network of partnerships and alliances. Intraco also has an integrated global market network that now covers ASEAN, China, India, GCC, Taiwan, South Korea, Japan, New Zealand, USA, Europe and South Africa.

One of Intraco's key initiatives for future growth is the Intraco Enterprise Hub, which is a new-business strategy that brings forth business growth opportunities for Intraco's partners and the Intraco group of companies to reap mutual rewards from strategic business collaboration on a global scale.

Launched in 2003, Intraco Enterprise Hub paves the way for local and foreign companies to gain vital access to Intraco's established worldwide connectivity. Companies that have set their sights on building a regional presence and extending their reach into the global arena can find a viable business and growth solution in the Intraco Enterprise Hub plan.

Intraco Enterprise Hub is driven by the principle of 3Ps, namely long-term win-win Partnerships, Progress and Profits. This new strategy offers an effective and efficient way for partnering companies to position their products and services in overseas markets. Intraco Enterprise Hub hopes to be a boon, in particular, for new entrants aspiring to launch themselves regionally. On top of Intraco's extensive business connections, partners can also tap into the group's expertise and resources that have been built up over the past 39 years.

For Intraco, its efforts to attract partners embody a strategic move to expand the selected range of products it represents regionally. The rationale behind Intraco Enterprise Hub is to ensure a steady incoming flow of new products for Intraco, which will serve to maintain its relevance in the marketplace. Intraco will keep its focus on products and services that have a suitable fit with any of its four core businesses.

Intraco Enterprise Hub functions as a fundamental business launch pad for Intraco to add value to these products and services, demonstrating that the group's role goes beyond that of being a traditional buy-and-sell trader. It is increasingly important for Intraco to evolve into a competent global trading company with integrated supply chain management capacity, so that it will not only survive, but also thrive in the evolving knowledge-based and globalised economy.

The Challenge

Intraco is a successful company by any measure, but it also understands that the nature of its business means that it will not be able to maintain its winning ways unless it finds a way to differentiate itself successfully. The challenge here is one of commoditisation. The products that Intraco trades in are mainly commodities. Commodities are price- and cost-sensitive. Intraco is not in a good position when it comes to costs because it is located in Singapore – not exactly a low-cost place to do business.

In fact, at the Singapore Brand Conference 2007, where Intraco's then-CEO, Teng Theng Dar, was an invited speaker, one of the delegates asked him how he could differentiate Intraco. After all, the delegate contended, "Coffee is coffee is coffee. You buy and sell coffee beans. They are a commodity. How do you differentiate?"

To that, Theng Dar answered, "My friend, you are right! Coffee is coffee is coffee unless you actively value-add to this commodity to differentiate it. You can't change the nature of the coffee beans but you can certainly transform the way you manage the process to better serve your customers with service experience, trust and confidence and total quality deliverables."

Not only is the nature of Intraco's products hard to differentiate but trading companies are also hard to differentiate. To the typical customer, one trading company is no different from another trading company. So, trading companies tend to compete on price and even though they may have very high sales revenue, profit margins are thin. Getting yourself out of the commodities trap is very difficult when you are buying and selling commodities!

The Differentiation Strategy

The differentiation strategy for Intraco is to turn its weakness into a strength. Intraco is selling a commodity and Intraco is located in a relatively high-cost country, which is Singapore. How can it turn that weakness into strength? Intraco can do this by leveraging on the reputation that Singapore has built up over the decades for integrity and transparency. Being a Singapore company automatically gives Intraco a leg up when it comes to securing new business. Just saying that you are a Singapore company is not going to automatically give you business but it is a good start if the clients you are dealing with generally have a good impression of Singapore.

What is more important is for Intraco to deliver on the brand promise that many people will automatically attribute to Intraco because it was established in 1968 and very quickly listed on the Stock Exchange of Singapore in 1972. And during Teng Theng Dar's tenure as CEO of Intraco, he led the company on this transformation process of delivering on Intraco's brand promise. It is not an easy thing to do and it takes time and consistency. But once Intraco has managed to do this, then being a Singapore trading company is no longer a liability but an asset because people see Intraco as a Singapore company that delivers consistently on the promise that is made by Brand Singapore.

Therefore, coffee is no longer just coffee. When you buy coffee (or semiconductors, building material or any commodity for that matter) from Intraco, you are not just buying coffee, you are buying from a Singapore company that delivers on the Brand Singapore promise. Is that important? Not for all clients, we would agree. Some clients would go for the cheapest supplier regardless of where they are from or what their brand is. Some clients would not mind paying a little bit more to buy from a brand with a high level of perceived integrity such as Intraco.

When further asked how he would define success, Theng Dar had this to say, "Let me relate to you Intraco's journey into the Middle East. Generally, Singapore has good relations with Middle East countries. So, being a Singapore company automatically gives us an advantage when venturing into the Middle East. But that is only the beginning. We have to consistently deliver on the expectations that our partners and clients in the Middle East have of us as a Singapore company. When we did, the Intraco brand became differentiated. Coffee is now no longer coffee when you buy it from Intraco. And what I have learned is that in the Middle East, you know you are a trusted partner when you are called 'brother'. After over two years of delivering on the brand promise of being a Singapore brand, I am happy to say that our Middle East partners and clients now call me their brother."

Your country of origin can be a point of differentiation as long as you continue to deliver on the brand promise that your country brand has projected to the world. Intraco delivered on that brand promise and today, it is a stronger, more differentiated brand because of that.

Chapter 15

Strategy No. 7 – Attribute Ownership

THIS chapter and the next one will be about the brand as a person. Some brand experts see brands as people. We do not. We see brands simply as ideas that exist in the minds of customers. But brands do share some characteristics with people, such as attributes and personalities. In this chapter, we will talk about using attribute ownership as a way to differentiate your brand.

Dictionary.com defines "attribute" as *"something attributed as belonging to a person, thing, group, etc; a quality, character, characteristic, or property: Sensitivity is one of his attributes."*

Just like people, brands have attributes. People can be tall, short, fat, skinny, dark, fair and so on. Brands can take on attributes as well, or rather, brands can *own* certain attributes, which can then help to differentiate them. For each category, there are attributes important to buyers. These vary from category to category.

To differentiate your brand based on attribute ownership, you must try to associate your brand with a particular attribute and be the first to claim it because attribute ownership is mutually exclusive. Once a brand has owned an attribute, another cannot own it. This is where brands are different from people. For example, take an attribute such as *sexy*. You can have two persons who can claim the attribute of sexy. For the ladies out there, you might associate sexy with Brad Pitt, Tom Cruise and Daniel Craig. They are all sexy Hollywood stars.

But when it comes to brands within the same category, only one brand can own the attribute sexy. In lingerie, most people might associate it with Victoria's Secret. Yes, all lingerie is supposed to be sexy, we know, but only one brand of lingerie can own that attribute. Is it Victoria's Secret? From our perspective as men (who, by the way, don't have a lingerie fetish and who are not brave enough to buy lingerie for their wives on their own), the answer is yes. When we think of "sexy lingerie" we think of Victoria's Secret and we are sure many men and women feel the same way. If Victoria's Secret already owns the attribute of sexy, then Frederick's Of Hollywood can't own the same attribute even if its lingerie is equally sexy.

Same thing with cars. What is a sexy car? Alfa Romeo. Just Google the latest Alfa Romeo 8C Competizione and see if you can take your eyes off it. That car is practically dripping with sex. Okay, so this is an extremely expensive limited-edition car (only 500 will be made and they are all sold out) but even Alfa Romeo's bread-and-butter models like the 159, Brera and Spider are sexy. Once Alfa Romeo owns the attribute sexy, can Mazda own it? We are sure Mazda's designers can create sexy-looking cars. The third-generation Mazda RX-7 (code-named FD3S) is probably the sexiest-looking car Japan has ever produced, sexier even than the current generation RX-8 but since that attribute has already been taken by Alfa Romeo, Mazda has to look for another attribute. What can Mazda own? Maybe the attribute *sporty*, since Mazda cars look very sporty compared to those from its competitors.

During branding projects, one of the most common things that many consultants do is to try to define the brand's attributes. That is not a very effective way of differentiating your brand. More often than not, it is a complete waste of time. All you are doing is making a wish list that says, "I want my brand to have the following attributes" or "These are the various attributes that my brand has." A more useful thing to do would be to find the five most desirable attributes in your category and then see if any of these attributes are still available. Availability is defined as "*a desirable attribute within the category that is not yet strongly associated with any brand*". If that attribute is available, see if you can possibly own it. Of course, you have to be realistic. If you are making lingerie and the attribute sexy is available, that doesn't automatically mean that you get to own it because you could be making lingerie that looks like pyjamas for oversized grannies.

You might counter by saying making a list of the brand's attributes or the attributes it wants to have is an important starting point and you will communicate those attributes clearly to customers so that customers will associate those attributes with your brand. You can communicate till the day cows learn to fly south during winter but it will not work because most projects done in this manner miss out some important steps.

1. Find Out What Attributes Are Important

The first thing that you need to do is to find out what attributes are important in your category. If an attribute is not important to the buyers, trying to own it is a waste of money. For example, if you are a car manufacturer, some of the important attributes could be:

- Safety
- Prestige
- Performance
- Reliability
- Affordability
- Refinement
- Styling
- Sportiness

Once you have found the attributes that are important in the category, you should try to own the most desirable attribute. But there are two other steps that you need to take before you can successfully own that attribute.

2. Find Out Who Owns What

The second step is to find out which brand in the category owns what attribute. Attribute ownership, as we have mentioned, is mutually exclusive. Once owned by one brand, it cannot be owned by another. In the category of cars, you might find that the important attributes are already owned.

• Safety	Volvo
• Prestige	Mercedes-Benz
• Performance	BMW
• Reliability	Toyota
• Affordability	Kia
• Refinement	Lexus
• Style	Audi
• Sporty	Mazda
• Sexy	Alfa Romeo
• 4x4	Land Rover

Once the attribute of safety is owned by Volvo, another brand cannot try to own it, unless Volvo chooses to give it up. Renault is the first car manufacturer in the world to score a five-star rating across all of its models under the EuroNCAP[23] crash safety rating system, but it will not be successful in owning safety no matter how much money and effort it puts into communicating its high standards of safety because Volvo has such a stranglehold on that attribute.

However, there is one attribute that Renault owns: Quirky. Is that desirable? We do not know. Did Renault set out to own it? Probably not. How did it end up with it? The previous owner, Citroen, gave it up. Citroen used to make technically-advanced, individualistic and quirky cars. They were widely admired but not widely bought.

So, in a misguided attempt to broaden its appeal, Citroen decided to make its cars more universal – which, as any car journalist or enthusiast will tell you, often means making the cars more bland. They sold a few more cars but that move almost destroyed the brand. Citroens became nothing more than Peugeots with a Citroen logo (Peugeot owns Citroen and both companies' cars are virtually identical underneath). The reason why people admire Citroens but do not buy them is simply because Citroens are very badly made. By fixing the quality problems, we believe they could sell more cars – provided of course that the cars continue to exhibit Citroen's trademark quirkiness.

Through neglect, Citroen gave up its attribute of quirky (or individualistic, if you like). Then along came Patrick Le Quement, chief designer of Renault. His quirky designs helped Renault become the new Citroen. Only recently did Citroen realise how important that attribute was to its brand, and it is working hard to try to regain it. Can Citroen succeed? We don't know but it will be very interesting to watch.

If you are fortunate enough to find an important attribute that is not owned by anyone, we suggest that you try to own it. Sometimes, you may find an attribute that is important but already owned. You do not have to give it up. You may be able to own a *variation* of that attribute. For example, Audi is undoubtedly the style king of the premium car segment, having won design award after design award. But an Audi tends to be elegant, geometric and understated. Alfa Romeo can also own the style attribute, but it needs

[23] www.euroncap.com

to reposition Audi to do so. It needs to send the message that Audi cars are stylish in a conservative way, while Alfa Romeo cars are stylish in a sexy way.

3. Drop Everything Else

Attribute ownership is a race. If you find an attribute that is important but for some reason, no brand has clear ownership of it, you have to drop everything else you are doing to focus on owning it. Sometimes, you may not need to re-structure your entire organisation and re-engineer your products to do that. Sometimes, as in the case of Samsung, which redesigned its entire mobile phone line to wow its customers, you need to.

Sometimes, all you need to do is to claim that attribute. This is possible if most of the products in the category are quite similar. For example, power cables are more or less the same. But if you discover that the most important attribute for a power cable is *tough* and no one has a grip on that attribute, you can move in and claim it.

To claim that attribute, you must focus all your efforts on it and move fast. You must make everything about your power cable look tough – from the look and colour of the insulation jacket to the brand name, packaging, advertising, brochure and website. Everything about your power cable must spell, “TOUGH”. Only then will you have a chance to own this attribute.

WHY IS ATTRIBUTE OWNERSHIP IMPORTANT?

The marketplace is extremely crowded these days. There are too many companies trying to sell too many things, and they all are trying to get into your mind and establish a foothold there. But your mind has limited storage capacity. It cannot hold too much information or it will start to leak, just as a hard-disk drive that is nearly full will start to lose information stored on it. Your mind also hates complications. Life is hard enough without having to sort out all these brands and their accompanying messages.

To get into the mind, you must have a simple idea that can be communicated simply. This is where attribute ownership comes in. It is a way to oversimplify your communications. Think about how you remember people. It is often by one or two attributes, isn’t it? You may remember a person as tall, short, round, fat, stocky, bald, handsome, ugly, big eyes, dead eyes, big mouth, pretty, hunky, stunning, drop-dead gorgeous, cartoonish, so-ugly-only-a-mother-can-love-that-face and all kinds of other attributes.

You can make people remember your brand by making it stand for a single attribute. When people associate a certain attribute to your brand, you have got it made – provided that it is a positive attribute. Your brand then becomes like a laser beam that can burn through the clutter and get into the minds of your customers.

It is always better to be tightly focussed than to be spread too broadly. The sun gives out millions of kilowatts of energy but you can stand in the sun for hours and still not be burnt to a crisp. Yet, if you use a magnifying glass to focus the power of the sun into a tight beam, you can actually start a fire. So, simplify the message and focus on one attribute that people can easily remember about your brand.

Attribute ownership is great when you have a low-interest category, where brands become forgettable. Logistics, for example, is a low-interest category that can benefit from attribute ownership as a differentiator. Logistics is also a category that is highly commoditised and undifferentiated. And yet, we have powerful brands such as FedEx, UPS and DHL.

How did they do it? By owning an attribute each.

- FedEx owns the attribute “overnight”, as it is focussed on delivering letters and small parcels overnight.
- UPS owns the attribute “ground”, as it is focussed on delivering parcels via its ubiquitous brown trucks and vans.
- DHL owns the attribute “international”, as it is the first company to offer cross-border air-express services.

ATTRIBUTE OWNERSHIP IN NOTEBOOK COMPUTERS

We have not done any branding projects for notebook computers but if you take a look at the category, you can probably make a very good guess at what the five top attributes are for this category are.

- Fast: Nobody wants a slow computer because the whole idea of getting a computer is so that you can work faster. A notebook computer has to be faster than Superman chasing a speeding bullet.
- Light: Nobody wants to lug a heavy computer around.

- Cheap: Nobody wants to pay a lot of money if they can help it.
- Stylish: This is important because you bring it to meetings and cafés where everybody can see it. Just as you would not want to be seen with an ugly date, you would not want to be seen with an ugly notebook either.
- Durable: Critical, because your notebook computer contains extremely valuable data. The last thing you want is for that data to be lost. A notebook computer also needs to be durable because it is portable and subject to a lot more shock than a desktop.

Computers have become somewhat of a commodity. They are all the same. They do the same thing. They provide the same benefits. They are made using the same components from more or less the same suppliers. They are like kitchen utensils. Therefore, it is important to differentiate if you are a computer company. Owning an attribute can be one way. Before you continue reading, try to guess which notebook computer owns which of the five attributes we mentioned above. We want to see if our answers match.

Which brand owns the attribute “fast”? We do not know actually. To us, no brand owns this as yet. Seems really strange, as this is one of the most important attributes in a notebook computer – or any computer for that matter. We suspect Acer might be trying to own this attribute. Perhaps that is the reason it has tied up with Ferrari and produced a new line of notebook computers called the Acer Ferrari. We know of a franchise consultant who has one and during a meeting, his Acer Ferrari started scrolling down the page on its own at a very high speed. Unable to stop it, he said that his notebook must be possessed. We joked with him that it is only natural because this was, after all, a Ferrari computer so it had to be fast. But there isn’t any mainstream notebook brand that has successfully owned the attribute of fast.

Which brand owns the attribute “light”? Probably Fujitsu. When the Lifebook series first came out, it was so incredibly light compared to other notebooks that we wondered if it would shatter to pieces if we closed the lid too hard. It did not, of course, but the lightness left a deep impression. Even now, the Lifebook continues to be a lightweight computer. Ideal for people who travel around with a lot of luggage.

Which brand owns the attribute “cheap” or “affordable”? Probably Dell. Thanks to its direct sales channel and its massive economies of scale, Dell has significantly more structural cost advantage than other computer companies.

Actually, eSys Technologies of Singapore might be able to challenge Dell in this area, not because it has a direct sales channel or because it has a low-cost production facility in China, but because its factory (in Singapore, by the way) is so fully automated that eSys founder Vikas Goel has told us that he can operate it with very few people. If you look at the computers that eSys sells, you will find that even the ones that are made in Singapore are very cheap!

But for now, Dell is King of Affordability. That is one reason why Dell sticks in people's mind. Jacky was at a computer show recently at the Suntec City Convention Centre and a client asked him to check out the prices to see if it was worth a buying trip. When Jacky told the client that the hall was so packed that it would take some time to get all the information that she needed, the client's response was, "Oh, never mind. Don't trouble yourself. I will just go online and order from Dell. Can't go wrong on price if it is Dell."

Who owns the attribute "stylish"? Well, there two contenders: Sony and Apple. However, they are not really direct competitors. One is Windows-based and the other is Mac OS-based. But both are stylish. If you are looking for a stylish Windows-based notebook computer, you would probably think of the Sony Vaio. Whatever you may think about Sony notebook computers, these guys sure know how to design a stylish device. But if we have to pick an overall winner, it would probably be Apple.

Who owns the attribute "durable"? Who else, but IBM, the godfather of computers? IBM's ThinkPad series of notebook computers has a reputation for being as durable as Sherman tanks. We know of several people who have dropped their IBM notebooks on a hard surface at least twice while they were on business trips and the notebook just kept working as if nothing unusual had happened.

In fact, we think the slogan that Timex uses for its watches, "It Takes A Licking And Keeps On Ticking" would suit IBM equally well. IBM notebooks are serious business tools. No concessions have been made to style. They might possibly be among the ugliest notebooks on the market, but that has actually helped to strengthen the perception that IBM notebooks are super-durable.

At StrategiCom, we made a decision years ago to only use IBM notebooks because we need something durable since our notebooks are always with us wherever we go. Yes, it looks kind of ugly but that's okay since it is tough. Whenever we hire a new consultant or a new research analyst, the first thing

Jacky will do is introduce that person to his or her new IBM notebook and say, "Say hello to your new best friend, the IBM ThinkPad."

Some company bosses we have met have asked us this very pertinent question, "What happens in 2008 when Lenovo's right to use the IBM name expires? Will people still buy the ThinkPad?" We do not know. We will have to wait and see if Lenovo can continue to own the attribute "durable" after the IBM name is removed.

Recently, another company has tried to own the tough attribute. Panasonic launched a new model called the Toughbook. From the name alone, you can tell that Panasonic means business and it wants to own the position of *tough notebooks*.

Alienware

Alienware is another brand of computer we would like to talk about – both desktop and notebook.[24] Its computers look completely out of this world. They are designed for a very demanding group of users – gamers. The company's philosophy is very simple: "Build it as if it is your own." And its people have remained true to it. They design every model as if designing for their own use. That is why their computers look outlandish and are such high-performance gaming machines. Some of the models even have liquid cooling to make them run super-cool and super-silent. Alienware could possibly own the attribute "performance" or "gaming" because it is so highly focussed and it delivers on what it promises. This is a brand to watch.

ATTRIBUTE OWNERSHIP IN TOOTHPASTE

What brand of toothpaste do you use? Well, that really depends on what you want out of it. Toothpaste is also a good category for attribute ownership differentiation because it is a low-interest category.

The attributes that are important could be:

- Protection
- Whitening
- Sensitive
- Fresh

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[24] www.alienware.com

Colgate[25] is a strong brand because it owns the attribute "protection". It was the first to come up with a toothpaste that protects your teeth against cavities, plaque and tartar build-up, gingivitis and bacteria for up to 12 hours. Called Colgate Total, this toothpaste has a unique triclosan copolymer – which, to you and us, simply means that Colgate Total has an ingredient that has been clinically proven to reduce plague and gingivitis. Tested on more than 60,000 patients, it has the approval of the American Dentists Association (ADA) and is the only toothpaste to be approved by the Food & Drug Administration (FDA). When you try to own an attribute, there are instances in which you have to put forward your credentials. This is one of those instances, and Colgate has done that brilliantly to own the attribute "protection".

Pearlie White is a strong brand in toothpaste as well, because it owns the attribute "whitening". Even its name communicates its focus on whitening.

When you talk to anyone about toothpaste for sensitive teeth toothpaste, you should be surprised if the brand that comes to mind is not Sensodyne. This is one of the strongest brands in the toothpaste category because it owns a powerful attribute called "sensitive". If you have sensitive teeth, chances are you will not want to use anything else.

If you want your breath to smell fresh, you would probably buy Darlie. It is synonymous with fresh-smelling breath.

MAKING YOUR ATTRIBUTE LARGER THAN LIFE

Once you have found an attribute you can own, you have to move fast and work hard to own it. But those two things alone are not enough. You need a strategy that allows you to exaggerate that attribute and make it look larger than life. In IBM's case, its notebook computers look and feel like they are made from industrial-grade material that could withstand a nuclear blast. That is how IBM has managed to exaggerate the attribute of durability. You have to do the same thing, then communicate that attribute clearly.

Jacky has a former client that makes sound-dampening elastomers used in hi-fi sets, industrial machinery and cars. As the company is undergoing internal alignment and integration after being bought over by an American multi-national corporation at the time of writing, we cannot reveal the name. The job

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[25] www.colgateprofessional.com

of these boring-looking elastomers is to make sure that extraneous sounds and vibrations are properly cancelled out.

One of this company's products has been proven to be 30 per cent more effective than the leading brand. Yet, its global market share is less than five per cent. Why? Thirty per cent might sound like a lot but the difference is actually hard to make out when the product is used in a noisy industrial setting like a factory.

To own the attribute of "high performance" in this category, the company needed to dramatise that attribute sufficiently so that it stood out. What Jacky proposed was the creation of a demonstration set that could exaggerate the performance difference greatly. The demonstration kit was to be made of three pieces of metal with excellent sound conductivity – which means that they would make a lot of noise when struck (like a gong, for instance).

Metal No. 1 was left bare.

Metal No. 2 was damped with Competitor A's elastomer (the leading brand in the world).

Metal No. 3 was damped with the client's high-performance elastomer.

When the sales engineers visit potential customers, they will first explain how their elastomer is different. Then, they will give a live demonstration using this special kit. Because the metal used in the demonstration makes a lot of noise, a 30 per cent difference in performance can be easily discerned. This dramatisation helps to exaggerate the client's performance advantage so that they will have a better chance of owning the attribute of high performance in elastomers.

This principle of dramatisation was also used by BMW when it was trying to own the attribute "performance". To make a car that handles well, the mass of the car should ideally be contained in the space between the front and rear wheels. Any mass that sticks out in front of the front axle, like Audi, or behind the rear axle, like the Porsche 911 or the original Volkswagen Beetle, affects the car's handling. That is why the new generation of Audis running on the advanced MLP platform has the engine pushed further behind and the front wheels pushed forward, something that BMW has done for decades except BMW really goes to extremes.

But BMW needs to dramatise the fact that it is The Ultimate Driving Machine. How? By communicating in its advertisements that no effort or expense has been spared in engineering BMWs to handle well. To achieve the 50/50 front/rear weight distribution that is needed for perfect handling, BMW has shifted its engine so far back that half of it is actually sitting in the passenger compartment.

This eats into cabin room but it serves to dramatise BMW's no-compromise approach to engineering. BMW has also pushed the front wheels so far forward they look like they are almost level with the headlights. Finally, BMW has moved some heavy items like the battery from the engine bay to the boot – all in the interest of finding the ultimate balance.

Talk about commitment to the cause. These things are communicated in all of BMW's brochures and advertisements. That is how BMW has dramatised its performance attribute.

In A Nutshell

Every product category has attributes that are desirable. A brand that owns one of these attributes can become a powerful brand because the human mind is bombarded with so much information that it needs to simplify all this information to make it more manageable. So, in order for your brand to be firmly ensconced in the mind, it too must be oversimplified. One brand. One attribute.

Oversimplication is the key to owning an attribute. For example, Volvo owns the attribute safety. That makes Volvo a strong brand. Viagra owns the attribute performance. That makes Viagra a strong brand. However, attribute ownership is something that is mutually exclusive. No two brands within the same category can own the same attribute. You can make a safer car than Volvo but you cannot take the attribute of safety away from Volvo unless Volvo gives it up by focussing on something else. As long as Volvo keeps its brand focussed on safety and keeps up its safety R&D spending, that attribute is Volvo's to keep.

So, what you need to do to own an attribute is, firstly, to find out what attributes are important to the customers in your category. Typically, you have around five to seven attributes that are important. Psychologists have found that the human mind can only hold seven bits of information within any category.

Secondly, you need to find out which of your competitors owns what attribute. If you are lucky enough to find an attribute that is not owned, you have to drop everything else and focus on owning this attribute. If there are no attributes you can own, then you need to look at the next method of differentiation.

CASE STUDY

Attribute Ownership — Think Asia Global

Background

Think Asia Global Pte Ltd (TAG) was incorporated in 2004 to provide its clients with a full spectrum of marketing communication services including events management, graphic design, marketing, promotions and other services. Over the years, TAG has narrowed its focus to events management and desktop publishing. Today, it is a renowned events management company known for its flamboyant and creative effects in stage productions across Asia.

Its capabilities were showcased throughout Asia Pacific with events such as The Singapore International Clinical Nutrition Congress, the Singapore Brand Conference, the Asia Autoimmunity Forum and the Global Chronic Disease Summit. Besides these proprietary global events, it also provides events management services to clients around the world for prestigious events such as the Asia Insurance Industry Awards, the Latin Asia Biz Forum (a business-matching event between the countries of Latin America and Asia) and the Australia & New Zealand Insurance Industry Awards.

In 2005, TAG staged the largest christening event in Singapore for Petrobras (the national petroleum company of Brazil) and SembCorp Marine, Singapore's premier offshore and marine builder.

The Challenge

Marketing Communications is a vast area that spans Direct Marketing, Public Relations, Investor Relations, Advertising, MICE (Meetings, Incentives, Conventions and Exhibitions), Media Buying, Sponsorship Marketing, Events Marketing and Management. In fact, most of the listed fields of marketing communications form industries of their own, ie. the advertising industry is regarded as a stand-alone industry and so is the MICE industry.

Fortunately for TAG, it has decided to focus on two main service offerings, which are events and desktop publishing. But these are also seen as two separate industries and each with many players. The worst part of both of these industries is their relatively low barriers of entry. As such, competitors are a-dime-a-dozen and pricing-low-to-win practices are rampant.

In the events management business, the players come in many shapes and sizes. At the top of the food chain, there are major players such as IMG, PICO and ILM

(Industrial Light & Magic). Such players are not only huge but also have envious global track records as well. The market is also filled with many small local players that are hungry for growth and ever willing to manage the next event, whatever the price.

In the desktop publishing business, the picture is even bleaker – with giant advertising and design agencies dominating the market. Low to middle segments of the market are flooded with small (solo to three-men operations) to mid-sized companies.

In such highly competitive arenas, how can TAG differentiate itself and command a premium?

The Differentiation Strategy

The process of branding is about transforming dominant strengths of an organisation into positive perceptions that the minds of customers can associate a brand with, and that is what TAG has done successfully.

In 2004, TAG was called upon to pitch for a ceremonial event for the christening of a small vessel by Singapore's leading offshore and marine company SembCorp Marine. TAG seized the opportunity and staged an event so stunning that the client was extremely impressed. Since then, there has been no turning back.

After four years, TAG is today synonymous with Vessel Christening in Singapore and the region. Just as Colgate is to toothpaste, TAG is to Christening of Vessels. This differentiation factor known as attribute ownership is a very powerful tool. TAG is by far one of Asia's more successful event companies not because of its dominant position in managing christening events.

TAG's service offerings today extend beyond the christening field to many other types of corporate and business events. Customers link TAG to being an outstanding ceremony events company simply because the company is associated with successful christening events, which are traditionally very large in nature and grand in magnitude.

Attribute ownership, such as TAG owning the attribute of "Christening Ceremonies", is not easy to achieve. It requires two things, namely focus and sacrifice. In its formative years, TAG spent a large part of its resources in trying to find the next generation production effect to wow its audiences in daylight and moonlight. In so doing, it had very little time to manage other types of events and on many occasions had to decline them.

When a company (such as TAG) focusses on doing what it does best, it will in time own a powerful attribute within its industry.

Chapter 16

Strategy No. 8 – Personality

YOU tend to remember people with strong personalities – ones that are well-defined and focussed – because these people give the impression that they know who they are, what they want and where they are going. They may not necessarily be nice people but their strong personalities make them stand out.

Brands are the same way. Brands with strong personalities stand out and grab you, and you remember them. So, personality is a way to differentiate your brand. Not all brands are suitable for this type of differentiation, however. Service brands are usually the most suitable, although there have been many cases of product brands that have been successful in using personality as their key differentiator.

Many branding people get personality mixed up with attribute. That is why, very often, you will find that when brand attributes are being defined, some of the so-called attributes are actually personalities. This makes the whole exercise very confusing. Attribute and personality are related but they each have their own distinct characteristics.

Dictionary.com defines "personality" as: "*The sum total of the physical, mental, emotional, and social characteristics of an individual. The organised pattern of behavioural characteristics of the individual.*"

Personality is a much more complex thing compared to attribute because it has to do with psychology whereas attribute is more of a physical characteristic. A brand's personality is about its very character, and that is an extremely complex thing to quantify. As with all successful branding, the trick is to try to simplify the personality so that it can be communicated more easily.

We do not mean simplify your products or services, just your personality. Very complicated products or services can sometimes be effectively communicated with a simple expression of the brand's personality. For example, Southwest Airlines tries to project a *cheerful* personality and United Airlines, for a number of years, has tried to project a *friendly* personality with the tagline, "Fly The Friendly Skies."

To use personality as a differentiator – as in attribute ownership – you need to latch onto one personality and use it to differentiate your brand. Personality is also a mutually exclusive thing. You can't have two brands within the same category being differentiated using the same personality. If iPod is the cool brand of MP3 player, then the rest of the players will have to use a different personality.

SCHIZOPHRENIC BRANDS

You cannot try to project more than one personality. Some companies are so greedy or clueless that they try to be a brand that is warm, serious, cool and caring. They want to be everything to everyone – by projecting all the personalities that they think will matter to their customers. What they do not realise is that when they are projecting multiple personalities, people see them as schizophrenic brands.

People are generally not very comfortable hanging out with people with multiple personalities or schizophrenia. We can understand why. For the same reason, people also do not like to buy from brands that are schizophrenic. People want to buy from brands that have a clear and consistent personality.

In a now-famous quote, President Abraham Lincoln was said to have commented to a visitor to the White House in 1865: "If you once forfeit the confidence of your fellow citizens, you can never regain their respect and esteem. It is true that you may fool all of the people some of the time; you can even fool some of the people all of the time; but you can't fool all of the people all of the time."[26] Unfortunately, Lincoln's sage advice is too often ignored by politicians and business executives alike.

It is the same with your brand's personality. You cannot be all things to all people. To build a strong brand, you must sacrifice everything to be one thing. You have to pick the kind of personality (personality, not personalities) you want to project and stick to it. You cannot change your personality as and when you feel like it. One personality for one brand – all the time. That is what you have to keep in mind.

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[26] www.panettainstitute.org/Commentaries/031801.htm

SUPPORTING YOUR BRAND PERSONALITY

To project a certain brand personality is easy but remember that when you project a personality, that becomes your Brand Promise. As we often tell our clients, a brand is all about promise and delivery. To become a strong brand, you need to deliver what you promise. It is common sense. Unfortunately, not every brand delivers on its promise. Some brands do not take their personality seriously enough to do what is necessary to maintain that differentiating idea. Big mistake.

Your personality is a brand promise. If you fail to deliver on that promise at every customer touch-point at all times, you will risk damaging your brand. Just as Rome was not built in a day, brands also take a long time to build. But like Rome, brands can be destroyed in a day. So, be careful what you do and say. You cannot say one thing and do another. You must be consistent. When you project a certain image for your brand, make sure that you support it in a 360-degree manner, 24/7.

Harley-Davidson – The Rebel's Brand

Harley-Davidson is one of those companies that does not have a single customer. It has fans. That is one of the things you often find with brands that have a very strong personality. You either love them or hate them. There is no in-between. Everyone has an opinion about Harley-Davidson motorcycles and the people who ride them.

Harley-Davidson was born in 1903 when William Harley and Arthur Davidson created their first bike in a 10-foot by 15-foot wooden shed in the city of Milwaukee, Wisconsin.[27] They did not look like rebels or outlaws. They looked like perfect gentlemen, with short, neatly-combed hair and gentlemen's suits. But there was one thing they had in common. Their eyes had the burning intensity of people who like to challenge the status quo. This is something that you can see even from old and faded photographs of these two remarkable men. From those beginnings, the rebellious Harley-Davidson personality was born.

Today, Harley-Davidson bikes continue to have "rebellious" written all over them. The look. The image. The sound. The logo. The accessories. The people who ride them. The people who make them. Harley-Davidson is synonymous

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[27] www.harley-davidson.com

with the rebel on two wheels. This personality has effectively differentiated Harley-Davidson from all the other bike manufacturers in the world.

Is it the best bike? Not necessarily. There was a time when Harley-Davidson looked like it might succumb to a Japanese assault on its home turf. The bikes from Yamaha, Honda, Suzuki and Kawasaki were better built, faster, had better handling and were cheaper. But Harley-Davidson survived, coming back from the brink better, bigger and stronger. That is the power of personality in differentiating a brand and keeping it alive during rough patches.

Jacky has had the opportunity to listen to Harley-Davidson executives speak (his university in Madison, Wisconsin was about an hour's drive from the company's birthplace and Harley-Davidson people were invited to speak to the university's business students regularly). One of the things that they are fond of saying is that a Harley-Davidson is not about outright speed. Jacky has also heard die-hard Harley-Davidson fans singing the same refrain: "Yeah, a Harley may not be the fastest thing there is on the road but that is not the point of a Harley. You buy a Harley for the sound, smell and look. You buy it to buy into the Harley mystique." Well, that sounds to us like a brand that has a strong personality that sets it apart from the crowd.

Microsoft – The Nerd's Brand

Even being nerdy can be a powerful differentiator. Microsoft is a brand that is differentiated by its super-nerdy computer geek image. It can't be helped. The founders, Bill Gates and Paul Allen, have strong geeky personalities themselves. But that is not necessarily a bad thing. Bill Gates made being a nerd almost a cool thing. Almost. And the fact that he is one of the richest persons in the world doesn't hurt either.

Having a nerdy personality is great for a brand like Microsoft. No matter what you say about nerds, they are usually smarter than you are in things like computer science and software engineering. And that is also the perception people have of them. So, for a software brand, having a nerdy personality can actually help. We do not know about you but if a software engineer walks into our office looking as trendy as Richard Branson, we would probably not have a great deal of confidence in his ability. He may be a great software engineer but at a glance we would think otherwise.

Creative Technology has a Microsoft kind of personality. During one branding workshop for Singapore IT companies at the very cosy Changi Village Hotel, a former senior manager at Creative Technology said he left the company after many years there because he felt that it makes really great products for Creative Technology people. When asked what he meant, he said that the products were very engineering-driven and outperformed everything else on the market, but they were not user-friendly or hip enough for the consumer market. He also said that if you are an engineer, a Creative Technology MP3 player is fantastic but for the rest of the people out there, an iPod might be a better choice.

We could not agree more. We have no doubt that Creative Technology is a superb engineering company but its brand personality is not suited to the consumer market. We think that the image it projects is that of an engineer rather than a hip teenager. That might be great when it comes to selling components like sound cards to computer manufacturers, but it probably does not help much in marketing consumer products. It was very successful when it was selling to other engineering companies – to other “nerdy” types. What the former Creative Technology senior manager was trying to say is that you have to be very smart to use a Creative Technology product but most of us would prefer to use our quota of smartness on other things.

Microsoft is now trying to get into the consumer market as well, with products like Xbox (gaming) and Zune (MP3 players). It will probably not be as successful as Sony with the PlayStation or Apple with the iPod because of its personality. However, the good thing is that it has not put the Microsoft brand on these products so there is still a chance of it being able to carve out some market share.

Apple – The Cool People’s Brand

Take one look at Steve Jobs or Jonathan Ive and you know what kind of personality Apple has. Cool. Yes, Apple is all about cool. It makes cool products that are red-hot on the sales charts. The iPod looks cool. The iMac desktop looks cool. The MacBook notebook looks cool. The latest Apple creation, the iPhone, probably has a higher cool quotient than all of the other Apple products combined.

Apple’s cool personality extends to everything that it does. It is 360 degrees. That level of consistency is very impressive. In our previous book, we talked about the 10 rules of branding that all strong brands are built on. Rule No. 8 is on the power of consistency in brand building. You need to be consistent. It is not easy. It is boring. But it is absolutely necessary. Apple has a consistency that runs through the entire organisation. It is cool from the top down and inside out, 365 days of the year.

The other thing about being cool is that you must never claim to be cool. Only people who are not cool will say they are cool. And you cannot try too hard to be cool. You either are or you are not. When you try too hard to be cool you will just come across as ridiculous and lacking in credibility. Remember when you were growing up? There were cool kids in school and there were those who tried so hard to be cool that it was painful to watch.

If you want to differentiate your brand based on a cool personality, the first thing you need to do is to take a long, hard look at your company and its people. Do you have the Steve Jobs type? If you do not, then forget about being cool. There are very few brands that can be differentiated based on a cool personality. Apple is one of them. Google and PlayStation are another two.

Can an industrial product be differentiated based on a cool personality? We do not know because nobody has tried. If you have an industrial product and would like to differentiate it by giving it a cool personality, please give us a call. We are also very interested in finding out if it is possible for something like a forklift or a metal stamping machine to be differentiated using a cool personality. We are not very optimistic but then again, there is always a first time for everything.

Metlift – The Caring Brand

What comes to mind when insurance companies are mentioned? Unless you work for one, we think there will not be a lot of nice things that you can voluntarily think of. The image of the insurance company is one of a cold corporate machine, pushy sales people and so much red tape that you will never get your claims without waging your own version of the Iraq War with the company. Even if you do not have bad feelings about your insurance company, you wouldn't think of it either until you need to make a claim.

Although insurance is an important thing that you need to have in your life or business, it is like wallpaper. You slap on wallpaper and then it just fades into the background. You will only notice the wallpaper if it gets torn. Insurance is something that you get and then you forget about it until the company sends you a bill to pay your annual premium. So, it is hard to build an insurance company into a brand. They all look alike, sound alike and sell the same thing.

The CEO of Great Eastern Assurance once said, after a brand education workshop that Jacky conducted for the company, that insurance is something that is sold and not bought. That is so true. It is a commodity. How do you differentiate a commodity like that?

Wilson and Jacky were guest speakers at the First Asian Insurance Conference in 2006, organised by our client, Asia Insurance Review. Many of the insurance big shots there joked that the only way you can differentiate an insurance company is by having a name that begins with “A”, so that you come first in any listing. Is that why we have so many insurance companies with names that begin with “A”? AIA, AIG, AXA, Allstate, Allianz, Aviva, Aetna, AARP, Aegis, Argus, Asia Life and the list runs on. With everyone going after a name that starts with “A”, insurance companies would still be hard to differentiate, wouldn’t they?

So, how does MetLife differentiate its brand? By trying to project a friendly personality. And it communicates that by *borrowing* someone else’s personality. That someone else is none other than Snoopy. That famous beagle has been the epitome of everything friendly, warm and caring for decades. Its creator has passed away but Snoopy’s personality remains as endearing as ever in the Peanuts comic strips.

MetLife licensed the use of Snoopy for its advertisements to project the image of friendliness. Did it work? Professor David Aaker of the University of Berkeley thinks that MetLife has successfully differentiated itself as the insurance company that is warm and friendly. He said so in his presentation at the Global Brand Forum 2006. We are not sure. It can only work if the entire organisation is made up of people with Snoopy-like characteristics. Well, if you are a MetLife Insurance customer, maybe you can let us know if you see the brand as friendly.

Virgin – The Anti-Establishment Brand

We love this brand! But we never buy anything from Virgin. What a contradiction! How can you love a brand and not buy anything from it? Well, we love the brand because it has such a powerful personality, thanks to the egregious Richard Branson, who has made it his life’s mission to challenge every established brand by giving the customers better value. The long-running battle between Virgin Atlantic and British Airways is well-documented and always interesting to watch. Virgin is the anti-establishment brand. How can you not love something like that?

And yet, we do not buy anything Virgin (that did not sound right coming out) because we are like a lot of other people out there. We cheer for the underdog but when we buy, we buy from the top dog. It is all part of this insecurity that is inherent in all people. We admire the challenger brand for having the temerity to challenge the big boys but we still buy from the established players.

But that does not mean that Virgin has failed in its quest to build a strong brand. Virgin has its fans as well – loyal customers who always come back for more. Virgin has struck a chord in their hearts with its personality and that has made Virgin a strong brand in their minds.

You can differentiate your brand using an anti-establishment personality like Virgin. In our other book, Rule No. 9 of branding is about finding an enemy to fight so that it gives your brand a legitimate reason to exist. But remember, that alone is not enough. You need to deliver. If Virgin Atlantic is all talk, bluster and anti-establishment attitude without the corresponding delivery of the brand promise, it would have failed. It has delivered, and that is why it is still around.

The Body Shop – The Environmentalist Brand

The late Anita Roddick, the founder of The Body Shop, never promoted The Body Shop brand. She promoted natural ingredients for use in cosmetics. She travelled the world in search of the best natural ingredients to use in her products and made sure that The Body Shop only bought from suppliers that had an untouchable environmental record. The Body Shop's personality is like that of an environmentalist – it will do its best to save the Earth.

That differentiated it, because unlike the real environmentalist (who is a person), The Body Shop is a company. It has a business to run, employees to pay and profits to make. At the time it started, it was rare for a business to be so ruthlessly focussed on being green. But that was the reason it was so appealing. People wanted to be associated with it. They felt as if buying from The Body Shop was their way of saying, "Hey, I care and I am doing my part for Mother Earth, too."

Since The Body Shop's trailblazing work in this area, many companies have tried to acquire a similar image. We have been approached by companies for advice on how to brand themselves green but, having taken one look at these companies, we told them, "You can't because you are not willing to get rid of or close down those subsidiaries that are not green. You can try all you want but your claims are going to sound hollow. Customers are not stupid. They will find out one way or another."

If you want to project a green personality, you must be willing to go all the way like The Body Shop. No half-hearted measures. "But that is going to be so expensive! Can't we just do up a communications programme to tell people we are green?" many companies have screamed at us. Unfortunately, the answer is no. The Body Shop succeeded because it went all the way. It cost The Body Shop a lot of money to be green but if you want to project a green image, you simply need to be green, through and through.

KFC – The Happy Brand

Although McDonald's has Happy Meals and the happy-looking Ronald McDonald and his equally happy-looking friends, we think that KFC is a brand that is differentiated more effectively as having a happy personality. KFC has the famous (and always smiling) Colonel Sanders as its spokesperson and the good colonel was said to have created the world-renowned KFC fried chicken recipe from 24 secret herbs and spices.

The happy and jovial face of Colonel Sanders can be found in many of KFC's advertisements. Just looking at Colonel Sanders makes you want to know the secrets of that man's happiness. The people in the KFC TV commercials are also always happy because their chicken is "Finger Lickin' Good". That is a great slogan, by the way.

KFC has always tried to project a consistently happy personality in its communications and we think that it has done a great job of making KFC the happy brand. Now, it needs to make sure that this personality is consistently projected by all of its restaurant crew and by the decor of the restaurants.

WHAT DOES THIS MEAN FOR YOU?

When you date a person, no matter how good-looking or rich, you will probably stop going out with him or her after a few dates if he or she has a boring or, worse still, no personality. Okay, maybe some of you are really shallow and will go out with anyone good-looking regardless of how boring. Maybe some of you are really money-minded and will go out with anyone who is rich, no matter how ugly or boring. But for the rest of us, no personality means no relationship. Wilson, for one, would never date a girl who has no personality, no matter how pretty. Jacky is not as deep: In the past, he would date a pretty girl without much personality until the boredom made him want to blow his brains out. Well, he has come a long way since and has married someone with beauty, brains and personality to spare (and we are not just saying this because his wife might be reading this book). Wilson, likewise, is now happily married to a young lady with a great personality and beauty and brains to match.

Brands are the same. If what your brand offers is no different or no better than what everyone else can offer, then the one with the more acceptable personality wins – always. So, decide now if your brand has a winning personality. If it does not, you will have to find another differentiator. Or sell cheap.

Personality is very important in defining a brand, especially a brand selling a product that is bought because people *want* it and not because they *need* it. If you have a product that people need – like cough medicine when they are coughing – then personality is less important. But for a product that is more of a want rather than a need, a personality is important.

Service brands are good candidates for personality differentiation. If you are a hospital, for example, you can project a personality like Snoopy's, which is warm, loving and caring. Or you can project the Tasmanian Devil's – brusque but highly efficient. Just make sure that the personality you project is consistent with the service you deliver.

In A Nutshell

Like people, brands also have personalities. In fact, some brand experts think of brands as people. We don't, but we recognise that brands can also exhibit people-like personalities. Having a strong personality can be a great way to differentiate a brand, and it works for both product brands and service brands. Apple is a product brand that is differentiated by its cool personality. Harley-Davidson is a product brand that is differentiated by its rebellious personality. Virgin Atlantic is a service brand that is differentiated by its adventurous personality. However, personality is the most difficult of differentiators to use because you need to ensure that the personality is correctly and consistently projected by everyone in your company. This is extremely difficult to do if you are a large company because using a personality differentiator requires your people to exhibit that personality, and with a large organisation, that is extremely hard to achieve.

The most important thing to remember is that in order to have even the remotest chance of pulling off a differentiation strategy based on personality, you need focus. What that means is that you have to be single-minded about the personality that you want to exhibit. Pick one personality and focus the entire brand on exhibiting this personality. If you get greedy and try to be too many things, you will end up with a schizophrenic brand and that is a death sentence because customers don't like to buy from brands with multiple personalities.

CASE STUDY
Personality — Jan & Elly

Background

In 1995, entrepreneur Elly Sim had a vision to bring English learning to the young and this was the catalyst for the establishment of Jan & Elly, a learning place for children aged between four and 12. Not just an English centre but a school; an environment that is happy and conducive to learning English. Happy to learn English? Is there such a thing? Well according to Elly, YES! But over and above this characteristic, Jan & Elly was also determined that its students would become highly proficient in the use of English – written and spoken.

The founders of Jan & Elly decided early in the game to focus on phonics, a proven way to provide children with solid English-language fundamentals that would translate well into other disciplines such as creative writing and speech, as well as the hard-core examination stuff. In the early days, phonics was a rarely used (but highly effective) learning tool in this part of the world.

Over the years Jan & Elly has concentrated its curriculum on teaching good English to kindergarten and primary school children. The school has gained valuable experience in developing effective and comprehensive programmes, including Phonics, Creative Writing, Speech & Presentation and English Made Possible for PSLE. Today, Jan & Elly boasts two branches (Bukit Timah and Serangoon Gardens) with more than 500 enrolled students and is well on its way to setting up franchises in the region.

In the process of relentlessly building up its students' English-language capabilities, Jan & Elly has also built up its own foundation – with a team of very dedicated teachers who are all native English speakers; in-house curriculum; and proprietary pedagogy. The company has resisted the temptation to expand for the sake of expansion because it understands that rapid growth usually comes at the expense of quality, which goes against the Jan & Elly culture.

The Challenge

Now that Jan & Elly has had 12 years to prove itself, it is ready to spread its wings to the region through franchising. It realises that going international requires a stronger brand, because while Jan & Elly is well-established in Singapore, it is virtually unknown beyond the shores of this island. Besides the prospects of facing tough and entrenched competitors, Jan & Elly also needs to market itself to not one, but two separate target customers – potential franchisees and potential students.

A scan of Jan & Elly's key competitors shows that they are all quite similar in that they use native speakers as teachers, claim to be very effective and have the track record to back up their lofty claims. Against this backdrop, it is very hard to differentiate one English language centre from another. Although Jan & Elly has a great track record and a strong, proprietary curriculum, the customer would find it difficult to discern its point of differentiation. In fact, it is also difficult to see how Jan & Elly's competitors are differentiated, but they have been around longer and have large pools of teachers.

The challenge is to find a way to set Jan & Elly apart so that parents, students and potential franchisees can easily separate it from its competitors. The first step would be to find out what its customers – the students and their parents – perceive it to be, and use the findings to determine if there is one very strong element that can be used (this is called the Bottom-Up Strategy, in which you find out what you are already doing well or what your customers perceive you to be doing well), then build the brand around that.

The Differentiation Strategy

As Jan & Elly is a service brand and its staff – both teachers and administrators – are people with very distinct personalities, personality in itself is a powerful differentiator. But what is the Jan & Elly brand personality? This must be consistent with its customers' perception of the brand or it will fail. For example, if customers perceive the brand to be steeped in tradition, there is no point trying to position the brand as something that is young, hip and trendy.

So, the first step was to find out what Jan & Elly's stakeholders perceived the brand's personality to be. After that exercise was completed, the next step was to validate that personality with Jan & Elly's teachers and administrators. This is called the Buy-in Process. If the staff of Jan & Elly do not agree with this personality as a differentiator, it would be difficult to use because it would end up as a schizophrenic brand, and that could scare customers away. We only recommend personality as a differentiation strategy when we are sure that the client can project that personality consistently throughout the organisation. People are notoriously difficult to align because they have minds of their own.

A Perception Audit revealed that Jan & Elly's students find that the learning environment, lessons and teachers/administrators are FUN. It is this resounding reason that brings the kids back to Jan & Elly again and again. Elly Sim told us that learning the FUN way has been at the core of everything that Jan & Elly does. Why? Well, simply because when students get involved, they transform from passive kids into beaming learners. They are actively engaged and they tend to remember more than 80 per cent of everything taught.

Although Jan & Elly had a fun personality, it never used FUN to differentiate itself. This a common organisational symptom many companies show. You see, when you are in the space defined by your brand – when you are within the brand – you sometimes can't see the obvious. This is known as The Tunnel Vision. It is nothing new.

So, Jan & Elly needs to use its fun personality more aggressively, simply because Jan & Elly IS FUN. However, there are other issues at hand. Jan & Elly is an English-language centre, not an amusement park. Parents send their kids there to learn English, not to have fun (well, so they say). They want results. Jan & Elly needs to express that learning the "Jan & Elly FUN way" leads to better results in English in students. This must be clear and cannot be compromised. This requires communication coherence. Jan & Elly needs to prove that its approach works. A successful tool that Jan & Elly uses is that it constantly shows parents its students' results and client testimonials.

Going forward, Jan & Elly's tagline was changed from "English … We're Passionate About It" to, "Jan & Elly. Good Fun, Great English." Here, Jan & Elly is differentiated by its personality – FUN. It also links the fun element back to the process of mastering the language more effectively. This is further reflected in its values within the organisation, where at Jan & Elly, we're PALS, which stands for *Passionate, Approachable, Loving, Smiley*. The founder Elly Sim tells us that she will not hire anyone into the company if they do not exude such traits. This is the very foundation of the Jan & Elly brand delivery.

And Jan & Elly could claim *fun* as its personality because none of its competitors is doing so. Sure, many learning centres claim to have fun built into their curriculum but none of them are using fun as a differentiator. So with brand consistency in Good Fun and Great English, the outcomes can only be Confident Kids and Happy Parents.

Chapter 17

Strategy No. 9 – The Opposite Position

THE best way to establish your brand is by being the first in the market. But having first-mover advantage is no guarantee of success. There are as many first movers that have failed as have succeeded. This is the reason why the concept has been abandoned by many marketer's especially in Singapore, where companies seem to be content with watching what other companies do and then following suit. We have been told by many senior executives of Singapore companies that it is very risky being the trailblazer and you should not do it unless you are prepared to fail.

Well, we are cowboys who shoot from the hip. We agree that every business should be prudent but if a businessman is not willing to take risks, then why start a business in the first place? We also agree that being first in the market is no guarantee of success, but then again, there is no such thing as guaranteed success in the world of business. But being first in the market is important because it gives you the licence to establish your brand in the minds of potential customers before competitors get there.

Marketers and academics who say there is no such thing as a first-mover advantage are missing the point completely. Branding takes place in the mind, so you have to get into the mind first. And the easiest way to get into the mind first is by getting into the market first. In other words, being first in the market just makes it easier for you to get into the mind. Remember that getting into the market first is merely a licence. You have to exploit this licence and do everything possible to establish your brand in the mind quickly. If you do not, your competitors will.

What happens if you are not first? If you are not first, the next best thing to do is to create a new category in which you can be first. But this is not an easy thing to do. Not that many companies have the money, resources, time and talent to reinvent the wheel. If you do, that is great. However, let us assume you are like the majority of companies out there. You are a good, solid company with a good, solid product but you are not the first in the market.

You are not even second. Or third. Or even twentieth. If that is the case, then how you position your brand is no longer up to you. If you are not the first, how you position your brand is up to your competitor. It is like playing chess. If you are not the first player to move, your moves are determined by where your competitor has his pieces.

In such a situation, it pays to study what the No. 1 player in the market is doing, and take the opposite position. You do not have a choice. The No. 1 brand in the market can pretty much position its brand any way it wants because it is No. 1 but if you are the No. 2 brand, you need to take the opposite position from the leader. Otherwise, you will be seen as a copycat and people prefer not to deal with copycats. They want the real thing. But what if the market already has a strong No. 2 who is smart enough to stake out the opposite position from the leader? Don't worry. There is still room for you to play the opposite position card, as we will show in a while.

THE FAKE THING?

When it comes to soft drinks, Coca-Cola is king. It used to position itself as The Real Thing and that was a powerful branding strategy. Coke was the first cola to get into the market. That meant it was the original cola – the real thing. Everybody wants to drink the real thing. If you are not drinking Coke, what are you drinking?

But Pepsi could prove that it actually tastes better. The Pepsi Challenge is a blind taste test that has been taken by over 800,000 people since 1983. Of these, 60 per cent have said that Pepsi tastes better than Coke. And yet Coke still outsells Pepsi. When people can see what they are buying, more buy Coke because they know it is the real thing. The real thing must be the best thing, regardless of what blind taste tests show.

Being better and cheaper is often a strategy that companies use to no avail when faced with competitors that can claim to be the real thing. What about using performance then? That is Strategy No. 3 of Differentiation. You could, if the category is extremely sensitive to performance – like computer chips. But the category of soft drinks is not exactly performance-sensitive, so a "higher-performance" soft drink (meaning better-tasting) is not really a strong differentiator.

Pepsi needed to take the opposite position, but that posed the biggest challenge of all. The opposite of the real thing is the fake thing. Who would want to drink the fake thing? Not us. What about you?

However, taking the opposite position does not always mean doing so in the literal sense. Be ingenious. Think creatively. Reposition your competitor, then take the opposite position. This is probably the strategic thinking process that Pepsi went through to come up with one of the greatest opposite direction differentiation strategies ever devised:

1. Coke is the real thing. We need to take the opposite position but we do not want to be The Fake Thing because nobody wants to drink something like that.
2. Why is Coke the real thing? Because it was the first cola in the market. And that is something that can't be changed.
3. Being first is good but there must be drawbacks. What are some of these drawbacks? Well, for a start, being the original means that Coke is old – it was established in 1886, which means it is now more than 120 years old. That's very old, by any standard. Never mind that Pepsi is not much younger but Coke, being first, is still the grandfather of soft drinks.
4. Pepsi should admit that Coke is the real thing. And Pepsi should take this further by saying that Coke is the real thing because it is The Old Thing. It is the brand old people like your parents and their parents before them drank.
5. Finally, Pepsi should take the opposite position by being The Young Thing. The brand for the young generation. This will polarise the market into two opposite camps. In the red corner, we have Coke, which is the old thing for those senior citizens among you. In the blue corner, we have Pepsi, the young thing for the young and young-at-heart among you. Let the games begin!

Pepsi projected this young image brilliantly with the tagline, "The Pepsi Generation", and it used young and hip celebrities to star in its TV commercials. Pepsi advertisements are full of style and energy and, most importantly, young people. And Pepsi is today a very strong No. 2 brand. Taking the opposite position differentiated it and made it successful. It also left very little room in the middle for any other cola brands to breathe. Coke is for old people. Pepsi is for young people. So, what can the No. 3 brand do? The brand for infants? Hmm…

The lesson here for you is this: Do not despair when faced with what seems like the impossible. Even the strongest of giants has a weak spot or two. Find that weak spot and use it to your advantage. In fact, the greatest differentiation strategy based on taking the opposite position makes use of the leading brand's strength and turns it into a weakness. That is right! In any competitor's strength, you can very often find a weakness. You just have to know where to look and how to exploit that weakness fully.

THE ULTIMATE SITTING MACHINE?

The first car in the world was Mercedes-Benz. It used this advantage to become the No. 1 luxury car brand and was the gold standard by which other luxury cars were judged. Being the first brand in the market allowed Mercedes-Benz to position its brand any way that it wanted because there was no one else in the market at that time to challenge it. Mercedes-Benz chose to position the brand as a high-end automobile.

Mercedes-Benz was often accused of producing over-engineered cars but that actually worked in its favour. Did their customers require such cars? No. But they wanted to own such cars because people – especially those with money – simply want the best of everything. Being over-engineered implied that the Mercedes-Benz must be the best car in the world, and its tagline, "Engineered Like No Other Car In The World", helped to establish that idea and the brand as well.

So, how would you compete against a juggernaut like this? "Engineered Like *Every* Other Car In The World" does not sound quite as exciting. But as we have seen from the Pepsi example, taking the opposite position often means that you have to creatively reposition your competitor first. And BMW did just that.

In 1975, it ran print advertisements with the headline, "The Ultimate Sitting Machine Vs The Ultimate Driving Machine". That campaign talked about the two different schools of thought in the design of luxury sedans: The first endorsed to the idea that cars must be opulent above all else. According to that advertisement, all the other luxury makers excelled in that regard. Their cars were so opulent that they became nothing more than machines meant for sitting in. But BMW subscribed to an entirely different school of thought – that an expensive car must handle well or it would not be satisfying to own. BMW did not name Mercedes-Benz as one of those cars but BMW and Mercedes-Benz are both high-end German cars so readers would have made the connection, we think.

Taking the opposite position – making its cars smaller, lighter, nimbler, better balanced (50/50 weight distribution over front and rear) and equipping them with six-cylinder engines of racing heritage – allowed BMW to become a strong brand. BMW also polarised the luxury car market into two opposing camps – the cars meant for sitting in and the cars meant for driving. It maintained that position resolutely, and from being a formidable No. 2, BMW eventually overtook Mercedes-Benz to become the best-selling luxury car in the world in 2006.

The other luxury German car manufacturer, Audi, has also taken a stand of its own, with a different approach to design. While BMW and Mercedes-Benz cars tend to look more conservative, the Audi is elegant, sleek and aerodynamic. That makes it different from its German siblings. It has won many design awards. Despite being No. 3 overall, it is a strong brand, thanks to the opposite position it has taken in terms of design. And Audi is a very fast-growing brand. What Audi has shown is that even if you are No. 3 in a market that already has two very strong players, you can still differentiate by taking the opposite position.

KIDS ARE LOVING IT

Fast food may not do your waistline any good, but it offers a great example of how you can take the opposite position to differentiate your brand. McDonald's is the undisputed leader in the fast-food industry. McDonald's is so big that there is no point for its competitors to try to overtake it. The best they can do is try to carve out a strong No. 2 position.

In a situation like this, the first thing to do is to identify the leading brand's strengths. What is McDonald's known for?

1. Who are McDonald's main customers? Kids. Do you see adults in McDonald's? Of course. But they are usually accompanied by kids. It's the kids who bring the adults in to McDonald's, not the other way around.
2. What is McDonald's core competency? Standardisation. McDonald's is the epitome of the modern fast-food joint. It is run with the efficiency that is normally the preserve of an Intel production line or a Toyota factory.

3. What is McDonald's market position? Mass market. All that efficiency and standardisation, plus its low prices, combine to make McDonald's an attractive proposition for the mass market.
4. What is the shape of McDonald's burgers? Round. Well, that is not really a strength but it is a useful point to note, as we will show later.

Now, you have to figure out how to turn these strengths into weaknesses. McDonald's owned the kids market. So, Burger King took the opposite position by being the brand for adults. It made going to McDonald's a childish thing to do; after all, which adult would want to be labelled a child? Taking the adult position was also good for two other reasons (until Burger King abandoned that strategy). One, it closed the door on other competitors. With one brand for kids and the other for adults, the entire market was covered. This is similar to what Pepsi did. Two, it widened its market base. Kids usually can't wait to grow up, and any kid 12 years or older would want to be seen as an adult.

McDonald's is modern. Wendy's is traditional; taking that position has built it into a strong brand.

McDonald's is for the mass market. In 'N Out Burger is the premium burger. Its limited menu and high-quality burgers contrast sharply with McDonald's, and it is highly successful.

Finally, even the shape of burgers can be a source of differentiation. McDonald's burgers are round. White Castle's are square. To further differentiate them, White Castle calls its burgers "sliders". Cool.

This example shows that there are multiple opposite positions that can be occupied by different brands in the market. Burger King, Wendy's, In 'N Out and White Castle all managed to find opposite positions from McDonald's.

THE COMPUTER FOR THE REST OF US

Apple had the right idea in 1978. It was of the opinion that IBM-based computers were just too difficult to use. If you are old enough to remember those DOS systems that IBM and its clones used in the 1980s, you will agree. To do anything, you needed to type in a specific command, and that involved remembering every last letter and symbol required. It was a lot harder than the Windows-based system of today. But Windows did not arrive until 1995. Apple's graphical user interface (GUI) was in place as early as 1984.

Labelling IBM & Gang as really difficult to use – and more suited to the Jurassic Era – Apple took the opposite position with its simplicity and user-friendly features. Jacky first used an Apple computer in 1992 when he was in the US and was hooked. So, why has Apple's market share for personal computers in the US hovered around five per cent for so many years? Only recently did it start to rise. Even so, it is still around eight per cent,[28] which does not make it a market leader. Why is such a great invention with such an incredible differentiating idea not selling as well as HP or Dell or Acer or IBM/Lenovo?

Apple's computer division had everything going for it. Experts and consumers alike agreed that it was far better in terms of user-friendliness than other types of computers. After all, it was the first to introduce a GUI that made navigating the computer much easier. Apple's operating system was deemed superior. And aesthetically, Apple had sleeker designs. Still does. How could you not win with such a product?

All kinds of reasons have been put forward but at the heart of it, the problem remains that Apple is competing with its own customers. This has limited its growth potential.

Up till today, Apple is the only computer company that makes its own hardware and operating system. On paper that looks good, but in practice it has crippled Apple. IBM and its army of clones only make the hardware (the computer). They rely on third parties for their operating systems. For a short while IBM had its own operating system but decided it was not worthwhile continuing with it (and IBM is a big computer company).

Apple clearly had an operating system superior to Microsoft's in those days. However, IBM and the other PC makers did not buy its operating system because Apple was a competitor. If you were IBM, HP, Compaq, Dell, Acer, Toshiba, Fujitsu, etc, would you have bought software from a company that could steal sales from you in the hardware sector? No way. So, Apple lost out on the opportunity to become as successful as Microsoft in the operating system market.

On the other hand, Microsoft and other software developers like Lotus, Adobe and Intuit were only too happy developing programmes for IBM & Gang, which – in turn – made those machines more attractive buys for customers. Apple discovered, to its chagrin, that despite the sophistication of its hardware,

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[28] http://www.nytimes.com/2007/10/22/technology/22apple.html

operating system and design, not many bought its machines because there weren't that many software applications for Apple computers. Microsoft was reluctant to write programmes for Apple computers because Apple was a potential competitor for its own operating system.

So, by doing something as clever as building its own world class computer and operating system, Apple was actually driving the company into a tight corner with no room to manoeuvre. It was competing with its potential customers without even realising it.

What Apple should have done in the early days was split the company into two: A hardware (computer) and a software (operating system) company. Apple computer would have needed to licence the operating system from Apple software for use, but that would have freed it up to use whatever operating system and applications it felt were best. And it would have freed Apple software to compete with Microsoft for the patronage of IBM & Gang in the operating system market.

So, the lesson here is that when you have a fantastic differentiating idea, try not to sabotage yourself. That was the mistake Apple made. If it had not, who knows what it could have achieved in those days? Apple might have been the brand that defined the PC genre.

SHOOTING PEPSI IN THE FOOT

Apple was not alone. That master of taking the opposite position, Pepsi, was guilty of the same error. Don't look so surprised. If the master of mass marketing, Coca-Cola, could make an unthinkable mistake as killing its original Coke and trying to replace it with New Coke (probably one of the greatest blunders in marketing according to many experts), is it so hard to believe that Pepsi could also fall? But Pepsi's fall was aided by its arch-enemy, Coke. It was not entirely its own doing.

We still remember this campaign that Coca-Cola ran in the US, which practically killed Pepsi in the restaurant category. Most restaurants only serve one type of cola, even in Singapore. It simply does not make sense to sell both brands.

So, Coca-Cola ran print ads targeted at restaurants. The headlines announced that it wouldn't be long before Pepsi moved into their neighbourhoods and started taking business away from them. When we first saw those ads, we were a bit puzzled. How could Pepsi take away the restaurants' business? At the time, PepsiCo owned Pizza Hut, KFC and Taco Bell, which competed with McDonald's as well as other restaurants. The Coca-Cola ads basically told restaurant owners that they shouldn't buy Pepsi because it owned brands that were competing for their business.

That was probably why PepsiCo sold off its US$10 billion (S$15 billion) fast-food division in 1997. But the damage was done. Most restaurants today serve Coke, not Pepsi, despite the fact that Pepsi no longer owns any restaurants.

Look carefully at what your company is doing. Are you falling into the trap of competing with your own customers, or are you limiting your pool of customers because you refuse to spin off divisions, products or services? Think out of the box! Splitting the company into two is very often the best way to let both entities grow rapidly because they can each do what they are best at.

THE BIGGEST BOOK STORE IN THE WORLD

Amazon.com is the world's biggest virtual bookstore. How did it achieve that? By taking the opposite position from everyone else. Of course, Amazon.com had to put in place a great website, ordering system and fulfillment model. But those were mere details, guided by one overriding principle: Amazon.com is the virtual bookstore.

When Jeff Bezos started Amazon.com, all the bookstores out there were physical book stores like Barnes & Noble, Kinokuniya, Borders, Times, MPH, etc. They all looked alike. It was hard to differentiate a bookstore. Jeff took the opposite position by having no physical outlet at all. That was a really radical concept at the time. Who had ever heard of a bookstore where you couldn't see or touch the actual book? Part of the book-buying experience was flipping the pages. Changing buying habits was difficult but Amazon.com managed it. The fact that Amazon.com prices were typically 30 per cent lower than what the brick-and-mortar bookstores charged helped change the customers' buying behaviour, too.

YOU DON'T GET TO TRY THE SHOES

Zappos took a leaf out of the Amazon.com playbook and took the opposite position too. Shoe stores used to be physical, until Zappos moved its store online. Probably the world's largest online shoe store, it went from almost no sales in 1999 to US$597 million (S$985.5 million) in 2006 and is projected to hit US$800 million (S$1.2 billion) in 2007.[29] The logistics must be a real nightmare because if the shoes are not the right fit and customers need to return them, it would be a real hassle. And the number of returns would be higher than with an online book store but Zappos seems to be doing all right.

For brands like Zappos and Amazon.com, all it took was for the differentiating idea to be decided upon. Everything else fell into place easily because the companies were structured and organised around that powerful differentiating idea. Since they were both taking opposite positions from their real-world competitors, they just did everything contrary to their competitors. That beats having a brand without an idea.

L'eggs

L'eggs is the leading pantyhose brand in the US and it is special because it was created specifically around a distribution channel. It was the first pantyhose brand to be sold exclusively in supermarkets. It is hard to believe that something like pantyhose sold through supermarkets can become so big but it happened. This is also differentiation by taking the opposite position. Pantyhose was never sold at supermarkets, always at department stores. But L'eggs turned the table on that old way of marketing by taking the opposite position.

RENTING A CAR IN SUBURBIA

When we mention rental cars, what brand comes to mind? Hertz would be one of them. It invented the category and used its sales leadership to drive the brand into the minds of the public for many decades.

The other brand that would come to mind is Avis because of its famous "We Are No. 2 So We Try Harder" advertisements. The Avis campaign was successful because it acknowledged Hertz's position as the No. 1 brand. When you do that, you have a point of reference for your brand. Then, Avis took the opposite position by saying that because it is No. 2, it will try harder to please. This makes use of the suspicions some people have that big corporations

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[29] http://www.zappos.com/about.zhtml

usually fleece their customers. Some of you feel that way too, we are sure. That is why there are those who will not buy from the No. 1 brand.

Actually, just by acknowledging that you are No. 2 is already an act of taking the opposite position. It is one of the most simple methods of differentiation through taking the opposite position. Telling people you are No. 2 also tells them that you are the opposite of No. 1.

But we are not going to discuss the battle between Hertz and Avis. We are going to talk about how Enterprise Rent A Car came in from nowhere and blindsided both these brands to become No. 1. What? Hertz is no longer No. 1? Yes, it lost that position to Enterprise some years back, although people still think of Hertz as No. 1.

Most car rentals take place at the airport. Well, in many Western countries anyway. Hertz dominates the car rental scene at airports. So, it would have been suicidal to go head-to-head with Hertz there. What Enterprise did was ingenious. It located itself in the suburbs where Hertz was weak, and made it easier for people who were not living near the airport to rent a car. It even delivered the cars to the client's doorstep, making it very convenient. By taking the opposite position, Enterprise grew and eventually became No. 1.

Can Hertz retake its No. 1 spot? Sure, as long as it continues to enjoy perceptual leadership (people still think of it as the leader) it can eventually regain its market leadership. But Hertz will have to shift its branding strategy from sales leadership to heritage – another differentiation strategy we will present in Chapter 19. It will need to present its credentials in rental cars, show the world how it pioneered the rental car industry and the innovations it has introduced. That will position it as the real thing, like Coke. But it will need to make this heritage relevant. We will also talk about that in more detail in Chapter 19.

In A Nutshell

You can differentiate your brand by taking the opposite position from the leading brand. If you are not the first brand to get into the market, how you position your brand is very often determined not by you but by those brands that have beaten you into the market. So, if you are not first, one of the ways to differentiate is by being the opposite. Taking the opposite position from the leading brand is usually the most effective method.

Even if there is already a very strong No. 2 brand taking the opposite position from the No. 1 brand, you can still take the opposite position because there are multiple opposite positions that can be created off the No. 1 brand. That was what Burger King, Wendy's, In 'N Out Burger and White Castle did when they each took a different opposite position from McDonald's, the category leader.

You can group your competitors, slap a common label onto them and then take the opposite position. This was what BMW did to its competitors in the luxury car category. BMW labelled them as sitting machines because they were very luxurious, very opulent and very soft. Hence, they were not very good at the driving bit. So, BMW cleverly took the opposite position by being the driving machine. Then, Audi came along and took the opposite position from both Mercedes-Benz and BMW in terms of design and built a strong and rapidly growing brand.

But once you have found that opposite position, you need to stick to it consistently in order to build a strong brand. What if the brand that you are positioning against changes its position? For example, if Mercedes-Benz decides that it wants to be positioned as green and not just prestigious, what should BMW do? Stick to its guns. Don't change. Change confuses people. Stay with the strong position that you have already carved out. If green suddenly becomes one of the most important criteria for car buyers, BMW should still be The Ultimate Driving Machine but one that is also environmentally friendly.

CASE STUDY

Taking The Opposite Position — Futuristic Store Fixtures

Background

Futuristic Store Fixtures International Pte Ltd is a store fixtures specialist that was incorporated in 2005. The company is focussed on the large-scale manufacturing and precision fitting of store fixtures for the world's top multiple-outlet retail chains. It counts Banana Republic, Dockers, Levi's, SAKS 5th Avenue, Borders Book Store, The Body Shop, Adidas, Nike and Reebok among its clients.

Store fixtures refer to the typical component fixtures that are fitted into the interior of a retail outlet – hanging bars, shelves, counters, cabinets, wall panels, doors, tables, chairs, display units, floor fixtures, etc. Unlike other furniture manufacturers, Futuristic's entire operation is set up to focus on just one thing: High-quality store fixtures for multiple-outlet retail chains. The company does not manufacture fixtures for hotels, condominiums, commercial buildings or even retail outlets with slow expansion plans.

This high degree of focus has allowed Futuristic to become really good at the business of manufacturing store fixtures. Its ultra-modern factories in Shah Alam (Malaysia) and Kunshan (China) are fitted with state-of-the-art computer-controlled machines optimised for store fixtures. The end result is that Futuristic's clients in its key markets of the United States, Canada, Europe, Asia, Middle East, Australia and New Zealand and India are able to enjoy premium-quality store fixtures at lightning-fast turnaround time and very competitive rates.

Futuristic's management is adamant that the company should focus on doing only one thing but should do it better than anyone else in the world. As the saying goes, "The proof of the pudding is in the eating", and Futuristic has the financial results to prove that its strategy of sacrificing all other market categories to dominate just one category is the right one to employ.

The Challenge

The business of manufacturing furniture and fittings – whether for your own brand or for others – is a highly competitive one. Margins are thin due to new entrants from low-cost countries that slash their prices to rock bottom levels to secure a sale. This is a big problem especially if you do not have your own well-established furniture brand

and are manufacturing for other brands – that means you are an original equipment manufacturer (OEM), commonly known as a contract manufacturer.

The founders of Futuristic have spent 30 years or more in the furniture manufacturing business and are acutely aware of the challenges facing them. They know that as a contract manufacturer, their brand does not appear on the end product and it is difficult to differentiate a furniture-manufacturing company because there are just so many look-alike competitors doing exactly the same thing. It is a highly commoditised business, and the Futuristic people do not see a lot of future in it.

Before they incorporated Futuristic Store Fixtures International, they had to do some deep soul-searching and decide how they wanted to structure their business or whether they should get out of the furniture manufacturing business altogether. However, they had furniture manufacturing in their blood. It defined them. So, they decided that they wanted to remain in the business but do so differently, to give themselves a fair chance of succeeding.

The Differentiation Strategy

The first thing Futuristic did was take a long hard look at how their competitors were doing things and how they could be different – different smart, not different dumb. They decided that the time was ripe for a change in their tradition-bound industry – not just in the way furniture was manufactured, but in the way furniture companies did business. Futuristic's founders recognised that they had to unlearn 30 years of experience, throw everything they knew out the window and rebuild from the ground up. It was the kind of revolutionary mindset change that gave rise to next-generation brand concepts like Amazon.com, the world's first virtual bookstore and now the world's largest bookstore.

What the Futuristic folks found out was interesting. Most furniture companies tend to be generalists in that they manufacture everything, or so it seems. They are set up to be flexible so that they can make different types of furniture – from bed frames to dining tables to doors to wardrobes and everything else in between. They also tend to serve customers from a wide variety of sectors – commercial buildings, hotels, residential developments, the retail market and so on. There was very little or no focus. This everything-for-everyone strategy might have seemed like the most logical way to go, to spread out the risks.

Futuristic decided to take the opposite position to build its brand – not just in terms of how the brand was marketed, but in everything it did. Futuristic narrowed its focus to just one category: Store fixtures. These were made largely by hand by skilled craftsmen, but Futuristic built two state-of-the-art facilities that employed, instead, a very high degree of automation. This enabled Futuristic to mass produce quickly, efficiently and with unheard-of consistency.

From dealing with all types of clients from various industries, Futuristic also took the opposite position early on and decided to manufacture only for retail chains able to provide it with orders for quantities of stores – of between 10 to 200 stores per order. And it went after the top brands within each category. It has an impressive client list that includes the world's most renowned retail brands – some of which are mentioned above.

What has this approach given the Futuristic brand? First of all, the economies of scale and efficiency that traditional furniture manufacturers only dream of. This is a form of structural cost advantage that has allowed Futuristic to be price competitive and yet highly profitable. Secondly, it has also allowed Futuristic to differentiate itself as an expert in the field of manufacturing, delivering and installing store fixtures.

This young brand that has shown explosive growth has set its sights beyond its current key market of the United States. It wants to expand to Europe and Asia as well. We believe it has tremendous potential. Taking the opposite position is certainly taking Futuristic to greater heights in the global arena.

Chapter 18

Strategy No. 10 – Specialisation

ONE very peculiar thing that we have noticed about most companies is that they want to be generalists so that they can sell everything to everyone. They call it covering all bases. Sounds good in theory but it does not always pan out in the real world because people tend to perceive specialists as having better knowledge or being better in their field. So, when there is a lot at stake, what would you do? Would you buy from a generalist that sells everything or would you buy from a specialist? Probably a specialist, unless what you are buying is not really that critical – meaning that the wrong choice would not adversely affect your business.

For example, if you are buying floor cleaning detergent for your office, it might not be important if you buy from a generalist or specialist (unless you are running a hospital). But when you buy a critical new firewall system to protect your server from hackers, you will probably want to buy from a specialist in firewalls. An interesting pastime for you if you have nothing else to do might be to watch these very same generalist companies when they buy products or services that are critical to their businesses. You will probably find that the generalists tend to buy from specialists, too! Why? Because they perceive specialists to be better than generalists. Isn't that a fascinating phenomenon? Think about it. When you sell, you try to sell everything. When you buy, you want to buy from people who specialise in that thing that you want to buy.

Observe your own company and how it behaves when it tries to sell and when it tries to buy. There probably exists a tendency to try to be everything to everyone. When companies are under pressure to grow quickly, many are drawn to line-extensions. The thinking is: The more products we have to sell, the higher our sales revenue. That is why a look at the companies listed on the Singapore Exchange will show you that many companies engage in all kinds of unrelated businesses. But when your company needs to buy something, would it buy from a generalist or a specialist?

Specialisation is a powerful differentiator because people tend to perceive specialists to be more knowledgeable, but being a specialist means you need to be focussed.

It is funny how our definition of focus is different from most companies. When we meet companies at our seminars, we like to ask them what their area of focus is. Many would give us answers such as, "Oh, we focus on four areas. One, property development. Two, high-end Italian restaurants. Three, luxury goods retailing. Four, waste management. These are the four core businesses that we are focussed on." When we hear something like that, we are usually tempted to say, "Whoa, Nellie!" That is not being focussed at all. "Focus" means you do one thing and one thing only. And you try to do that one thing better than anyone else in the world. When you have four very different and non-complementary businesses like property, food and beverage, retail and waste management, you are diversified.

What is wrong with being diversified? Nothing, provided you are big enough to pull it off. Diversification requires a lot of money, resources and people, and only big companies can spare those. Small companies need to focus on their core business. They need to specialise. But even big companies should keep to their area of specialisation because being diversified means that you have to deal with more competitors. In the example that we mentioned above, this company probably started out in property development and over time branched out to restaurants, luxury goods and waste management. Every time it branches out into a new area, it takes on more (and very different) competitors. That makes life tougher than it already is. For what? Furthermore, the 80/20 rule usually applies to diversified companies such as this. You will often find that in diversified companies, the area that contributes the most in terms of revenue and profits will still be the original business.

TWO THINGS HAPPEN WHEN YOU SPECIALISE

You know the saying "Practice makes perfect", right? There is truth in this saying. Just look at the best sportsmen and sportswomen in the world. All of them practise hard from a very young age. David Beckham is acknowledged as one of the best free kick specialists in the world. He has talent, but he also practised really hard when he was a kid by drawing targets on a wall and trying to hit them with a football.

"Practice makes perfect" works on the principle of specialisation. It makes you focus on doing one thing over and over again until you get it right. You do not stray into other things that are unrelated. You stay on the ball and work at it till you get it right. After all, if you want to be good at something, you have to work at that something until you are good at it.

If you are not specialised, you become a "Jack Of All Trades, Master Of None". Have you ever seen a person who can play all kinds of musical instruments? Initially, it looks impressive that this person can play the piano, the guitar, the violin, the drums and a few other instruments that you can't even name. But will he or she be the best in any one of them? Probably not, because this person is anything but specialised. To be a world-class violinist, you need to specialise in the violin. You can't play the violin and the guitar (even though both are string instruments) and expect to be world-class in both. Well, we admit there might be some truly gifted musicians in the world who can do that but those are the exceptions rather than the rule. For the rest of us, if we want to be good at something, we need to focus. We need to be specialists.

The same principle applies in business as well. When you are specialised, the first thing that happens is that you become very good at what you do because you are doing the same thing over and over again. You can't help but become good at it. Furthermore, by being specialised, you would have made all the mistakes that anyone could make in your area of specialisation and learnt from them to make all the improvements necessary to become unbeatable. That is the beauty of specialisation. You get to know all the things that work and those that don't. We are not saying that being specialised will make you the best but it will certainly get you a long way down the road to perfection.

Secondly, other people will also begin to see you as good at what you do because they think that if you are only doing that one thing day in, day out, you must be quite good at it. That is why specialists are often regarded as having more knowledge and more expertise. When you need to have a replacement valve for your heart, do you go to a general practitioner or a specialist? When you need your house renovated, do you just go to any contractor or to a specialist interior designer? Even generalist companies that try to do everything under the sun buy from specialists. When generalists do not want to buy from other generalists, what does that tell you about being a generalist brand? It lacks credibility.

Generalist brands are perceived as having less knowledge and being less expert. That may not necessarily be true but it does not matter what the truth is – all that matters is perception, and if you are a generalist brand, you will not be perceived as good in what you do. For example, even if you can find a general practitioner who can perform heart surgery as well as any heart surgeon, would you trust the general practitioner to perform heart surgery on you? Why not?

That is why when you buy, you look for specialists, especially when you are buying a B2B product that costs a lot of money and is critical to your business. That specialist may not necessarily be better than a generalist but you are not going to take that chance, are you? So, what makes you think your potential clients will take a chance on you if you are a generalist? They might risk it if you offer a very good price. But, everything else being equal, the specialist wins. Here is an interesting exercise for you to do if you are a generalist brand that sells everything. Pick one of your products or services and offer it to a client for the same price that a well-known specialist is charging. Will your clients still buy from you? Why not? Even if you are as good as the specialist, people are usually not willing to pay more for a generalist brand. When you buy wine from supermarkets, you expect to pay less, even for the same brand of wine that a specialist might sell because a supermarket is a generalist.

We experienced the same thing with our firm. In one instance, we found ourselves pitching for several B2B branding projects where we were up against some of the biggest brand consulting firms in the world but we secured four out of five projects. When Wilson asked the CEOs of these companies why they chose us when they could have used the big boys (and our fees were approximately the same), they said, “Because you are a B2B branding specialist. We feel more secure appointing a specialist.” That does not mean that we win all the B2B branding projects that we pitch for, but can you imagine what it would be like if we were not specialised altogether and we had to pitch against bigger consulting firms?

IF YOU ARE SMALL YOU’D BETTER SPECIALISE

Specialisation is not an option when you are a small company. For example, if you are a small logistics company with a turnover of around US$100 million (S$150 million) and you claim you can offer everything that FedEx can – and

FedEx is a logistics company with a US$35 billion[30] (S$52.5 billion) turnover – do you think people will see you as a credible brand? Probably not. It is entirely possible (although quite unlikely) that you can be as good as FedEx, but people will simply not believe it. A US$100 million (S$150 million) company is not small but it may be comparatively small by the standards of the industry. People will think, "If you are a small company, how can you possibly do everything that FedEx offers and be as good?"

So, if you are small, you have to specialise. You have to apply the principle of force made famous by the legendary Prussian military strategist, Karl von Clausewitz,[31] which states that: "When the war is governed by the urge for a decision … such a decision may be made up of a single battle or a series of major engagements. This likelihood should be enough to call for the utmost possible concentration of strength. A major battle in a theatre of operations is a collision between two centres of gravity; the more forces we can concentrate in our centre of gravity, the more certain and massive the effect will be."

Wait a minute. If we apply this principle to marketing, the big guys will always win because they have a bigger army! Not necessarily. Clausewitz said that the more forces you can concentrate in one area, the more likely you are to be successful. In the earlier example of that diversified company with four very diverse businesses, where is it concentrating its forces? It may have more resources than you but these resources are spread out over a wide area. If you are a smaller company, you can still beat a bigger rival by concentrating your forces fully on one area – preferably an area where your bigger rivals are relatively weak. That requires specialisation.

Plus, when you claim to be a specialist, people can accept your smallness because besides perceiving specialists as good, people also tend to perceive specialists as small although that is not necessarily true. There are plenty of specialists that are big, as we will show you in the next section.

SPECIALISTS CAN BECOME BIG BRANDS

This section is full of big brands that became big brands because they were highly specialised. If you are still not convinced of the power of specialisation,

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30 www.fedex.com

31 http://www.clausewitz.com/CWZHOME/JohnsonArt1.html

maybe this section will help change your mind. However, bear in mind that we are once again looking at what the brands did in order to become successful, not what these brands are doing now that they are big.

Dell

When Dell first started, it was a tiny start-up working from the garage of Michael Dell's parents' home. But it focussed all its resources, limited as they were, fully on one area: Selling computers direct. Dell specialised. And Dell beat all the computer giants to become No. 1 for many years. Was it easy for Dell? Of course not. We have often said that nothing good ever comes easy.

Like any other start-up, Dell had its fair share of struggles but it did not waver. Many experts have commented that Dell's business model is not viable because computers are not things that you can sell direct as they are complicated machines that require a lot of explanation to end-users. They also require a lot of technical support, which is best done face-to-face, not over the phone line as Dell's business model required. Despite all the pessimism and all the problems, Dell kept its focus on being the direct sales specialist for computers. And there is no denying that this specialist has really made it big.

FedEx

When FedEx first started, it was small compared to Emery Air but FedEx focussed all of its resources on just one area – overnight delivery. And not just any kind of overnight delivery but letters. FedEx was specialised. And FedEx won not only the overnight letter delivery battle, it won the war against Emery Air, which is no longer around.

Now that FedEx is big, it could branch out into other areas of the logistics field but it is still about logistics. FedEx never went into property development or food and beverage although it had the means to do so. FedEx is still a highly focussed specialist brand and as long as it stays that way, we think that it will be very difficult for anyone to beat FedEx.

Intel

Intel is the specialists' specialist, giving up its beleaguered memory chip business to focus on the microprocessor category in 1985. It was a risky move but the resulting specialisation allowed Intel to become really good at what it does. It also came to be perceived to be really good – so much so that many of you will hesitate to buy a computer if it does not carry the “Intel Inside” sticker.

When Andy Grove, the recently retired Chairman of Intel, was asked if being so focussed would be risky, he said, “Put all your eggs in one basket but watch that basket carefully.” In Q1 2007, Intel’s market share stood at 80 per cent, which is incredible. Even the world’s most valuable brand, Coca-Cola, cannot boast of that kind of market share.

In 2006 alone, Intel’s revenue was US$35.4 billion (S$53.1 billion), with net profit of US$5 billion (S$7.5 billion) or 14 per cent.[32] Very nice profit margin, given how capital intensive Intel’s business is.

Intel also chalked up revenue of US$27.7 billion (S$41.5 billion) in the first three quarters of 2007, with a record third-quarter showing of US$10.1 billion (S$15.2 billion). All expectations are that it will turn in an equally sterling fourth quarter of between US$10.5 billion to US$11.1 billion[33] (S$15.6 billion to S$16.7 billion).

At best, it will only match its 2005 performance of US$38.8 billion (S$58.2 billion), but there is nothing wrong with that. You have to remember that Intel already owns 80 per cent of the microprocessor market. It would be very hard for Intel to grow its market share further – not impossible but very difficult. Intel’s revenue will grow when the computer category grows. If the number of new computers and servers being made every year remains flat, then it will be hard for Intel’s revenue to increase. So, Intel is looking to other product categories that might require the use of a microprocessor, such as medical equipment and smart phones, to grow its business but it will still be resolutely a microprocessor specialist – a very big microprocessor specialist.

HTL

HTL (originally known as Hwa Tat Lee) is a highly focussed Singapore specialist. It has been doing nothing but leather upholstery since 1976. Starting as a modest sofa maker, HTL has grown from a family business to become one of the world’s leading manufacturers of leather sofas and leather upholstery hides. Listed on the Singapore Exchange since 1993, it is focussed on the B2B sector. It has more than 7,500 employees and fully integrated manufacturing facilities in

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32 www.intel.com

33 http://biz.yahoo.com/bw/071016/20071016006434.html?.v=1

China, Malaysia and Singapore. Its products are sold in more than 40 countries, through a vast network of sales partners and retailers. In 2006, it chalked up sales revenue of S$686 million, with net profit of S$54 million or eight per cent.[34] HTL shows that not all Singapore companies are the Jack Of All Trades type and we are happy to see that. HTL also proves that Singapore companies can also take the specialisation route and become big brands.

TSMC

TSMC, or the Taiwan Semiconductor Manufacturing Corporation, is the world's first dedicated semiconductor foundry. It is also the world's No. 1 semiconductor manufacturer. As a specialist contract manufacturer – which means it does not produce anything under its own brand – it has never once floundered in its 20 years of business since starting up in 1987. With a manufacturing capacity that now exceeds seven million eight-inch equivalent wafers, TSMC has been ranked among the top IC companies in terms of worldwide sales for the last five years.

In 2006, it recorded a turnover of NT$317.41 billion (S$14.2 billion). Net profit was NT$127.01 billion (S$5.7 billion) – a margin of 40 per cent. Who makes a 40 per cent net profit these days? Better yet, which company in such a capital intensive, volatile and cutthroat industry as semiconductor manufacturing makes a 40 per cent net profit margin? That is the power of specialisation.

Gulfstream

More than a quarter of Fortune 500 firms operate Gulfstream business jets,[35] and that is probably no coincidence. It is an endorsement of the company as a business jet specialist – which just goes to show how handsomely specialisation has paid off for this General Dynamics subsidiary. Founded in 1958, Gulfstream has produced more than 1,500 aircraft for corporate, government, private and military customers around the world. Its flagship product, the G series – which includes the G150, G200, G350, G450, G500, and the G550 – is among the world's most technologically-advanced business jets.[36] We do not have any financial figures but – with the likes of former New York mayor Rudy Giuliani among its customers – we have no doubts about its profitability.

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[34] www.htlinternational.com

[35] www.gulfstream.com

[36] www.gulfstream.com

Otis

In 1853, Elisha Graves Otis introduced the world's first safety elevator in Yonkers, New York, and that changed the shape of the modern world. From that point forward, buildings could rise beyond the limitations of stairs. Cities would have skylines. And the Otis Elevator Company has been at the forefront of elevator innovation since, with inventions like remote diagnostics systems that can tell if an elevator is about to break down so that a service team can be dispatched to do repair work at night, when traffic is light.

That high degree of specialisation has allowed Otis to remain the largest elevator brand internationally, with an approximately 27 per cent share of the world's new elevator and escalator equipment market. Sales revenue was US$10.3 billion (S$15.5 billion) in 2006.

There are currently 1.9 million Otis elevators and 130,000 escalators in operation in 200 countries around the world.[37] And, according to Otis, its products move the equivalent of the world's population every five days.[38] That is incredible when you think about it. On an average week, six billion-plus people would have travelled on Otis elevators and escalators between Monday and Friday.

Pratt & Whitney

Pratt & Whitney's large commercial engines power four out of 10 passenger aircrafts. Founded in Hartford, Connecticut, in 1925 by Frederick Rentschler, the company has come a long way since its first aircraft engine – the 425 horsepower, air-cooled Wasp. Even way back then, the Wasp delivered unprecedented performance and reliability, and transformed the aviation industry.

Pratt & Whitney now has a presence in 180 countries, and reported an operating profit of US$1.8 billion (S$2.7 billion) in 2006 on revenues of US$11.1 billion (S$16.7 billion).[39] The next time you board a commercial airline, there is a high chance it will be powered by a Pratt & Whitney jet engine. After all, the company has produced more than 60,000 engines for corporate jets, regional aircraft and helicopters around the globe.

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[37] www.otis.com

[38] http://www.otisworldwide.com/pdf/Otis_Fact_Sheet_2007.pdf

[39] www.pw.utc.com

Nintendo

The biggest name in video games is the PlayStation, a brand that is owned by Sony. Sony itself is one of the most respected consumer electronics companies in the world but what does Sony stand for? Everything. Hence, nothing. We are not saying that Sony makes lousy products. It makes great products. The problem is that when the Sony brand stands for so many things, what the brand stands for in the minds of its customers becomes fuzzy. That is bad for the brand.

One of Sony's many competitors is Nintendo, a brand that stands for one thing and one thing only – gaming consoles, or more specifically, portable gaming consoles. Nintendo has carved out a highly profitable niche for itself by specialising in portable gaming consoles with models like the ubiquitous Game Boy. It was founded in 1889 as a playing card manufacturer in Kyoto. Playing cards are probably the precursor of all these portable gaming consoles you see today – after all, playing cards allow you to play all kinds of games from blackjack to poker, and they can be carried around quite easily.

Nintendo started manufacturing computer games in 1963. It has kept its tradition by focussing on portable games: Witness the steady roll-out of products like the Game Boy Pocket and Advance, Nintendo GameCube and DS Lite. The Wii, however, is not a portable gaming console. It is designed as a direct competitor to the PlayStation. We think that the Wii will not do as well as its other siblings because PlayStation is seen as the fixed gaming console specialist, not Nintendo.

Nintendo's specialisation has reaped fantastic financial rewards. In 2006, the company reported sales of US$4.5 billion (S$6.8 billion) and a net profit of US$873 million (S$1.3 billion), which represents a margin of 19 per cent.[40] Just to give you an idea of Nintendo's dominance, in Japan, the Nintendo DS outsells the Sony's portable gaming console, the PSP, 10 to one in terms of games.[41] Nintendo's total turnover in the last 10 years was nowhere near Sony's, but its net profit margin was much better – 15 per cent versus Sony's two per cent. Specialisation certainly made a lot of sense for Nintendo.

When Jacky had lunch with Eustace Fernandez, Marketing Director of the DP Information Group, in late 2007, he was told that from the Singapore SME

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[40] http://www.nintendo.com

[41] http://www.pocketgamer.co.uk

Development Survey that DP conducted, it found out that many Singapore companies are struggling because their net profit margin is typically quite low – around five per cent or less. We wonder what these Singapore companies would do if their net profit margins were as low as Sony's?

Scania

Scania is a leading manufacturer of heavy trucks and buses. Unlike its competitors such as Volvo Penta and Mercedes-Benz, it has systematically concentrated its resources on the heavy transport segment. Since being established in 1891, it has built and delivered more than one million trucks and buses for heavy transport work worldwide. In 2006, the Swedish company reported net sales of SEK70.7 billion (S$15.8 billion) and net income of SEK5.9 billion (S$1.3 billion) or slightly over eight per cent. We think this is a fantastic margin considering that the category Scania operates in typically requires heavy investments in machinery and tooling, which eats into profits. Heavy equipment makers typically don't enjoy very high profit margins as a result.

Victoria's Secret

When the word lingerie is mentioned, Victoria's Secret must surely come to mind. Why is it such a powerful name in lingerie? Specialisation. It is not only specialised in lingerie, but in selling lingerie through catalogues as well. When Jacky was studying in the United States, he was amazed at how many of his guy friends actually preferred to collect Victoria's Secret catalogues to other types of guy magazines or car magazines. Maybe Jacky has weird friends, but that shows you how powerful specialisation can be.

Starbucks

When Starbucks first started, it focussed on selling just one thing – coffee. All the coffee places back then sold everything including coffee, sandwiches, pasta, salads, omelettes, cakes and other things. Starbucks decided to specialise in coffee, and not just any kind either, but gourmet coffee. That helped it to become the No. 1 coffee chain it is today, with 13,728 outlets in total as of the second quarter of 2007. Revenue in 2006 was US$7.8 billion (S$11.7 billion) and net profit was US$564.3 million (S$846.5 million).[42] Is Starbucks coffee

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[42] www.starbucks.com

the best? We certainly do not think so but its specialisation has allowed it to become really big.

NVIDIA

NVIDIA specialises in programmable graphics processor technologies and is the leader in graphics cards for computers. That is all it does – graphics cards for computers. Your computer might be running one of its graphics cards like the GeForce. NVIDIA could have done a lot of other types of computer products but they chose not to. They chose to specialise and be strong in one area rather than risk being weak in several areas. In 2006, it reported revenues of S$3.6 billion dollars and net income of S$450 million, giving a respectable net profit margin of 12.5 per cent. Take a look at the companies around you. How many diversified companies could match NVIDIA's revenue and earnings performance?

Alienware

Alienware is a highly specialised computer company. It makes computers for the most demanding of users – gamers. Its philosophy is to build each computer as if it were for their own use. That is why Alienware computers have received so many rave reviews and awards. Just go to its website at www.alienware.com and check out its stunning-looking computers and the mind-boggling specifications, which include Intel Core 2 Extreme processor overclocked to 3.2 GHz (standard speed is 2.66 GHz), 2 GB SDRAM running at 800 MHz and – hold your breath – an Alienice liquid-cooling system that is super efficient and super silent.

Alienware prides itself on hiring hard-core gamers to design and build its computers. It is a bit like the Harley-Davidson of computers. The company's revenue was around US$177 million in 2005 (S$265.5 million) – not a lot by the standards of other PC makers, but Dell was impressed enough to purchase Alienware in 2006.[43]

BlackBerry

BlackBerry focusses on making the best portable device for receiving e-mails. This specialisation has made it the No. 1 brand in the PDA phone category. Research house Gartner reported that BlackBerry had a market share of

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[43] www.money.cnn.com

19.8 per cent (3.5 million units sold) in 2006, versus Palm's 11.1 per cent (1.97 million units sold).[44] Despite advances made by competitors, BlackBerry is still regarded by experts as the best when it comes to mobile e-mail devices and as long as BlackBerry stays focussed on its core expertise, we think it will continue to dominate.

H&R Block

H&R Block is probably a company that you have never heard of unless you do business in the United States and you require the services of a tax specialist. The company was founded by two brothers, Henry and Richard Bloch. They decided to modify their last name slightly when they formed the company in 1955 because Bloch sounds a bit like "blotch", which means blemish. So, Bloch became Block instead. We think it is a nice and solid name.

Instead of doing what other accounting firms were doing at that time, H&R Block decided to narrow its focus to just income tax preparation. It sacrificed everything else to be a tax specialist. That specialisation transformed the company into a powerful brand. Today, H&R Block has 12,500 tax offices in the United States and another 1,300 in Canada, Australia and the United Kingdom. The company serves 19.5 million taxpayers worldwide.[45] Those of you who pay your income tax in Singapore are probably thinking, "Why does anyone need the help of a tax specialist to prepare their income tax returns?" Well, in many Western countries, the income tax form is extremely complicated. Jacky has worked in the United States before so he knows how complicated it is. Fortunately, Jacky's wife is a certified public accountant and she did all his tax preparation. On a side note, Jacky found out that gambling losses up to a certain amount are actually tax deductible in the United States. We wonder if the Singapore government will allow something like that when the casinos open.

How successful is H&R Block as a tax specialist? In 2007, its revenue from its income tax services was US$2.7 billion (S$4.1 billion) and its pre-tax profit was US$705.2 million (S$1.06 billion), giving it a pre-tax profit margin of 26.1 per cent.[46] Even if H&R Block has to pay the full (and very high) corporate tax rate of 39.3 per cent in the United States, it would still be left with a net profit of US$287 million (S$430.5 billion), or a net profit margin of 10.6 per cent.

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44 http://www.gartner.com

45 http://www.hrblock.com/presscenter/about/history.jsp

46 http://www.hrblock.com/presscenter/about/fastFacts.jsp

SPECIALISTS TEND TO MAKE MORE MONEY

The funny thing about specialisation is that specialists tend to make more money in the long run. We are talking about net profits here. They may not have the high turnover of diversified companies, but their net profit margins tend to be higher. Sometimes, even their net profits in absolute terms are higher. When you are diversified, you would probably have higher sales because you have more things to sell. We have included, below, a sampling of generalist and specialist companies and their total revenue versus net profit over a period of 10 years.

Nintendo Versus Sony

Nintendo is a highly focussed specialist and Sony is a generalist. Nintendo focusses on gaming consoles and nothing else. Sony makes almost everything under the sun including TV, DVD players, gaming consoles, memory sticks, sound systems, MP3 players, CD players, movies, digital cameras, video cameras, laptops, projectors, LCD monitors and mobile phones, among other things. Sony is a highly respected company, no doubt, but being the generalist that it is, Sony makes less than Nintendo in terms of net profits.

Table 1: Sony Corporation's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Mar 06	66,057	1,092	1.65 per cent
Mar 05	66,635	1,525	2.29 per cent
Mar 04	66,326	783	1.18 per cent
Mar 03	61,318	948	1.55 per cent
Mar 02	60,644	123	0.20 per cent
Mar 01	64,638	148	0.23 per cent
Mar 00	59,087	1,077	1.82 per cent
Mar 99	60,126	1,582	2.63 per cent
Mar 98	59,744	1,962	3.28 per cent
Mar 97	50,000	1,232	2.46 per cent
Total	**614,574**	**10,472**	**2 PER CENT**

(Source: www.hoovers.com)

Table 2: Nintendo's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Mar 06	4,500	869	19.32 per cent
Mar 05	4,796	814	16.96 per cent
Mar 04	4,555	294	6.45 per cent
Mar 03	4,136	552	13.35 per cent
Mar 02	4,440	852	19.19 per cent
Mar 01	4,087	854	20.89 per cent
Mar 00	5,255	529	10.06 per cent
Mar 99	5,645	810	14.34 per cent
Mar 98	4,722	740	15.66 per cent
Mar 97	3,690	579	15.68 per cent
Total	**45,826**	**6,891**	**15 PER CENT**

(Source: www.hoovers.com)

As you can see from this comparison, Nintendo's total revenue for the 10-year period from 1997 to 2006 was only 7.5 per cent of Sony's. But its net profit margin was 750 per cent higher. This is one of the perks that comes from specialisation. Yes, Sony still makes more in terms of net profit compared to Nintendo – US$10.5 billion versus US$6.9 billion (S$15.8 billion versus S$10.4 billion), but Sony's margins are very thin.

We wonder if a two per cent return on investment is enough to even pay Sony's bank interest? Given how thin the margins are, we suspect that there could be many Sony products that are actually not making money. Axing these products would improve its financial position but it is unlikely that a giant multinational corporation like Sony will do that since that would reduce its sales revenue.

Intel Versus Hitachi

Hitachi is a well-known company. You see its brand on a lot of the products – both commercial as well as consumer – that you use every day, from batteries to elevators. A quick check on the Hitachi website (www.hitachi.com) reveals that the company is what we would consider a hybrid, in that it has both a clearly defined consumer division and a commercial division.

The products and services sold under the consumer division can be divided into the following categories:

- Accessories (batteries, lamps, audio visual, etc)
- Home Appliances (air-conditioners, kitchen equipment, etc)
- Computing (desktops, laptops, accessories, etc)
- Mobile Phones
- AV Products (TV, projectors, video recorders, camcorders, etc)
- Home Equipment
- DIY (power tools, garden supplies, etc)
- Social Benefit/Care
- Service/Finance

The products and services sold under the commercial division can be divided into the following categories:

- Computer/Network System
- Environment/Public/Urban/Society
- Medical/Social/Scientific
- Building/Condominium/Store
- Power
- Industrial
- Semiconductors/Materials/Components

When we were looking through the list, we held our breaths because we wondered how Hitachi is managing all that diversity and complexity.

In comparison, when we looked through Intel's list of products, we found out that even though Intel has so many types of microprocessors for every imaginable computing application, all of them fall within one category – microprocessors. Now, let's take a look at these two companies' financial performance.

Table 3: Hitachi's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Mar 06	83,636	330	0.39 per cent
Mar 05	84,015	479	0.57 per cent
Mar 04	76,377	141	0.18 per cent
Mar 03	67,210	229	0.34 per cent
Mar 02	63,969	-3,872	-6.5 per cent
Mar 01	74,377	922	1.24 per cent
Mar 00	70,703	150	0.21 per cent
Mar 99	70,493	-2,895	-4.1 per cent
Mar 98	74,376	107	0.14 per cent
Mar 97	75,315	794	1.05 per cent
TOTAL	**740,471**	**-3,616**	**-0.49 PER CENT**

(Source: www.hoovers.com)

Table 4: Intel's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Dec 05	38,826	8,664	22.31 per cent
Dec 04	34,209	7,516	21.97 per cent
Dec 03	30,141	5,641	18.72 per cent
Dec 02	26,764	3,117	11.65 per cent
Dec 01	26,539	1,291	4.86 per cent
Dec 00	33,726	10,535	31.24 per cent
Dec 99	29,389	7,314	24.89 per cent
Dec 98	26,273	6,068	23.10 per cent
Dec 97	25,070	6,945	27.70 per cent
Dec 96	20,847	5,157	24.74 per cent
Total	**291,784**	**62,248**	**21 PER CENT**

(Source: www.hoovers.com)

It would seem like Hitachi the generalist has made everything except money, whereas Intel the specialist has made lots of it. Intel's total revenue in the 10 years we measured was only 39.4 per cent of Hitachi's, but its net profit of US$62.2 billion (S$93.3 billion) beat Hitachi's US$3.6 billion (S$5.4 billion) net loss hands down.

Some people have argued with us that it is not fair to compare a company like Hitachi with Intel because we are not comparing apple to apple. Well, Hitachi also makes microchips like Intel does, but besides this, it also makes other things. What we are trying to show here is the difference between a specialist and a generalist, in terms of financial performance over time.

TSMC Versus Samsung

Samsung has become one of the most celebrated Asian brands in recent years and we have great admiration for what it has achieved. In 1992, when Jacky was studying in the US, a friend offered to sell him a used Samsung TV for US$25 (S$37.50). Jacky replied, "Don't waste my time. If it is not a Sony, I am not buying. I don't care how cheap it is." Well, Jacky was just a poor student but between buying a cheap used Samsung TV and not having a TV to watch, he would have chosen the latter although he loves to watch TV. In fact, these days Jacky tells clients not to call him between 10pm and 11pm as he will usually be watching TV at that time.

At the recent 2006 PC Show at Suntec City, Jacky was drooling over the really sleek Samsung high-definition TVs, and made up his mind that when the time comes to replace his Sony TV, he will get a Samsung. How things have changed. Samsung has invested a lot of money in design and innovation to get to the top. That is why so many of the Singapore companies we meet want to be like it.

But Samsung is a generalist brand – besides consumer electronics, the Samsung Corporation also has many diversified businesses such as trading, engineering and construction, housing development and retail.

TSMC is a company that not many people know but it is a highly focussed specialist. Let's compare their financial performance at the group level.

Table 5: Samsung Corporation's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Dec 04	121,700	11,800	9.70 per cent
Dec 03	101,700	5,600	5.51 per cent
Dec 02	116,800	8,900	7.62 per cent
Dec 01	98,700	4,500	4.56 per cent
Dec 00	119,500	7,300	6.11 per cent
Dec 99	93,500	2,200	2.35 per cent
Dec 98	72,000	201	0.28 per cent
Dec 97	96,100	291	0.30 per cent
Dec 96	92,700	164	0.18 per cent
Dec 95	83,700	3,802	4.54 per cent
Total	**996,400**	**44,758**	**4 PER CENT**

(Source: www.hoovers.com)

Table 6: TSMC's Financials

Year (ending)	Revenue (US$ million)	Net Income (US$ million)	Net Profit Margin
Dec 05	8,152	2,883	35.37 per cent
Dec 04	7,887	2,844	36.06 per cent
Dec 03	6,220	1,456	23.41 per cent
Dec 02	4,959	666	13.43 per cent
Dec 01	3,878	446	11.50 per cent
Dec 00	5,213	2,006	38.48 per cent
Dec 99	2,253	757	33.58 per cent
Dec 98	1,548	473	30.55 per cent
Dec 97	1,354	553	40.88 per cent
Dec 96	1,214	598	49.24 per cent
Total	**42,678**	**12,681**	**30 PER CENT**

(Source: www.hoovers.com)

The good news is that Samsung Corporation as a group is profitable, unlike Hitachi, but the bad news is, the profit margin is very low – four per cent, versus TSMC's 30 per cent. Although in absolute numbers, Samsung Corporation's net income of US$44.8 billion (S$67.2 billion) is 253 per cent higher than TSMC's, it required a turnover that is a mind-boggling 2,235 per cent higher to achieve.

We would rather be in TSMC's position: Do one thing and do it well, and make lots of money while doing it.

SPECIALISATION REQUIRES SACRIFICE

It is not easy being specialists. It means you have to sacrifice a lot of the things that you could potentially do. That is the one thing that gives companies pause when we recommend that they specialise. "What? You want us to close down so-and-so divisions? But those divisions have been around with us for as long as we can remember! How can you tell us to close them down?"

If you want to specialise that is what you have to do – sacrifice nine out of 10 things so that you can be dominant in one. That was what Nokia did in 1991. Gave up everything else to focus on mobile phones. And it paid off. Nokia is still No. 1 in mobile phones despite the strong challenge mounted by Motorola, Samsung, Sony Ericsson, etc. Nokia's total revenue from December 1995 to December 2006 was US$320 billion (S$480 billion), with net income at US$48 billion (S$72 billion). That translates into a net profit margin of 15 per cent – fantastic, by any yardstick.

Specialisation also means that you fight fewer battles. A company like Sony will have to compete with various competitors in different categories. Life is complicated enough as it is, so why do you want to add on unnecessary trouble? Nintendo only needs to worry about two competitors – PlayStation and Xbox. It does not even have to be concerned about fighting the whole of Sony or Microsoft – just one division within each of these giants.

Are you willing to sacrifice to specialise? You have to make up your own mind. Some of our clients have made the wise decision to close down non-performing and non-core businesses, which did two things for them.

One, it reduced overall turnover of the group.

Two, it increased overall profits of the group.

And it allowed them to specialise and claim specialisation as a differentiator, which made them more attractive to potential buyers.

EVEN DIVERSIFIED BRANDS STARTED OUT AS SPECIALISTS

This is going to knock your socks off. Some of the most diversified companies on the market today actually started out as specialists. That specialisation allowed them to grow into big global brands. One of the most admired companies in the world is probably General Electric (GE). Today, it has all kinds of products and services that fall within these 15 categories, which we have listed below.[47]

1. Appliances

GE is one of the largest manufacturers of major appliances in the world, producing Monogram®, GE Profile™ and many more brands.

2. Aviation

GE is one of the world's leading providers of aviation services and the leading producer of jet engines. It supplies jet engines for commercial, corporate, military and marine industries.

3. Consumer Electronics

GE also makes consumer electronics products, including phones, computer accessories, digital cameras and others.

4. Electrical Distribution

GE provides a wide assortment of integrated equipment, systems, electrical distribution and control solutions to manage power in a variety of residential, commercial and industrial applications.

5. Energy

GE provides energy products and services to more than 120 countries with its coal, oil, natural gas, nuclear energy, water and wind technologies.

6. Finance – Business

GE Commercial Finance serves clients in more than 35 countries by providing loans, operating leases, financing programmes, commercial insurance and equipment leasing to help global business grow.

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47 www.ge.com

7. Finance – Consumer

GE Money is a leading provider of credit services, offering credit, loans, mortgages and more. It serves consumers, retailers, auto dealers and mortgage lenders worldwide.

8. Healthcare

GE provides medical technologies and services from medical imaging and information technologies, to diagnostics and drug discovery.

9. Lighting

Since the day Thomas Edison discovered a better filament for the incandescent lamp, GE has been lighting up the world. It still provides a range of lighting products for the consumer, commercial and industrial markets, 131 years on.

10. Media & Entertainment

GE owns NBC Universal, which is a leading media and entertainment company in the development, production and marketing of entertainment, news and information worldwide.

11. Oil & Gas

GE provides global technology-based products, services and complete solutions to the oil and gas industry.

12. Plastics

GE offers innovative and environmentally-conscious plastics and other materials addressing design needs for virtually every manufacturing sector.

13. Rail

GE is the leading supplier to the world's railroads, pioneering locomotive and railroad management technologies that are economically advantageous and ecologically sound.

14. Security

GE's security operations span 30 countries.

15. Water

For over 100 years, GE has been a global supplier of water treatment, wastewater treatment and efficient process systems solutions.

In 2006, GE reported sales revenue of US$163.4 billion (S$245.1 billion) and net income of US$20.7 billion (S$31.1 billion), which represents a net profit margin of 12.9 per cent. That is excellent for a diversified brand. But before you jump the gun and run off to do a GE, you need to remember that GE did not start out being such a diversified company.

GE started out a specialist. For those that do not know, GE was the company that Thomas Alva Edison founded in 1876. And you know that Edison was the guy who invented the electric light bulb. GE was a highly specialised company in the beginning, and that allowed it to grow rapidly and amass a huge fortune, which it then used to diversify into other businesses.

GE had an early start. It entered a lot of the categories while those were still very new. In those days, it did not face very stiff competition and had the luxury of growing up relatively unmolested by competitors. You do not have that kind of a head start, nor resources in terms of money and people.

There are so many more brands that are diversified that had their start as a specialist in something. It was only after they became dominant brands in their categories that they started diversifying. FedEx was the dominant brand in overnight letters before it diversified into other areas of logistics; and Honeywell, in thermostats before it went into other areas of control units. Google was the dominant brand in search engines before it diversified into software, blogging and video hosting.

In A Nutshell

When you specialise you become good at what you do, and other people think that you are good at what you do. So, specialisation is a powerful differentiator. It is all right for a specialist to be a small company because people are generally okay with that. But being a specialist can transform your business into a big and successful brand. Specialists tend to have smaller revenues than generalists but specialists tend to make more profits. Many diversified brands actually started out as specialists so you should specialise and become big before you diversify.

CASE STUDY
Specialisation — Evershine

Background
Evershine Traders Corporation Pte Ltd was established in 1961 by its Chairman, Mr Wu Yang San in Singapore. He has built a successful business that specialises in surface materials for industrial, commercial and residential applications. This includes the supply and installation of solid surface materials and laminate flooring.

Over the years, Evershine has gained valuable experience by concentrating on supplying high-quality surface materials and providing product installation services to architects, construction companies (especially main contractors), interior designers and renovation contractors. It has developed a very effective distribution network and 25 per cent of its products are exported overseas.

Today, Evershine has two showrooms in Singapore and it has moved well beyond traditional commercial and residential spaces to unique inner spaces such as cabins of vessels and oil rigs to aerobridges at airports.

The Challenge
Evershine became very successful over the past 46 years by focussing on what it does best – marketing surface materials. This trading model that has built many successful Singaporean companies in the past is increasingly becoming unsustainable. Competitors now have easier access to a variety of product brands which is causing diminishing profit margins among companies, especially those that lack differentiation within their categories. This inevitably leads to customers having more to choose from. A price war emerges.

Evershine has its own product brands and although these brands are not strong enough to be key players in the market, Evershine is committed to investing in these brands as they are the future of the company. The company certainly has potential but competitors are taking a similar approach.

Being placed low in the value chain is a real challenge. As customers become more sophisticated in understanding that similar products can be easily obtained, they want more out of the service provider. What this means is that suppliers like Evershine have to do more for the same or less profits. While the property market is on a steady rise during the period of writing, developers are using the construction and property market rally to squeeze their main contractors for lower prices (so that the former can maximise profits) and in turn, contractors like Evershine suffer as they are located almost at the lowest point of the food chain. This could also be further aggravated when Evershine has yet to have a brand which home-owners are aware of and have a high perception of.

Evershine, as a corporation, needs to differentiate itself in a more precise way.

The Differentiation Strategy

Let's revisit the challenges:

- Similar competing practices;
- Low in the value chain;
- The principal-agent dilemma.

You would have read in many parts of this book about product parity. Let's introduce a similar term known as service parity. In service parity, the range of services and levels which competing service providers provide is deemed to be more or less the same. While there is indeed some level of service and product parity in the interior surfacing business, customers of Evershine tell us that Evershine indeed has an advantage over the rest of its competitors. This has much to do with its renowned reliability as a result of readily available inventory. This has earned Evershine the reputation as a very reliable service provider. But this is obviously not good enough as more can be done to further enhance its position.

As you have already learnt by now, the process of building a strong brand is about transforming a dominant strength of a product or company into positive perception, which is then used to drive the product or business forward. If you are not differentiated, you pretty much don't have a brand and reliability cannot be used to create a superior perceptual differentiation because it is something which competitors may also achieve without great difficulty. But what if, in reality, there is product or service parity? Where do we find the differentiation? It is in the perception.

Evershine, as a corporation, needs to differentiate itself in a more precise way and this can be done through specialising in a category. So the question is HOW?

Specialisation requires category association, ie. you have to be a specialist in something.

In recent times, Evershine's customers have grown beyond the traditional residential and commercial space. This is the result of its product range extension to cover specialised markets:

- offshore, oil and gas sector;
- clean rooms;
- clinics and hospitals.

Such markets need specialised products for their specific applications. This would mean that Evershine's markets extend beyond the residential and commercial space into the industrial space.

In our first book, Transforming a Business into a Brand – The 10 Rules of Branding, we proposed that if a category is occupied, brand owners must develop new categories. Evershine's new category of "Inner Space" defines its market space well beyond residential and commercial settings. Its current range of products also allows it to be well-poised to meet the surfacing demands of the industrial sector.

Evershine has a rich heritage. It is the longest established in its trade in Singapore and it has built a firm track record in the surfacing business. Evershine is transforming rapidly into a modern enterprise in with second generation of leaders.

In order for Evershine to establish perceptual differentiation in this specialisation, it has to do two things:

a. claim a new category; and
b. communicate that it is the first to do so.

A brand is not a brand until it is known for what it stands for or is associated with. Evershine must dramatise and communicate its specialisation explicitly and claim dominion over its new category as quickly as possible at every customer touch-point.

One successful way of doing this, in view of pressure from main contractors to lower its price due to product/service parity, is to create superior perception in the minds of its customers through specialisation. Intel has done this very successfully. Intel, as we all know, is a B2B brand, ie. PC consumers do not buy Intel chips, yet Intel has created a powerful perception in consumers' minds to an extent that if a PC is not powered by an Intel chip, it is deemed to not be as powerful in terms of performance. Evershine must continue to do the same by steering price pressures away from contractors and have end-users put demand pressures on these contractors (or any other intermediary) to adopt Evershine's products and services. And this could be made possible by specialisation which can help create the perception of a superior brand.

Chapter 19

Strategy No. 11 – Preference

WHAT do you take when you have a headache? Panadol. How many of you reading this book actually have a degree in medical science? Probably not that many. So, you probably don't know for sure if Panadol is really better than the other painkillers out there from a medical point of view. If that is the case, why do you take Panadol when you have a headache? Why is it that every time somebody says to you, "I have a headache," you say, "You want a Panadol?" The reason is simple. You take Panadol because that is what everyone else is taking for their headaches.

Panadol is what everyone else seems to be taking for headaches and if everyone that you know is taking Panadol, then it must be good, right? It does not matter if Panadol is really better than its competitors or not. All that matters is Panadol is what people take for their headaches. That is differentiation via preference. If the people you know and trust prefer Panadol, then Panadol must be good.

And preference is a strategy that does not depend on sales leadership to work. For argument's sake, let's say Panadol is not the best-selling brand on the market but it is still the brand preferred by people with severe headaches. Because it is preferred by people for relieving severe headaches, Panadol has a powerful differentiating idea whether or not it is the best-selling painkiller. And if Panadol is preferred by people with severe headaches, then it must be good, so even people with less severe headaches might buy it. All of these might eventually result in Panadol having sales leadership.

In the book, *Influence: The Psychology Of Persuasion,* renowned consumer psychologist Dr Robert Cialdini talks about the principle of social proof. Dr Cialdini opens this chapter with a discussion of canned laughter – the kind you hear in the background on sitcoms whenever something supposedly funny is shown. No matter how much audiences claim they dislike it, research indicates that canned laughter makes people laugh.

Dr Cialdini explains, "Experiments have found that the use of canned laughter causes an audience to laugh longer and more often when humorous material is presented and to rate the material as funnier. In addition, some evidence indicates that canned laughter is most effective for poor jokes." The next time you watch a sitcom, pay attention to the canned laughter. Chances are, the canned laughter will prompt you to laugh along.

Why does canned laughter work, especially when it is so obviously faked? To answer this question, Dr Cialdini puts forth the principle of social proof, which states: "One means we use to determine what is correct is to find out what other people think is correct. We view a behaviour as more correct in a given situation to the degree that we see others performing it." That means we use social proof as a shortcut – if other people are doing it, it must be correct. The more other people are doing it, the more correct it is. It may not necessarily be correct but people tend to think that if other people are doing it, then it is probably all right for them to do it. That is why when you are at a busy road junction and you see a lot of people jaywalking across it, you tend to follow.

Before Christopher Columbus discovered that the Earth was round, people used to think that the Earth was flat and if you sailed too far off, you would fall off the edge. Since so many people had the same thinking, it provided social proof that such thinking was correct. To think otherwise was extremely risky and as such, most people avoided it. You know there is this saying that goes, "A million people can't possibly be wrong"? Well, a million people can be wrong and quite often, too.

Dr Cialdini also writes that there are two types of buyers – initiators and imitators. Only five per cent of buyers out there are initiators. Initiators are also what some marketing professors would call innovators or early adopters. They are willing to try something new. They don't need to see what other people buy before they buy. They will initiate the purchase from within. The remaining 95 per cent of buyers are imitators: They buy what other people buy.

Because there are so many options out there on the market, people get confused. To make their choices simpler, many people tend to buy what other people buy. If everybody is buying a particular brand, that brand must be good. That is how the mind thinks. Therefore, preference is a powerful differentiating strategy. If you can show what type of people (or companies) prefer to use your brand, you can influence other people to buy from you.

In the rest of this chapter, we will show you case studies of brands that have successfully used preference as a differentiation strategy and how you can use preference as a differentiation strategy even though you are not the most preferred brand in your market.

THE PAIN RELIEVER HOSPITALS USE MOST

In Singapore, when you mention pain relievers, most people will say, “Panadol.” Over in the US, they will say, “Tylenol.” Tylenol is not sold in Singapore but it is America’s leading brand of pain relievers. It was launched in 1955 and is owned by McNeil Consumer & Specialty Pharmaceuticals, which in turn is a subsidiary of the pharmaceutical and healthcare giant, Johnson & Johnson. McNeil is the largest producer of over-the-counter drugs in the US. It chalked up sales of US$2.1 billion (S$3.2 billion) in 2004.[48]

Apart from its Tylenol-branded products, McNeil also manufactures other well-known over-the-counter medications such as the Motrin pain reliever, St Joseph’s Aspirin, the Nicorette smoking cessation aid, Mylanta for gastrointestinal pain relief, and Simply Sleep, a sleeping aid. It also has paediatric versions of each of its over-the-counter medications, as well as such prescription pharmaceuticals as the Concerta attention deficit disorder drug and the Flexeril muscle relaxant.

One of the reasons McNeil continues to be at the top is a differentiation strategy based on preference, which it has used for its best-selling Tylenol pain reliever for decades. Its active ingredient is acetaminophen (or paracetamol, as it is known outside the US, the same active ingredient used in Panadol), which is not a great differentiator since it has been around since 1893.[49] What has set Tylenol apart is the fact that it is the brand preferred by hospitals.

Tylenol’s advertisement is very simple: “The Pain Reliever That Hospitals Use Most”. Although people are generally smart enough to realise that the active ingredient in Tylenol can also be found in competing brands that are cheaper, about one in three people still buy Tylenol. Why? Because Tylenol is the brand preferred by hospitals. If hospitals use Tylenol it must be the best, regardless of what other people may say. If Tylenol is the brand preferred by hospitals, then it must be a brand that is very trustworthy. And because it is the brand preferred by hospitals, people do not mind paying slightly more for Tylenol.

THE CYANIDE SCARE OF 1982

It is amazing that Tylenol is still the No. 1 brand despite a cyanide scare in 1982[50] that almost destroyed it – through no fault of its own. This story

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48 www.tylenol.com

49 http://en.wikipedia.org/wiki/Tylenol

50 http://en.wikipedia.org/wiki/1982_Chicago_Tylenol_murders

has nothing to do with preference as a differentiation strategy but we are telling it here because it provides very good pointers for companies on how to handle a crisis of such magnitude. Tylenol actually emerged stronger because it demonstrated that it cares more about public health than about profits. This is the same reason why Singapore emerged from the SARS crisis in 2003 stronger: The government demonstrated that it cared more about public safety than the loss of commerce, so world confidence in the country was boosted.

Back to the Tylenol story. On 29th September 1982, a 12-year-old girl from Elk Grove Village, Illinois, by the name of Mary Kellerman died after she took an Extra Strength Tylenol capsule. Six other people also died after taking Tylenol. Investigators found out that each of the victims had taken Tylenol capsules and this sparked off a scare that led to a dive in Tylenol's sales.

This event was dubbed "The Tylenol Murders of 1982". Police drove throughout Chicago neighbourhoods to warn residents over loudspeakers not to take Tylenol until further notice. Johnson & Johnson, the parent company of McNeil, sent out urgent warnings to hospitals and distributors, and halted Tylenol production. On top of that, it issued a nationwide recall of 31 million bottles of Tylenol with a combined retail value of US$100 million (S$150 million).

As the seven deaths had occurred in the Chicago area and the eight contaminated bottles all came from different factories, the possibility of sabotage during production was ruled out. The perpetrator was believed to have stolen the bottles from various supermarkets, contaminated the contents with a solid cyanide compound, then replaced the bottles on the shelves.

Johnson & Johnson's quick action earned it praise from the media. The company was seen as a responsible corporation that put public health above profits. Although market share of Tylenol plummeted from 35 per cent to eight per cent during the scare, it rebounded in less than a year.

PREFERRED BY *CONDE NAST TRAVELLER*

Conde Nast Traveller is a British travel magazine that offers travellers a guide to over 250 of the world's top holiday destinations. It is a leading travel magazine that has won many awards for its editorials, design and photography. Its website draws 270,000 visitors a month with 2.2 million page impressions, and it also has 46,000 e-mail subscribers and 60,000 PDA users.

The average reader is 38 years old and has an average annual household income of £103,000 (S$300,000); 91 per cent of this pool takes at least three holidays a year. Sounds to us like a pretty upper-crust type of customer.

So, if you are an airline that is preferred by the readers of *Conde Nast Traveller*, then you must be a great airline. The magazine runs a Readers' Travel Awards every year, asking its readers to rate their preferred:

- Airlines
- Airports
- Cities
- Countries
- Cruise lines
- Hotels
- Islands
- Spas
- Tour operators

If you are fortunate enough to be named by *Conde Nast Traveller* readers in any of the above categories, you had better make use of that preference to differentiate yourself. It is not an easy thing to achieve and that is why you should make full use of it. But at the same time, you also need to work very hard to make sure that you remain the preferred choice in the next year and the years after that. Preference can be a fickle thing, especially in today's world where customers want instant gratification and are spoilt for choice.

Let us look at the results of the 2006 *Conde Nast Traveller* Readers' Travel Awards.[51]

Airlines

Cathay Pacific scored in the Long Haul Leisure Travel category with a rating of 89.67 per cent, beating Virgin Atlantic narrowly. So, if you are Cathay Pacific, you should advertise that fact aggressively: "The Most Preferred Airline For Long Haul Leisure Travel".

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51 http://www.cntraveller.com/ReadersAwards/2006

Table 7: Long Haul Leisure Travel

1.	Cathay Pacific	89.67 per cent
2.	Virgin Atlantic	89.25 per cent
3.	Emirates	88.13 per cent
4.	British Airways	87.79 per cent
5.	Singapore Airlines	87.44 per cent
6.	Air New Zealand	85.27 per cent
7.	Thai Airways	85.10 per cent
8.	Malaysia Airlines	84.20 per cent
9.	Qantas	83.45 per cent
10.	Air Canada	83.36 per cent

All is not lost because there are a few more categories when it comes to airlines. British Airways, although it is ranked fourth for long-haul leisure travel, can differentiate itself as the most preferred airline for short-haul leisure travel with an approval rating of 91.11 per cent, versus second-placed BMI's 88.33 per cent.

What do the numbers represent? They are an index of satisfaction with travel facilities and services, scored out of a maximum of 100. In the Readers' Travel Awards questionnaire, readers were asked to choose the best that the travel world has to offer – everything from hotels and spas to airlines and airports. Furthermore, they were also asked to rate their choices according to various criteria, such as service and value for money. From the responses, *Conde Nast Traveller* calculated the average mark on each criterion, and used this to provide the overall satisfaction percentage figure in the league tables.

In the business travel category, Emirates emerged as the most preferred airline with an approval rating of 90.51 per cent. This is actually a powerful differentiator as a lot of air travel is for business. Emirates can differentiate itself as the preferred airline for business travellers, which will make it an attractive brand for all those jet-setting businessmen and corporate executives.

Table 8: Business Travel

1.	Emirates	90.51 per cent
2.	British Airways	89.05 per cent
3.	Singapore Airlines	88.93 per cent
4.	Cathay Pacific	88.32 per cent
5.	Virgin Atlantic	86.61 per cent
6.	Qantas	85.29 per cent
7.	BMI	84.57 per cent
8.	Lufthansa	83.68 per cent
9.	KLM	81.57 per cent
10.	Malaysia Airlines	81.43 per cent

If you look at the Business Travel category, Singapore Airlines is ranked No. 3 – nothing to shout about really, but earlier in this chapter we mentioned that you can use preference as a differentiator even if you are not the most preferred overall. Here is how. If you study the results from 2001 to 2006, you will find that only one airline has appeared in the business category's top three for six consecutive years, and that is Singapore Airlines. It can say that it is consistently among the most preferred airlines.

It is up to you how you want to present the results. For example, let's assume that you need to present a project proposal to your board of directors for approval and this particular project has a 50/50 chance of success. You can tell the board that there is a 50 per cent chance of success or say there is a 50 per cent chance of failure. It is the same either way but how you present it could make a difference. It depends on whether you want to be glass half-full or glass half-empty.

Countries And Cities

Great news for Italy, as it was voted as *Conde Nast Traveller* readers' most preferred country for a vacation in 2006. So, the tourism body of Italy should run a campaign to differentiate its country brand based on this preference strategy.

Table 9: Favourite Country

1.	Italy	95.57 per cent
2.	New Zealand	94.81 per cent
3.	Australia	94.44 per cent
4.	India	94.42 per cent
5.	South Africa	94.20 per cent
6.	France	93.18 per cent
7.	Thailand	91.07 per cent
8.	Spain	90.78 per cent
9.	Brazil	90.33 per cent
10.	Switzerland	89.57 per cent
11.	Mexico	89.41 per cent
12.	Malaysia	86.36 per cent
13.	Sri Lanka	84.37 per cent
14.	Canada	83.57 per cent
15.	USA	82.71 per cent
16.	Greece	81.78 per cent
17.	Singapore	79.80 per cent
18.	China	79.22 per cent
19.	Turkey	78.96 per cent
20.	Indonesia	77.52 per cent

Not such good news for Singapore (ranked No. 17), but being small sometimes has its advantages. If you look at the rankings for the most preferred *city* for vacation, Singapore is actually ranked No. 10. That allows Singapore to claim that it is a Top 10 preferred vacation city rather than the No. 17 country – again it depends on how you slice it.

Table 10: Favourite City

1.	Rome	94.22 per cent
2.	Barcelona	93.67 per cent
3.	Sydney	93.17 per cent
4.	New York	92.29 per cent
5.	Paris	91.63 per cent
6.	Venice	90.20 per cent
7.	Dublin	88.91 per cent
8.	Florence	87.44 per cent
9.	Dubai	86.80 per cent
10.	Singapore	86.67 per cent
11.	Madrid	86.06 per cent
12.	Melbourne	85.60 per cent
13.	Prague	83.64 per cent
14.	Copenhagen	83.05 per cent
15.	Amsterdam	81.82 per cent
16.	Istanbul	81.50 per cent
17.	Cape Town	80.86 per cent
18.	Hong Kong	80.55 per cent
19.	Vienna	77.47 per cent
20.	Marrakech	76.13 per cent

If you are not on the *Conde Nast Traveller* list, it is still all right because there are so many surveys out there. Just find one in which you rank favourably and use that ranking. We were once asked this question: “How is it possible that Cathay Pacific and Singapore Airlines can both claim to be the best airline in the world at the same time?” The answer is very simple. They could both be No. 1

according to different surveys. So, Singapore could be No. 10 with *Conde Nast Traveller* but No. 1 with someone else. We do not have time to search – that is the job of the Singapore Tourism Board anyway.

BRUSH LIKE A DENTIST

Oral-B is the worldwide leader in both the manual and power toothbrush markets – estimated to be worth US$5 billion[52] (S$7.5 billion). For more than 50 years, it has produced high-quality dental-hygiene products for both consumers and dental professionals worldwide. More recently, it has come up with a power toothbrush range, which it claims is backed by more than 60 published clinical studies that demonstrate the superiority of its oscillating-rotating technology.[53] Now, an independent study has confirmed that oscillating-rotating technology is better than other toothbrush technologies.

But what has really differentiated Oral-B is the fact that Oral-B toothbrushes are recommended by more dentists worldwide than any other brand. It advertises this fact very aggressively. On the Oral-B website's landing page, you will find the tagline, "The Brand More Dentists Use Themselves Worldwide". That is differentiation by preference. It is a very powerful tool, especially when the people who prefer your brand are perceived to be experts in your product or service category. If Oral-B is the brand preferred by pilots, it may not be that big a deal; what do pilots know about dental care? If you sell parachutes and your brand is preferred by pilots, then certainly you have a powerful differentiator.

Oral B is the No. 1 brand in manual and power toothbrushes today, simply because dentists prefer to use it. After all, by using the toothbrush that dentists use, you may have to visit the dentist less. We do not know about you but we hate those visits. Being preferred by dentists is a powerful differentiator for Oral-B and it has helped to build the brand into the global powerhouse that it is today.

THE COMPANY INSPIRED BY A GUIDE DOG

Hill's Pet Nutrition – founded by Dr Mark L. Morris, Sr in 1939 – is a global leader in pet nutrition. In 1939, his ideas were visionary in veterinary medicine as he believed certain diseases in pets could be managed through carefully formulated nutrition.

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[52] http://www.oral-b.com/us/aboutus/

[53] http://www.oralb.com/us/products

The opportunity for proof came when he was asked if he could save a young blind man's guide dog whose kidneys were failing. The good doctor went to work and the result was a nutritional formulation that became the first product in the Hill's Prescription Diet line of therapeutic pet food. Not too long after that, Hill's Pet Nutrition was founded and the brand new industry of clinical nutrition for pets was born.

That was the foundation of the company but how was the brand differentiated? Hill's advertised that it was the "Worldwide No. 1 Choice Of Veterinarians". Even the logo of Hill's Science Diet brand carried the words "Veterinarian Recommended". So, if you have a dog that you love very much, what brand of pet food would you buy for it? Probably the brand that the vets prefer. We have seen brands of dog food being advertised as being preferred by dogs during tests, but if we do buy dog food, we would rather buy the brand preferred by vets, not by dogs.

PREFERRED BY THE WORLD'S BEST ATHLETES

If you are going to buy a pair of sports shoes, what would come to mind first? Probably Nike, because it is the brand the world's best athletes wear. Never mind that Nike paid many of these top athletes to wear its brand. If it is good enough for the likes of Tiger Woods and Roger Federer, it should be good enough for you.

Yes, Nike's slogan is "Just Do It" but just because Nike tells you to, you are not going to "just do it". What would influence you to buy Nike would be the fact that you have seen the best athletes in the world using Nike.

YOU CAN USE PREFERENCE EVEN IF YOU ARE A SMALL PLAYER

You may be a small player in your industry and may not be the most preferred brand by any of the customer segments you serve. That does not mean that you cannot use preference as a differentiator. You just need to use a variation. You need to do a Pepsi: Pepsi admitted that Coke was the real thing, then repositioned Coke as the old thing and took the opposite position by being the brand for young people. But you will not be doing any repositioning of your competitors here.

Look carefully at your customer profile. Out of all those customers whom you serve, are you skewed quite heavily towards a particular segment? If the answer is yes, then you can claim to be preferred by that group. How does it work? For example, one of our clients, Danovel, a specialist in premium handcrafted fabric sofas, furnishes about 200 homes a year in Singapore. Ninety per cent are British, Australian and American expatriate homes. So, if Danovel wanted to, it could claim to be preferred by expatriates. Danovel may not be the furniture brand that serves the most number of expatriates but if nine out of 10 of its customers are expatriates, it can claim some form of preference. What this will do is it will project the image that Danovel must be good because it is preferred by expatriates, who are perceived by many locals as very discerning. If your brand is preferred by the discerning, you must be good.

Being preferred by one group of people will help you to continue to attract customers from that group. At the same time, it will allow you to attract others who want to be like them. When you see successful business people or professionals wearing Rolex watches and carrying Mont Blanc pens, you might aspire to own a Rolex or carry a Mont Blanc because you aspire to be successful like those people. The brands being preferred by successful people will make them desirable.

Jacky plays tennis regularly. When he needed to get a new racket some years back, he decided to buy another one from Head, a brand he has been using since he was 14. Which model to choose? He reasoned that since he was no longer as young as he used to be and could no longer play the serve-and-volley game he used to, he might as well get a racket suited for baseline play. His previous racket was the Head TiS6 – the first racket to mesh titanium and carbon fibre in its construction, making it very light and ideal for serve-and-volley. Which model now? Who was the best baseliner in the world? At that time, probably Andre Agassi, who used the Head Liquidmetal. With the thinking, "If it is good enough for Andre…" Jacky bought that same model. It turned out to be a mistake because it was meant for professionals (or tour players). For an entire month, he kept hitting balls straight into the back fence and sometimes through it! But that is the power of preference.

Preference is not a differentiation strategy that works only for consumer products but for commercial (B2B) products as well. For example, if you are a construction company and see that all the top construction companies in the world use Caterpillar equipment, you would think, "I had better buy Caterpillar because if I don't, people might think I am no good." What if you cannot afford Caterpillar? Well, you would buy something cheaper. In the back of your mind, however, you would still think of buying Caterpillar someday because you see so many successful construction companies using Caterpillar.

In 1992, DeWalt introduced a specialised line of portable electric power tools and accessories designed specifically for residential contractors, re-modellers and professional woodworkers.[54] DeWalt may or may not be the biggest player in this market but because professionals buy its tools, DIY hobbyists would want to buy it too. If it is good enough for the professionals, why shouldn't you buy it even though you probably don't need a professional-grade power tool?

If you are an animations specialist, you would want to buy a Silicon Graphics computer, of course. Why? Because that is the brand used by the top special-effects companies in the world like Industrial Light & Magic (George Lucas' company) and Pixar. Being preferred by Hollywood's best 3D animators makes Silicon Graphics a strong brand in the visual computing world.

We talked about Alienware earlier. This is a small computer brand that was bought by Dell in 2006. Its turnover of US$172 million (S$258 million) in 2005[55] does not make it a computer giant because the likes of Dell and HP each sell billions of dollars' worth of computers annually. But Alienware is a strong brand because it is preferred by computer gamers – who are a very demanding bunch. They want the best equipment to zap aliens with. If gamers buy Alienware, it must make really powerful and user-friendly computers. Hence, even big corporations wanting something special could be persuaded to buy Alienware machines.

In A Nutshell

Preference is a powerful differentiator because the people who prefer you can make your brand strong. You do not have to be the biggest brand to use it as a differentiator but you do have to know who prefers to use you. Once you find that out, the trick is to communicate that in a way that is clear and believable. If you claim preference, you need to make sacrifices. For example, if 70 per cent of your customers are from Segment A, 20 per cent from Segment B and 10 per cent from Segment C, you can claim that your brand is preferred by Segment A types because 70 per cent of your customers come from there. But that would mean that Segment B and Segment C have to be sidelined. You must be willing to do that.

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[54] http://www.dewalt.com/us/service/company

[55] http://news.bbc.co.uk/2/hi/business/4835536.stm

CASE STUDY
Preference — Leeden

Background

Leeden Limited (formerly known as Ace Dynamics Limited) was incorporated in 1964 and listed on the SGX in 1975. Then, its core business was in providing welding solutions that included the supply of welding and safety products, industrial gases and other related services. It also provided a wide range of products used for welding and cutting machines, grinding wheels, pipe bevelling equipment, welding electrodes, gas regulators and welding accessories.

At some point in history, Ace Dynamics delved into other areas of business, which included property management services, residential property development, multimedia and entertainment.

In the industrial area of its business (which is its core business today), Ace Dynamics' business model is one of marketing and distribution of well-known industrial product brands such as Miller, Flexovit, Hobart, OTC-Daihen, Wachs and Oerikon.

Over the course of time, it developed Blue Power and Bondflex, its own proprietary brands. Ace Dynamics' customers are mainly from the sectors of oil and gas, shipbuilding and ship repair yards, vehicle-related industries, metalwork fabricators, the electronics industry and gas dealers.

Its operations are based predominantly in Singapore. However, its key markets are mainly Malaysia, China and Indonesia, with a distribution network covering Thailand, Brunei, Myanmar, the Philippines and the United States.

One of the strengths of Ace Dynamics is its in-depth expertise in welding, gas and safety equipment due to its long operating history in the business. This is sustained by its deep ASEAN distribution network reach and supported by a strong sales and marketing team.

The Challenge

A company with over 40 years of history cannot arrive successfully without its fair share of good and bad decisions. The decision of diversification has led the company to be diluted in terms of its focus and brand development.

Throughout the course of its history, there has also been a high reliance of the business on the Singapore market. This has prevented the company from growing to its fullest potential. This is a common phenomenon with many Asian companies. When domestic markets mature (short of going regional or international), and with the fervent quest for profits, diversification is one of the obvious routes. Diversification is both good and bad. While it gives a company breadth in terms of products and services in various industries, it will dilute the focus of the business and further, its brand.

Aside from diversity, the other challenge that Ace Dynamics faced was the operating of trade names for various markets. These different names were originally incepted to meet the needs of various markets. However, today, managing this host of different names is in itself a challenge because it has caused customer confusion and led the company to a place where there is no clear focus in its brand and vision.

The Differentiation Strategy

We strongly believe that branding can transform any organisation and Ace Dynamics, no less. But any business with the intention of being a renowned brand must have a visionary and passionate Brand Champion and yes, you guessed it, it's the Chief Executive Officer.

1st July 2000 saw the arrival of Ace Dynamics' Brand Champion and Chief Executive Officer, Mr Steven Tham. Steven is a leader who embodies brand strategy efforts. Just like other world-class companies like Sony, Virgin, Starbucks, Microsoft, Nokia, Giorgio Armani, Singapore Airlines, LVMH, L'Oreal and Nestle, Steven began his organisational transformation journey from Day One. He believed that apart from driving the business, he was leading the hearts and minds of his people. Steven took seven long years to build his credibility and respect as a business talent through his depth of experience, knowledge and insight. Under his leadership, the various business development teams focussed mainly on chosen markets, which essentially were the oil and gas, and offshore and marine construction and engineering sectors.

After seven long years of organisational transformation, the company is today the preferred integration specialist for welding, gas and safety equipment in the oil and gas; and offshore and marine construction and engineering sectors. With this powerful perception, which exists in the minds of its customers today, Steven saw that it was time to reposition the corporate brand.

On 8th August 2007, Leeden Limited was born and Ace Dynamics became history.

Preference is a powerful differentiator because preference is an antecedent of word-of-mouth behaviour among customers. With preference as a differentiator, Leeden has transformed from a holdings company with subsidiaries functioning as a distribution network for welding and safety products, manufacturing and distribution of industrial gases, property development and multimedia activities into an Integration Specialist for welding, gas and safety.

Leeden's re-branding and organisational re-structuring exercise struck a chord with many of its customers. Its position of being the preferred brand in welding, gas and safety sets the company in an ideal place to strengthen itself to provide value-based solutions to customers in the marine and oil and gas industries. Due to its focus, its end-to-end welding solutions include specialised equipment selection, industrial safety (personal and workplace) and environmental protection programmes; this comes complete with the integration of its industrial gas systems.

With its new brand, Leeden has now structurally transformed itself from providing a "selling" to a fully "integrated solution and services" proposition, with Asia being the primary market of focus.

Leeden aims to build greater customer mindshare through the singular unique Leeden corporate brand as it strives towards its vision of "being accepted as Asia's foremost integration specialist in Welding, Gas and Safety". This is clearly one which focusses on being its customers' preferred service provider.

The Leeden brand position and its differentiation factor is its catalyst to radically drive the organisation's growth. Internally, it brings clarity to the strategic direction of the group going forward and aligns the entire organisation to the shared vision. Externally, it differentiates Leeden from the competition, allowing it to compete successfully in its chosen markets and segments in the marine and oil and gas industries.

Chapter 20

Strategy No. 12 – Heritage

HERITAGE can also be used to differentiate a brand. What is heritage? Different people have different definitions of what heritage is. We have picked out some definitions that we think are quite useful in understanding what heritage is all about.

"A civilisation is a heritage of beliefs, customs, and knowledge slowly accumulated in the course of centuries, elements difficult at times to justify by logic, but justifying themselves as paths when they lead somewhere, since they open up for man his inner distance."

~ *Antoine de Saint Exupery*, *author of* The Little Prince

"Our heritage tells us who we are, where we have come from and what we have accomplished. It is a source of strength and confidence that puts the changes of society into perspective and helps us to build a better future."

~ *Ministry of Culture, Ontario, Canada*

"Our heritage and ideals, our code and standards – the things we live by and teach our children – are preserved or diminished by how freely we exchange ideas and feelings."

~ *Walt Disney*

"Not only the priceless heritage of our fathers, of our seamen, of our Empire builders is being thrown away in a war that serves no British interests – but our alliance leader Stalin dreams of nothing but the destruction of that heritage of our fathers."

~ *John Amery*

"We will be remembered only if we give to our younger generation a prosperous and safe India, resulting out of economic prosperity coupled with civilisational heritage."

~ Abdul Kalam, Indian statesman

"The point is, you have an ethnic heritage and you have a human heritage. Your human heritage includes everything of human value."

~ Stanley Crouch, jazz critic and author of Don't the Moon Look Lonesome?

"I should like to say that I am as proud of my Chinese heritage and background as I am devoted to modern science, a part of human civilisation of Western origin, to which I have dedicated and I shall continue to dedicate my work."

~ Chen Ning Yang, Albert Einstein Professor Emeritus,
Nobel Laureate in Physics

As you can see from the above quotes, heritage is important to different people for different reasons. It is a part of who we are and where we came from. If you have no idea of where you came from, how will you know where you are going? It is like a line that connects your past to your present. If you can see a clear line to your past, then the line to your future will be clearer.

HERITAGE IN BUSINESS

Heritage is important in everything we do – including business. When we ask participants at our branding workshops if heritage is important, nine out of 10 say yes. When we ask the audience why they think heritage is important, the typical responses are:

"Your heritage shows that you have done something right to have survived in business for so long."

"Heritage creates trust in the brand."

"Heritage allows your customers to buy from you with more confidence."

That pretty much sums up why heritage is important: It gives customers more confidence in the brand. Therefore, heritage can be used to differentiate your brand if you are fortunate enough to have a long one. It does not have to be longer than your competitors, but it must be sufficiently long. In our opinion, 30 years is long enough; this echoes the Singapore Promising Brand Award's qualifying criteria for a Singapore heritage brand.

But you must know how to use your heritage. Many brands with heritage squander it by not using it as a competitive weapon. Don't make that mistake. You must have a deep understanding and appreciation of your heritage to be able to use it effectively.

You can also learn from your heritage – both the successes and failures, so that you can form a road map that will take you into the future. We know it is difficult because of the pace of business today and the competitive pressures that your brand is under but the lessons are, nevertheless, important. The American philosopher George Santayana wrote in his 1905 book *The Life Of Reason*: "Those who cannot remember the past are condemned to repeat it."[56]

The Singapore Promising Brand Award

The Singapore Promising Brand Award (SPBA)[57] sets out to recognise small- and medium-sized enterprises (SMEs) in Singapore who have shown outstanding performance in the communications and marketing of their brands.

Established in 2002 by the Association of Small and Medium Enterprises (ASME), its stated objectives are:

- To encourage the development of local brands in Singapore.
- To promote the growth of local brands and enterprises both domestically and regionally.
- To provide an opportunity for local SMEs to showcase their products and services.
- To recognise and encourage promising SMEs who have shown outstanding performance in marketing their brands, and recognise their contributions towards the economy and society.
- To encourage brand awareness in local SMEs.

In 2005, SPBA started a new category called the SPBA Heritage Brand Award, to acknowledge and pay special attention to time-honoured homegrown brands that have embraced exceptional brand practices over a

56 http://www.quotationspage.com/quote/2042.html

57 www.spba.com.sg

period of more than 30 years. It is an exclusive competition, open only to invited brands. Heritage Brand Award nominees are judged on merits such as local history, recognisable icon, brand vision and mission, brand promise, product development and regional or international presence.

The 24 winners of the Heritage Brand Award in 2005 were:

- Axe Brand
- Bee Cheng Hiang
- Chan Brothers Travel
- Crocodile
- CYC The Custom Shop
- Double Pagoda
- Far East Flora
- FJ Benjamin Group
- King's
- Knife Brand
- New Moon
- Old Chang Kee
- Poh Heng
- Polar Puffs & Cakes
- Prima
- Sincere
- Stamford Tyres
- Sunshine
- Tai Hua
- Tangs
- Tiger Balm
- Tiger Brand (Condiments)
- Tong Garden
- Ya Kun Kaya Toast

So, if you are a brand with 30 or more years of history, you can be considered one with heritage like those mentioned above. How you use your heritage to differentiate yourself is up to you. Although the brands listed above are all B2C brands, it does not mean that a B2B brand cannot be differentiated based on heritage.

HERITAGE IS A DOUBLE-EDGED SWORD

You need to be careful because although heritage is proof that you must have done something right to have survived for a long time, it can also make you look like an old, tired and irrelevant brand. A lot depends on how you present it. If you present your brand's heritage the way most companies do, "Established Since 1904" or whatever the year may be, heritage is not being used as a differentiator. That is just like you telling us, "I was born on 21st October 1961." It does not say anything to anyone other than that you are old – older than Singapore for that matter.

In some categories – such as brands that exist purely on the Internet like Google, Yahoo!, eBay, Skype, Zappos, Amazon.com, YouTube, MySpace, Facebook and Second Life – having a long heritage can actually be a setback. Because this is new media we are talking about, differentiation by heritage, if not properly executed, can make your brand look like something that time-travelled to the present day from the Stone Age. In fact, if Microsoft had trumpeted its software heritage – which dates back to the company's founding in 1975 – when trying to break into new media markets like gaming (Xbox) and digital music (Zune), we are quite sure that would have hurt more than helped.

There are three things you need to do if you want to use heritage as a differentiator:

1. Connect The Dots

You need to show people the evolution of your brand from its beginning. This will signal that your brand is progressive, one that is constantly improving over time with better products or services. It might be necessary to skip some details, especially those that refer to an era during which your brand floundered or produced some real flops, but no matter what you do, people must be able to see that progression from generation to generation.

Mercedes-Benz is the first car in the world. It has heritage. It is the real thing, just like Coke. But it is in danger of being seen as the old thing if it tries to make use of its heritage. As it is, Mercedes-Benz is seen as more of an old (but rich) person's car. So, how does it present its heritage in a positive way? By connecting the dots. By showing the world its long heritage of innovations.[58] Mercedes-Benz has been at the forefront of many innovations, as you can see from the following examples.

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[58] http://www.theautochannel.com/news/2005/03/11/010089.html

In 1951, it introduced the revolutionary safety cage, which incorporated front and rear crumple zones into the construction of the car. A reinforced structure surrounded the occupants of the car to protect them and the crumple zones were engineered to collapse in a controlled manner in the event of a collision, to absorb crash energy. Even today, this remains the standard method of construction for nearly all cars and trucks and is possibly the single-most important innovation in passenger protection.

Less than 30 years later, in 1978, Mercedes-Benz launched the anti-lock braking system, or ABS as you would know it. It has been standard equipment on all Mercedes-Benz cars since 1989. Today, you will find this system in almost every car, including small ones. This is probably the most significant active safety device ever invented as it prevents the wheels from locking up during emergency braking manoeuvres. When wheels lock, the car cannot be steered and it may even veer violently. ABS allows the braking distance to be shortened. It also allows the car to be steered around an obstacle even when the driver stomps on the brake pedal.

Traction control was put in place in 1986 to reduce wheel-spin on wet or icy roads so that the driver can maintain control of the car. Jacky used to drive a Geo Storm when he was studying in Madison, Wisconsin. Nice car, but totally devoid of grip in snowy conditions. Even getting out of the car park at tortoise speed could be a white-knuckled affair. This is one car that could have benefitted greatly from traction control.

Mercedes-Benz also introduced the first air bags, calling it a Supplementary Restraint System (SRS), in the North American market in 1988. Air bags are extremely useful for reducing head injuries in an accident.

Then came the Electronic Stability Programme 1995, or more commonly known by its rather apt acronym, ESP. ESP functions like a psychic: It tries to predict the future. Using a barrage of sophisticated electronics and sensors, ESP is able to determine when a car is about to go out of control, such as when a driver enters a corner too fast on a slippery road. Unlike a psychic, however, ESP can actually change the future for you. It can cut engine power and apply the brakes on one or more wheels to bring the car under control again. Other car manufacturers offer similar systems but if it says "ESP", it is a system licensed from Mercedes-Benz.

Brake Assist was introduced in 1997 because research had shown that in an emergency situation, many drivers actually do not apply enough braking force. Brake Assist employs sensors in the braking system to determine if the driver intends to stop quickly. It then raises the brake pressure to ensure maximum braking force.

Many cars these days also have their auxiliary turn signals in the wing mirrors, which makes them more visible to other drivers. This was first seen on the current generation E class. Although it is a simple change of location for the turn signals, it still has an effect on safety.

By communicating this rich heritage of innovation, Mercedes-Benz can differentiate itself from its competitors and set its brand up on a higher plane.

2. Make Heritage Relevant

One of the biggest worries for customers is whether a brand with a long heritage will continue to be relevant to the current generation of buyers. You have no choice but to make it so. How? For Mercedes-Benz, that is relatively easy. It can show off the innovations being used in its cars today, such as the Night Assist Vision, which uses infrared cameras to seek out objects (or human beings) that might not be very visible on a dark road and displaying the image on the main instrument display. So, Mercedes-Benz can show that its long heritage of innovation is continuing even today so that makes the heritage relevant.

But if you are a brand like Tiger Balm selling pain relieving ointment, how do you make your heritage relevant – especially when you are around 130 years old? There is a danger of Tiger Balm being seen as outdated and a brand used only by old people.

Tiger Balm is trying to make the brand relevant for the modern society and younger buyers, with formulations like the Tiger Balm Neck & Shoulder Rub, which is a topical solution for fast and effective relief for tired, achy muscles. With a counter irritant and analgesic action, it is meant to provide "a quick massage-on-the-go feeling", according to the company.[59] The packaging design has also been updated.

This is a step in the right direction to make Tiger Balm relevant but there is a missing link. Where is the heritage? The new product does not make use of it. Without the heritage, there is no credibility. Sure, people know Tiger Balm but they know it in a different form.

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[59] http://www.tigerbalm.com/08_member.htm

We think that Tiger Balm should introduce the new product with the tagline, "Relieving Pain For Over 100 Years". Pain is pain. It is the same yesterday, today and tomorrow. That is why the brand is still relevant. Tiger Balm has been relieving pain since the 1870s and it is now continuing this tradition with new additions to the family. This is part of its heritage and need to be articulated and properly communicated.

3. Make Heritage Exciting

Heritage tends to be viewed as very boring. If you are a heritage brand, you need to present it in an exciting manner. One of the best examples that we have seen in recent times is the Heineken "Unchanged Since 1873" advertising campaign. You may have seen it on TV. Heineken is not the oldest beer brand in the world but that is not really a problem because if you have a heritage that dates back to 1873, that is more than good enough.

Heineken wants to show that its beer has a premium quality that has been unchanged since 1873. That is something worth shouting about because people want their Heineken to be as great as what the founders created all those years ago. Being unchanged since 1873 is heritage that is relevant to the modern world. We doubt that the beer tastes exactly the same as 1873 but that is okay. The idea is to make Heineken's heritage in consistency exciting, and we think it has succeeded.

The commercial begins with the beer drinker's ultimate nightmare – an empty six-pack in the refrigerator. He jumps into a taxi to head to the local pub. As he travels through the city he notices a series of changes, as if he is travelling back in time. A man walking past a pole changes from wearing a black suit jacket to a brown leather jacket. The convenience store with ATM outside changes to a general store with no ATM. The digital car radio and clock morph into analogue ones. A 1960s Cadillac is transformed into a 1920s Nash Roadster. Cobblestones replace tar seal. As he gets out of the cab he notices that he has been in a horse-drawn carriage.

He walks into the bar and says to the big, gruff, bearded bartender, "One Heineken, please." The bartender pours him one. He takes a sip and says, "It's exactly the same!" The stern-looking bartender retorts, "The same as what?" The voiceover: Heineken. Unchanged since 1873.

HERITAGE CAN BE BOUGHT

If you have enough money, you can buy heritage. How? Look for a company with heritage that you can acquire. It could be a competitor that is not doing well. It could be a dormant company. Or it could a company that is upstream or downstream of the value chain that your company is in. For example, a distributor of semiconductors buying over a semiconductor manufacturer would be buying a company that is upstream. It is upstream because you have to make the semiconductor first before you can distribute it.

After you have bought a company with heritage and fully integrated it into your company, that company's heritage becomes yours. But you need to do this carefully or it will get confusing. The best way is by re-branding the merged entity with a new name and a new identity.

HERITAGE NEEDS TO BE UPDATED

You cannot leave your heritage alone. It needs to be nurtured and updated from time to time. What we are saying is that every now and then, you need to modernise your brand while maintaining its heritage.

Take Ya Kun Kaya Toast, for example. Its slogan proudly proclaims, "Coffeestall Since 1944". It has heritage. However, one of its competitors, Killiney Kopitiam, has an even longer heritage. It was established in 1919. But while Ya Kun makes use of its heritage, Killiney Kopitiam does not. Just claiming heritage alone is of no use, as we have mentioned earlier. So, Ya Kun modernised its brand. Its outlets, while maintaining the feel of an old-style coffee stall, are entirely modern. It is an intelligent update of an old-fashioned coffee stall and we think the execution has been brilliant.

When you are updating your heritage, you need to be careful not to overdo it. Your brand will look entirely out of place and the link to the past will be broken if you become ultra-modern. Yet, if you do not update yourself sufficiently, you will look like you are stuck in the past. It is not an easy thing to manage.

Heritage is wonderful but fragile. You need to handle it carefully. You cannot break that link to the past. Remember that very often, the link needs to be represented visually. We think Ya Kun has done a wonderful job. It has been able to show that it is a modern coffee stall, relevant to the 21st century, while displaying its heritage.

HERITAGE NEEDS TO BE INCULCATED INTERNALLY

A chain is only as strong as its weakest link. That is an age-old saying you are probably familiar with. A brand is like a chain, in that it is only as good as the people that represent it. Heritage is easy to lose because people come and go. It needs to be institutionalised so that it can be deeply inculcated in your people at all levels.

Harley-Davidson has done this well. Its people all exhibit the same qualities. Passionate about the brand, they know what it is about and understand it deeply. And they do their best to make sure the heritage of Harley-Davidson is evident in the work that they do. Harley-Davidson is a rare case but it sets the gold standard every brand should aim for.

BRANDS THAT CAN TRADE ON HERITAGE

The following are some brands that can actually use their heritage to differentiate themselves effectively against their competitors but are not doing so.

Hertz

Hertz's sales leadership differentiated it and kept it at the top for a long time. However, Enterprise Rent-A-Car has now become the No. 1 brand. As we outlined in Chapter 17, it gained ground by taking the opposite position – going into the suburbs, instead of the airports that Hertz dominated.

What can Hertz do to win back its market leadership? Heritage. Hertz can proudly display its history of firsts in the car-rental industry since its establishment in 1918. Here are some of the most notable Hertz firsts:[60]

1926	First car rental charge card
1932	First airport rental car location at Chicago's midway airport
1933	First "Rent It Here/Leave It There" programme
1972	First club for frequent travellers called #1 CLUB
1978	First nationwide emergency road service in the US
1984	First computerised driving directions
1988	First in car cellular phones
1995	First on board navigation system called NEVERLOST
1996	First to launch a website

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[60] www.hertz.com

2002 First to introduce Sirius satellite radio
2004 First to introduce brand and model reservation
2006 First to debut the Ford Shelby GT-H, a special run of 500 performance-modified Ford Mustangs
2006 The introduction of the Hertz range of fuel-efficient, environmentally-friendly cars

Based on its history of firsts, Hertz could differentiate its brand more effectively. Sure, these firsts are listed on Hertz's website but they are buried. What we would like to see is Hertz running advertisements based on this heritage. It used to run campaigns based on sales leadership. Now, it is time to change gears. We cannot guarantee that it will work but it is better than letting all that heritage go to waste. If people can see Hertz's heritage, they might be more willing to believe that the brand has a strong future.

Motorola

The No. 1 mobile phone brand in the world is Nokia. But Motorola has something Nokia does not: Heritage. Motorola invented the mobile phone. It is the real thing. But in the fast-moving world of mobile communications, being the original means nothing. Everybody wants the latest. Since the RAZR V3, which was launched around 2004, Motorola has not produced a follow-up hit. So, what can Motorola's heritage do for it?

The way we see it, the first thing Motorola needs to do is catch up with its competitors in terms of quality. We did say in Chapter 4 that although quality is not a differentiator, your quality must match your competitors'. Motorola phones are pretty tough. We know because we have owned Motorola phones and dropped them on hard surfaces more times than we can remember. But Motorola's quality in other areas needs to be improved.

In our opinion, the most urgent task is to make navigating a Motorola as easy as a Nokia or Sony Ericsson. Using a Motorola is infuriating – even more so than a Samsung, but Samsung phones look so good these days that we are more inclined to forgive its foibles. One of Jacky's professors told him that it is easy to forgive a beautiful woman a lot of things. So, it pays to be good-looking, and the original RAZR V3 and the current Samsung phones have that quality.

As long as Motorola can match its competitors in screen resolution, design, fit and finish and ease of use, its heritage can kick in to differentiate the brand. When you have several brands that are equally matched in terms of quality, the one that invented the category will have an edge. Or rather, it can have an edge. What Motorola can do is similar to what Mercedes-Benz and Hertz could have done: Display its heritage so that people can see the kind of innovations it has pioneered. They can then be convinced that Motorola can continue to pioneer breakthroughs.

What has Motorola done that is so special? Well, it invented the mobile phone but that is not all. It also invented the car radio, the walkie-talkie, Six Sigma and the communications gear that helped put the first man on the moon, among other things. Bet you did not know that, did you? Motorola actually pioneered a lot of the mobile communications technologies we use today. That is a powerful differentiator it is not using.

Coca-Cola

Coca-Cola is the pioneer of using heritage as a differentiator – or, at least, it is the most prominent case. When it ran its “The Real Thing” advertising campaign, people probably went, “Ah, yes, it is the real thing, isn’t it?” People instinctively knew it. The campaign differentiated Coke in a way that has never been topped. Coke has been using many different slogans since, but none has even come close to the effectiveness and credibility of “The Real Thing” slogan.

That is the problem with many brands. They suffer from what we call “The Itchy Fingers Syndrome”. They just can’t help tampering with things that work. Our advice to you is to find a slogan that works and stick with it for as long as you can. If you keep changing it, you confuse your customers.

And a very important thing to remember is that you are not Coke. Coke is huge. It can afford to make mistakes and still stay on top. You can’t.

While Coca-Cola is still the world’s most valuable brand according to the *BusinessWeek* Top 100 Brands[61] table, its brand value has been declining steadily over the years. In 2003, Coke’s value was US$70.5 billion (S$105.8 billion). In 2004, it was US$67.4 billion (S$101.1 billion), a four per cent drop. Its brand value in 2005 remained about the same at US$67.5 billion (S$101.3 billion). In 2006, it slipped a little to US$67 billion (S$100.5 billion). We think it is time for Coke to bring its heritage in as a differentiator. The Real Thing is the only

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[61] *BusinessWeek*, Aug 2003, 2004, 2005, 2006

thing that will work for Coke because The Real Thing relegates everything else to being wannabes.

Nike, even though it has a meaningless slogan, has – at least – stuck with it for a long, long, long time.

Levi's

The 501 is the original Levi's and Levi's is the original pair of jeans. The story of Levi's dates back to the California Gold Rush. Levi Strauss was one of the gold prospectors caught up in gold fever. One day, he noticed that the prospectors would return from a hard day's work with torn pants. Their pants were just not tough enough for the rugged conditions. So, he starting making pants from the tough canvas material used for tents. Over time, Levi's jeans became so popular that Strauss decided to go into jeans production full time. Levi Strauss struck gold but his gold was the colour of denim.

Levi's now advertises its jeans as "Original Jeans". Brilliant. When it comes to simple things like soft drinks or jeans, all you need to do with your heritage is claim that you are the original. It does not work as well for cars, software or mobile phones because these are the things that people expect to change rapidly. They want the latest thing. But in beer, soft drinks and jeans, most people want them to be as original as possible because subconsciously, many people equate the original with being the best.

Rolls-Royce

Rolls-Royce Limited[62] was founded in 1906 by Henry Royce and The Honourable CS Rolls. After producing its first aircraft engine in 1914 in response to the need that arose with World War I, it went on to make around half the aircraft engines used by the Allies.

Aero engines made up most of Rolls-Royce's business by the late 1920s, with the famous Merlin being Henry Royce's last design. Henry Royce died in 1933 and did not get to see this engine coming off the production line in 1935. The Merlin engine powered many illustrious World War II aircraft such as the British Hawker Hurricane, the Supermarine Spitfire, the De Havilland Mosquito, the Avro Lancaster and the Vickers Wellington. Above all, it transformed the P-51 Mustang into what many regard as the best fighter plane of the era. Made

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[62] http://en.wikipedia.org/wiki/Rolls-Royce_plc

by the Americans, the P-51 is a highly sought-after collector's item today. You can still see it racing around at air shows in the US. All in all, over 160,000 Merlin engines were produced.

Rolls-Royce made significant advances after World War II with the Dart and Tyne turboprop, which allowed airliners to cut journey times significantly. The Dart engine was used in the Argosy, the Avro 748 and its military variant the Andover, the Friendship, the Herald and the Viscount aircraft, while the more powerful Tyne powered the Atlantic, the Transall and the Vanguard. Many of these turboprops are still in service today.

One interesting facet of a Rolls-Royce engine is that it has traditionally borne numeric designations during development, but upon completion it is given the name of a British river. This is not a random naming exercise. Rolls-Royce used river names to reflect the nature of its engines, which are designed to deliver a steady flow of power, unlike piston engines, which deliver power in pulses.

During the late 1950s and 1960s there was a significant rationalisation of the British aero engine manufacturers, culminating in the merger of Rolls-Royce and Bristol Siddeley in 1966. Bristol Siddeley, which had itself been the result of a merger between Armstrong Siddeley and Bristol in 1959, and with its principal factory at Filton, near Bristol, had a strong heritage in military engines, including the Olympus, which was chosen for the Concorde.

Today, Rolls-Royce is the No. 2 brand when it comes to commercial jet engines. GE is still No. 1. However, Rolls-Royce has a such a rich, illustrious and romantic heritage that it should make full use of it to differentiate itself. After all, this is the company that made the engine that helped the allies control the skies while GE started life as a light bulb company.

This heritage may or may not help the company to beat GE but it will at least help to strengthen Rolls-Royce's position and protect it from future competitors.

In A Nutshell

Do not squander your heritage. If you are fortunate enough to have heritage on your side, make use of it. Show your brand's progression from the beginning; remind the world how you got to where you are today. But make sure that you:

- update your heritage,
- make it relevant to today's market and customers,
- make it exciting.

On top of that, you must make sure that your heritage is properly communicated to all levels of employees consistently so that it becomes a part of them. Your employees are your brand ambassadors; they are the ones who will show that heritage to customers.

Finally, bear in mind also that customers tend to want to buy the best that they can afford. But there are many ways to define best. Jacky is a car enthusiast and many people like to ask him, "So, what is the best car in the world?" To that, Jacky would usually say, "The best in what? Performance? Fuel economy? Safety?"

The point is, best can be defined in many ways. One of the ways to tell people that you are the best is through heritage. It doesn't work for every product or service category but in some things like jeans, for example, being the original can be a code word for being the best. What are the best jeans? The brand that would often pop into many people's mind is Levi's. Why is Levi's the best? Because it is the original. As many people often equate the original with being the best, having the longest heritage can help you differentiate the brand.

CASE STUDY
Heritage — Tai Sin Electric

Background

Incorporated in Singapore, Tai Sin Electric Cables Manufacturer Ltd is a leading electric wires and cables manufacturer. It was listed on the Singapore Exchange's SESDAQ in 1998. The company's listing was transferred to the SGX Mainboard in 2005 after years of success and growth. From a single company manufacturing cables, Tai Sin has expanded in the last two decades and is now involved in electrical distribution, lamps manufacturing and assembly of switchboards through its subsidiaries.

The company markets and sells through a distribution network serving a diverse range of industries, and also partners directly with consultants and contractors to provide competitive electrical cabling and wiring solutions for both private and public construction of industrial, commercial and residential building projects. Strong demand for Tai Sin's products has led to the setting up of manufacturing plants in Malaysia and Vietnam.

The company continues to grow through the acquisition of the Lim Kim Hai Electric Group of Companies in 2003. The acquisition is an excellent fit with its existing operations and will continue to enhance and expand its marketing and distribution capabilities to serve customers locally and regionally with a broader range of electrical and control products, devices and accessories. The company also has subsidiaries and offices located in Singapore, Malaysia, Brunei, Vietnam and New Zealand, providing quality services and products to its diverse customers worldwide.

The Challenge

Although Tai Sin has built up a solid gold reputation for quality electrical products, it is still not among the biggest players in the world in terms of cable manufacturing. This ambitious company wants to expand more aggressively in the region to ride on the economic growth of the Asia Pacific region but larger competitors from the United States and Europe are also thinking of the same thing and in terms of cable manufacturing, these competitors are better known in the global arena.

Electric cables are also rather commoditised. In a commodities market, customers tend to buy from cheaper sources or from the top few players that are better known. Tai Sin does not want to compete solely on price and having its main production plant in Singapore, it cannot afford to compete on price. Furthermore, the actual product itself is not significantly different from the other manufacturers'. These electric cables are made using more or less the same raw materials. They are made using (more or less) the same production techniques. And they all perform the same functions. How do you differentiate?

The Differentiation Strategy

Differentiating Tai Sin was an extremely difficult thing to do but we think that the company has found its differentiating idea. To differentiate Tai Sin effectively required a hybrid approach that combined two differentiation strategies – Heritage and Specialisation.

In Tai Sin's case, we submit that it would be correct for the company to use a hybrid strategy for reasons that we will explain. Although Tai Sin as a group has heritage that dates back to 1958, which would qualify it as a heritage brand by Singapore standards (at least 30 years old), that heritage is not long enough to allow it to compete with other more established players. If Tai Sin has been around since the invention of the electric light bulb by Thomas Alva Edison in 1876, then that would be something to shout about.

Tai Sin is also an electric cables specialist but electric cables are not very exciting and we have been told that buyers are typically willing to substitute between brands as long as those brands have the required certifications and are competitively priced. So, being a specialist might not be a strong enough differentiator since the products are very similar and there are other electric cables specialists around as well.

However, when Tai Sin combines its Heritage with Specialisation and becomes the first to claim that differentiating idea, we think that the company can be much better differentiated. Take a look at Tai Sin's new tagline below:

"Tai Sin. The Electric Solutions Specialist For Asia Since 1958."

Yes, it is a bit long but that is not a problem. Some of the best taglines in the world are quite long. FedEx's famous tagline "When It Absolutely, Positively Has To Be There Overnight." is also quite a long one but as long as it works, we think that is okay.

How does the Tai Sin differentiator work? Tai Sin wants to expand within the Asia Pacific. And its advantage is that unlike the interlopers from the West, Tai Sin is Asian. And Tai Sin is the specialist that has been providing electric solutions for Asia since 1958. This tagline tells Tai Sin's customers that it is not only Asian, but it is proactively Asian since it provides electric solutions *for Asia*.

The specialisation angle here has two components. Tai Sin is a specialist in electric solutions. Tai Sin is a specialist for Asian markets. What this is saying is that

Tai Sin provides solutions that go beyond just cables (and Tai Sin can justify that claim since it has subsidiaries that market and distribute a broad range of electrical and control products, devices and accessories). Tai Sin's solutions are designed for Asian markets. This implies that Asia is different from other parts of the world and therefore, the solutions for Asia must be customised for Asia.

Finally, to wrap all this up is the heritage angle. Tai Sin has been doing this since 1958. We have said earlier that heritage alone cannot be used as a differentiator because it needs to be updated and relevant or that heritage is actually a hindrance rather than a boon. And by being *The Electric Solutions Specialist For Asia Since 1958*, Tai Sin has made its heritage relevant and meaningful for its customers.

What Tai Sin's tagline is saying is this: "Since we have been providing customised electric solutions for Asia since 1958, we know the Asian market, we know Asia's needs and we can provide you with the right electric solutions." Hopefully, this will give customers more confidence in Tai Sin as a partner and a supplier.

Chapter 21

Strategy No. 13 – Design

THE Singapore government agency tasked with helping Singapore companies expand their business overseas, International Enterprise Singapore, and the National University of Singapore had conducted a study on the value of design and found that a dollar invested in design will yield S$1.76 in returns to the brand in question.

A study in the United Kingdom also found that the stock price of publicly-listed companies in the UK that invested in design outran the FTSE 100 Index by 65 per cent between 1995 to 2002. Even in the bear market of 2000 to 2002, these companies still outpaced the FTSE 100 Index by 23 per cent.[63]

Winners of the UK Award For International Trade said that design had been instrumental in helping their brands grow.

- 90 per cent said their international customers valued good design.
- 86 per cent agreed that design helped them to challenge their competitors better in international markets.
- 75 per cent found that design helped boost the value of their products for export.
- 82 per cent said design helped their products stand out.

The winners also said that 51 per cent of their export sales were attributed to their investment in design.[64] The Design Council of UK carries out an annual *Design In Britain*[65] survey of 1,500 businesses in the United Kingdom. The 2004 and 2005 survey found that fast-growing businesses in UK rank design as the second-most important factor for success. It also found out that the 30 per cent of UK companies that invest substantially in design actually reap a 75 per cent return on their investment on their most successful design projects.

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63 IE Singapore press release, 2 Sept 2004, http://www.iesingapore.gov.sg

64 Design Council National Research, 2001

65 http://www.designcouncil.org.uk/en/About-Design/Research/Value-of-Design-Factfinder/

What is interesting is that 45 per cent of businesses that do not invest in design are cutting prices to remain competitive. Meanwhile, only 21 per cent of companies that invest in design are forced to compete on price. This last finding is not really that surprising, is it? If a product is well-designed, people would be willing to pay more for it.

Design can be used to differentiate your brand, whether it is a B2C or B2B brand. However, design is often misunderstood. Unlike branding, the rules of design are more subjective and harder to pin down, at least for the layman. Many people think that design is just about how things look but it is more than that. If it is only about the aesthetics, then it is *styling* that you are talking about.

One of the brands that has been revived through design is Apple. In the latest book on Steve Jobs entitled, *iCon: The Greatest Second Act In The History Of Business*, authors Jeffrey Young and William Simon mention that Steve Jobs once said design is not just about how things look but also about how they work. We totally agree. This guy really gets it. He knows that a design that looks good but does not work well is not really a great design. Jacky once bought a Motorola Razor V3 phone for his wife because she liked the way it looked. But the phone is very difficult to use so if you ask us if that is a great design, we would have to say no because a good design has to look good and work well. Steve Jobs is not a designer by training unlike Jonathan Ive, the hot-shot British designer who is Apple's head of design, but he recognises the value of design and invests money in it.

The iPod is so successful not just because it has a design that looks drop-dead gorgeous but also because it works very well. It does not require a manual to use, even if you have never used an MP3 player before. This ease of use is part of design. It is reported that Steve Jobs likes to pop into the design studio and pick up prototypes to play with. If he cannot find anything within three clicks, he will throw the prototype back at the designers and tell them to rework the whole thing.

People will sometimes buy something because it looks great even though it is not easy to use. However, you should try to strike a balance between the looks and the functionality. That will give you a real differentiator. We are not design experts and cannot advise you on how to create great designs, but we do know that design can be used to differentiate a brand in several ways. In the rest of this chapter, we will show you the various things you can do and how different brands have used design to their advantage.

DESIGN CAN HELP TO DIFFERENTIATE A COMMODITY

Eighty per cent of the Earth is covered with water, making it a widely available commodity. Granted, most of the water on Earth needs to be heavily purified and filtered before it is fit for drinking but water is still widely available in its raw form. So, how do you differentiate a commodity like water? Through design.

Evian is the first premium bottled water. One of its selling points is that its water comes from the mountains of the Alps and is filtered through a natural process by Mother Earth. Just by looking at the water, you would not be able to tell the difference. So, Evian uses the distinctive design of its bottle to differentiate the brand. One look at the bottle and you will know it is an Evian, with or without the logo. That is how design (or rather, packaging design) can be used to differentiate a commodity.

Coca-Cola is also selling what is essentially a commodity – cola – or what some of you might call sugared water. If you look at the ingredients used to make Coca-Cola, you will find that they are quite similar to those found in Pepsi.

Table 11: Soft Drinks Ingredients

Coca-Cola[66]	Pepsi[67]
Carbonated Water	Carbonated Water
High Fructose Corn Syrup	High Fructose Corn Syrup
Caramel Colour	Caramel Colour
Phosphoric Acid	Phosphoric Acid
Natural Flavours	Natural Flavours
Caffeine	Caffeine
	Sugar
	Citric Acid

But Coke used design to differentiate itself. The classic Coke bottle is an iconic design that has played an instrumental role in differentiating the Coke brand, setting it apart from every other soft drink. There are other elements of Coke's design, such as the red cans. So, taking an opposite position, Pepsi's cans are blue.

66 http://www.geocities.com/Heartland/4269/nutrition.html

67 http://www.pepsi.com/pepsi_brands/product_info/index.php

What is the difference between one air courier service and another? Not a lot really. Whether you use DHL, UPS, TNT or FedEx, you still get the same end-results – your packages are delivered on time to the destination you intend.

This category has become something of a commodity. If you can't get FedEx in your area, you would gladly use DHL or UPS or TNT or any courier that can get the job done. So, these logistics giants have resorted to design to differentiate their brands. FedEx packages carry distinctive purple and orange colours. DHL packages, vans, planes and uniforms are yellow and red. And UPS is known for its men in brown bermuda shorts rushing from location to location in the distinctive brown UPS trucks.

Despite the differentiator being design, good looks are not essential for the job to get done. It depends on the message you want your brand to convey. The IBM ThinkPad is not the sleekest looking of laptops, but since it is meant to be a serious business tool, its no-nonsense, utilitarian looks actually serve it well, in our opinion. This design conveys the message that the ThinkPad is a serious business tool for serious business people.

To be honest, we actually like the design of the Apple laptops better and since we do lots of PowerPoint presentations at seminars and workshops, an Apple would be ideal. But we can't use Apple laptops because the moment we pull out an Apple, people would think, "Designers." Yes, sir. That is the way people see an Apple laptop. Unfortunately for us, we are in the business of brand consulting. We need to convey the message that we are serious business consultants and hence an IBM ThinkPad is our weapon of choice. If we were designers, an IBM ThinkPad would be so out of place. So, you see, the ThinkPad's design has actually helped to differentiate it. They say one man's meat is another man's poison, and what is ugly to some may be beautiful to others.

Strip an Osim massage chair and you will find that it is not that much different underneath compared to its competitors because Osim does not make its own massage chairs. It gets its chairs from what is known as an Original Equipment Manufacturer (OEM) – or more popularly known as a contract manufacturer. If you want to start a massage chair company, you can easily go to one of these Taiwanese or Korean manufacturers and get the same core.

What differentiates an Osim is its design. Somehow, Osim manages to make its chairs look more sophisticated, more up-market and, dare we say it, more cool. Jacky was at a design seminar at which Ulrich Schraudolph, a renowned designer from PSB Technologies, showed the audience photos of an

Osim massage chair before and after it was redesigned. The “before” was what the manufacturer showed potential clients. You would not pay even S$500 for it. After the redesign, people would pay thousands of dollars for it.

Design can really transform a commodity into a brand.

DESIGN CAN HELP TO LAUNCH A NEW BRAND

If you are late into the market like Swatch, you can use a distinctive design to differentiate your brand. Swatch was not the first watch in the world. Neither was it the first fashion watch – Fossil and Guess? got there before it. If you are not first, you had better be different, and that was what Swatch did. It came up with unique and colourful designs that set the Swatch brand apart. There was nothing else that looked like a Swatch. That is the mark of a successfully differentiated design – take away the name and the logo and you can still tell what it is, and the same is true of a Rolex. Swatch is a brand that was differentiated by design, which helped it to become powerful.

Take a look at a Dyson vacuum cleaner if you have not seen one. It will take your breath away. It looks like one of those killer machines from the closing scenes of the movie *Terminator 3*. The out-of-this-world design differentiated Dyson and made it a strong brand, even though Hoover and Electrolux were before it in the vacuum cleaner market. Of course, Dyson’s design extends beyond looks to the way it works. This is another brand that subscribes to the idea that design is not just about how things look but about how they work as well.

Hyflux is a water-treatment specialist from Singapore, well-known for its reclamation and desalination technology. When it ventured into the consumer market with products like the Dragonfly and Gurgle it turned to design to help these brands stand out in a crowded market. The Dragonfly machine draws moisture from the air, then condenses and purifies it into clean drinking water. We have one in the office and it is great. As this is a next generation product, Hyflux turned to design to make sure that the Dragonfly looked like a next generation product. We have had visitors to our office comment that our water dispenser looks very space age.

abKey is a next generation keyboard from Singapore that is attempting to challenge the incumbent QWERTY keyboard, which is 127 years old. abKey used design to differentiate its keyboard and make it faster and easier to use. It has rearranged the keys so that the most commonly used ones are grouped together. The keyboard is also split in half, so that the left and right halves can be angled in such a way that they sit at just the right angles for your wrists. This ergonomic design reduces injury to the nerves in the wrists, a condition known as Carpal Tunnel Syndrome.

DESIGN CAN HELP TO REVIVE A DYING BRAND

Alfa Romeo was a brand that was struggling for survival for a very long time – plagued by low build quality, major rust problems and poor reliability. It finally hit upon a powerful differentiating idea when it produced the 156 sports saloon – a stunning-looking car. Although it was heavily flawed, with a huge turning circle, poor driving position, patchy build quality and uncomfortable ride, it led an Alfa Romeo revival. People bought it because it looked so striking unlike the bland and conservative BMW 3 series, at which the 156 was pitched. Alfa then followed up on this class act with the equally good-looking 147 hatchback and the GT coupe. Now, it has the 159 (the 156's successor) and the new Brera coupe, which are even better-looking than their predecessors.

Jacky drives a Mazda6. When he bought the car some years ago, he came to know of a number of Mazda6 owners who complained that the road noise was way too high. Jacky asked them, "Why did you buy the car then? You should have bought a Nissan Cefiro or Honda Accord." The typical response: "But the Mazda6 looks great. Every time I get upset because of the road noise, I park the car and then get out to take a look at the car. And then I forgive the car for all that road noise because it looks great." Well, Jacky would like to go on record to say that the road noise in the Mazda6 is not that bad considering that it runs on handling-biased suspension and very stiff, low-profile tyres.

Mazda was also a brand that was revived based on design as a differentiator. It used to make bland-as-white-porridge cars like the completely forgettable 626, 323 and 121. And Mazda was a brand in trouble. The Mazda6 marked a turning point. This sleek and sporty saloon set the DNA for all future Mazda cars and the brand has never looked back since.

Samsung used to be seen as a maker of poor-quality copies of other brand's products. That is a bit harsh, we know, but it is the truth. But instead of rolling over and playing dead, Samsung fought back, using design to differentiate its brand. It hired more industrial designers – now totalling around 300 – and pumped in a lot of money to create designs with high wow factor. Just look at Samsung's Ultra

Edition mobile phones and its high-definition TV for proof that it is really pushing the design envelope. And it has won a string of design awards for its efforts.

More importantly, its brand value has risen steadily. In 2003, Samsung was ranked the 25th most valuable brand on the *BusinessWeek* Top 100 Global Brands table, with a value of US$10.8 billion (S$16.2 billion). In 2004, it rose to No. 21 with a value of US$12.6 billion (S$18.9 billion). Sony was No. 20 that year, with a value of US$12.8 billion (S$19.2 billion). In 2005, Samsung rose to No. 20 with a value of US$15 billion (S$22.5 billion), while Sony saw its brand value decline 16 per cent to US$10.8 billion (S$16.2 billion). It dropped to No. 28 on the chart. In 2006, Samsung maintained its No. 20 position but its brand value rose eight per cent to US$16.2 billion (S$24.3 billion). In 2007, its brand value rose by another four per cent to US$16.9 billion (S$25.4 billion).[68]

DESIGN CAN HELP TO MAINTAIN A BRAND

Porsche tried to replace its iconic 911 with the front-engine 928 in the 1970s. The 928 is in every measurable aspect a better car than the 911 of that era, which is a flawed car because its engine is mounted in the back, making it very tail heavy. Why is that a bad thing? Well, try driving the original Volkswagen Beetle, also designed by Dr Ferdinand Porsche, fast on wet roads and you will know why putting the engine in the back is not a great idea. It makes the tail swing out violently when taking corners in the wet at speeds that other cars can handle with ease. Quite dangerous actually.

But Porsche customers would not let the 911 die. One of the reasons is that its design is truly one-of-a-kind. That silhouette is one of the most recognisable in the sports car world. And the 911 is still going strong after so many decades.

Caterpillar makes construction equipment. These machines are nowhere near as glamorous as Porsche’s machines. But even for such work-horse machines, you can still use design as a differentiator. When you see a yellow bulldozer, a yellow dump truck, a yellow crane, you think Caterpillar. Caterpillar has made yellow metal its design hallmark. That differentiates the brand from its competitors and has done so for over 80 years.

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[68] *BusinessWeek*, Aug 2003, 2004, 2005, 2006, 2007

DESIGN IS ALSO ABOUT HOW THINGS WORK

We have said earlier that good design is not just about how things look but how they work. The Oral-B CrossAction Vitalizer manual toothbrush looks very nice but it is designed to help you brush better, not to win beauty pageants. It has crisscross bristles that are clinically proven to remove up to 90 per cent of plaque from between teeth.[69] Very impressive indeed.

The proprietary CrissCross bristles are positioned in opposing directions and designed to flex and straighten, actively penetrating between the teeth and along the gum line to lift out and sweep away plaque. Two rows of soft gum stimulators massage gums. Multi-section elevated Power Tip bristles at the front of the brush head wrap around teeth and get to those hard-to-reach areas. The patented blue Indicator bristles fade to signal that it is time for a replacement. A wide, ergonomically-designed handle fits comfortably in the hand and offers a secure grip to manoeuvre the brush with precision.

Design is about how things work and design is what has differentiated the Oral-B CrossAction Vitalizer from other toothbrushes.

When we mention Milwaukee, you would probably think of the largest city in the state of Wisconsin, USA, where Harley-Davidson was born. But Milwaukee is also the brand of a heavy-duty power tools company founded in 1924. The company uses design to differentiate its products – both in terms of how they look and how they work. Milwaukee power tools are finished in the company's signature red colour so they are instantly identifiable from a distance. But what is more impressive is the way the company has used design to create better tools for professionals.

Since its founding in 1924, Milwaukee has been an industry leader in power tool innovation with over 137 US and 179 foreign patents awarded as of the end of 2002.[70] Innovative new power tools include the Tilt-Lok, which is the world's first adjustable-handle circular saw. It makes the saw more flexible to use in different types of cutting positions. Its BodyGrip router has an exclusive tactile grip with adjustable handstrap; this is important as a comfortable grip makes long hours of using the tool more bearable. The Sawzall is a hatchet reciprocating saw with a six-position rotatable handle.

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[69] http://www.oralb.com/us/pdfs/xactionsummary.pdf

[70] http://www.milwaukeetool.com

The innovation continues with the V28 Lithium Ion Cordless Tool System, a revolution in the power tools industry. The V28 battery delivers up to twice the run time and up to 50 per cent more power than an 18-volt Nickel Cadmium battery of the same weight.

In A Nutshell

Good design is not an easy thing to pin down but it can be used to differentiate your brand effectively. It is not just about how things look but about how they work as well. It can help you to differentiate a commodity, launch a new brand, revive a dying brand and maintain a brand over time. But when you use design to differentiate your brand, please make sure that your design is truly different from your competitors'. You need to create your own signature look and you need to ensure that you have brains to go with the beauty by making sure that the design works well.

CASE STUDY
Design — Nanyang Optical

Background

Nanyang Optical is a brand that would be familiar to most Singaporeans. It was established in the 1950s as a small workshop for grinding and edging lenses but the company has grown steadily over the decades to become one of the largest optical retail chains in Singapore. Nanyang Optical is currently operating over 20 outlets in Singapore, Indonesia and China. The company has also set up a joint venture company in China for the purpose of manufacturing and distributing spectacles frames.

Since Nanyang Optical's inception, it has received numerous awards, including the prestigious ISO 9002 certification for quality service and the Singapore Franchise Mark for sound business practices and capabilities.

The founder of the company, Mr Yang Wah Kiang, is still at the helm of the group, driving it to constantly innovate in order to gain a competitive advantage. As far as the highly energetic, young-at-heart and stylish 60-year-old Mr Yang is concerned, there is still plenty of ground for the company to conquer in terms of product and service innovation. Innovation is something that is close to Mr Yang's heart. He believes that it is what drives a business forward.

In an interview with *The Executive* business magazine (December 2007 issue), Mr Yang commented that many people jump onto the innovation bandwagon without really understanding what it is and the direction that they have to take in order for the innovation process to be successful. Mr Yang further mentioned that innovation must bring about a new and refreshing concept in terms of ideas or designs. As the leader of the company, Mr Yang believes that it is his responsibility to set the direction in terms of innovation and then inspire his team to focus on achieving real breakthroughs in this area.

Despite the success of Nanyang Optical as an optical retail chain, the company sees this category as too crowded and too undifferentiated to generate high growth in the future. The optical retail market has become too commoditised and as a result, profit margins are being squeezed. Furthermore, it is also difficult to achieve proper differentiation because when consumers buy eyewear, they are influenced by the brand of eyewear and not the brand of the retail outlet. For example, a customer who wants to buy Acuvue daily wear contact lenses will not buy from Nanyang Optical if it does not have the brand in stock. The customer will just go somewhere else.

Unless Nanyang Optical has exclusive distribution rights to a hot eyewear brand, it will be very difficult to differentiate itself from its competitors because whatever brands that Nanyang Optical can sell, its competitors can sell, too. That has led Nanyang Optical to create its own brands of eyewear so that it has something that no one else has. In the beginning, Nanyang Optical came out with similar-looking designs to the high-end eyewear brands such as Gucci and Armani but it quickly discovered that many of its competitors were also doing the same thing. Following the leading brands' design direction is still not getting Nanyang Optical anywhere.

So, in 2002, the company set up a design studio in China to focus on creating unique designs for its eyewear brands – Urband and LinkSkin – so that Nanyang Optical can set itself apart from all the other me-too brands. And Nanyang Optical has also collaborated with French designers to imbue some of the French design flair and pizzazz into its frames.

The Challenge

Nanyang Optical is convinced that it needs to have great designs if it wants to differentiate itself from other eyewear brands because design is the first thing that customers notice when they shop for eyewear. If the design is not attractive, they won't even be interested in finding out more about the frames. On top of that, many consumers these days are aware that there isn't a lot of difference between one frame and another because many eyewear brands subcontract the manufacturing of their frames to third parties. In an environment like this, design becomes even more critical.

However, Nanyang Optical has faced many daunting challenges. For a start, eyewear designs can be easily copied by competitors. Just take a look at any fashion magazine or take a walk into any optical retail outlet and you will see that even the high-end eyewear brands can be quite similar in terms of design. Take away the logo and most of the time, you can't really tell which design is from which brand.

Even for a brand like Ray-Ban, which has a signature look, that design can also be copied by other companies. So, it became extremely difficult for Nanyang Optical to create unique designs. And Mr Yang is acutely aware that if the design is not unique, Nanyang Optical will have to offer a lower price – and competing on price is something that Mr Yang is not keen to do because he knows that there will always be somebody cheaper out there.

Furthermore, design is also a very subjective thing. What looks good to one customer may not appeal to another. The company has to stay ahead of fashion trends in order to create designs that are up-to-date and appealing to its customers. This is difficult for Nanyang Optical as it is new to this game. Although it has been in the business of retailing all types of eyewear for so many years, this is the first time that it is trying its hand at creating its own designs. The company is travelling on uncharted waters and it could run into a lot of unforeseen problems.

Finally, as the new kid on the block, Nanyang Optical found that it was very hard for it to get the established eyewear manufacturing companies to work with it. One of the reasons is that Nanyang Optical has no track record and the other reason is that most of the factories are already very busy manufacturing for the other people. That is why Nanyang Optical set up a joint venture company to take care of its manufacturing requirements.

The Differentiation Strategy

To differentiate its Urband and LinkSkin brands effectively, Nanyang Optical had to do something drastic in terms of design – not only in the way the frames looked but also in the way they were engineered. We said earlier in this chapter that design is as much about how things look as how they work, and Nanyang Optical is a company that subscribes fully to that philosophy. That is why it was willing to invest a lot of time, effort and money into designing a frame that is very different from the inside out, compared to anything else on the market. Between 2002 and 2005, the company's design studio in China embarked on an intensive R&D programme to create a revolutionary design.

For a start, it looked at how conventional frames are constructed and discovered that all of them are joined together by the tried-and-tested method of screwing and soldering. Those of you who wear glasses will know that you need to tighten the screws from time to time as they will work loose after a while. So, Nanyang Optical set out to create a new type of frame that does not have a single solder, screw or spring in it. What it did was create the S-Clip, which allows all the components to be joined together using a very secure clip. This interlocking mechanism is very secure and allows for a very lightweight design. The patented screw-less hinge design also looks very cool. We think what Nanyang Optical has achieved is a truly breakthrough design that not only looks good but works well.

Is this strategy effective in differentiating the Urband and LinkSkin brands? We think so. First of all, no other eyewear brand in the world constructs its frame in this manner and since the S-Clip technology is patented, no one else can use it but Urband and LinkSkin. Proof of the pudding is in the eating, as they say. And proof of this revolutionary design concept has come in many forms. For a start, Urband and LinkSkin have both won design awards such as the prestigious iF award from Germany and the Red Dot award. Both brands have been very well-received in Europe and the United States since their launch in late 2005. And they have also been regularly featured in leading French fashion magazines.

On top of the S-Clip screw-less hinge technology, Urband and LinkSkin are also very stylish frames – possessing not only good looks but also available in a range of very interesting (and interesting-looking) material such as leather, bamboo, etc. To get a feel of what Urband is like, you can visit its website at *www.urband.com*. The LinkSkin website is being revamped at the time of this writing.

The hard-charging Nanyang Optical is not resting on its laurels. It is pushing hard to create even more innovative ways of designing frames that not only look good but work well in terms of comfort, lightness and durability. We were told that there is a new line of eyewear coming up that is made entirely from recycled plastic folders. As it is, Nanyang Optical has achieved what it set out to do five years ago – differentiate itself through design – and to that we say, "Nicely done!"

Chapter 22

What To Do With Your Differentiating Idea?

FINDING the differentiator is a hard thing to do, but the really hard part comes after you find it. What? We are sorry, but it is true. Typically, in any client engagement, we can find between three to five possible differentiators for the client's brand based on the 13 strategies of differentiation we have shared with you in this book.

After we have identified the possible differentiators we have to decide on the one to use. You cannot use all at one go. We have seen companies (not our clients, thankfully) try to do that and the end result was a mess and it would have been laughable if it were not such a serious, life-or-death matter for the brand. You can only use one of the differentiators from the shortlist as your brand's differentiating idea. Try to be greedy and use them all, and you will end up with a brand that looks schizophrenic. Customers generally do not like to hang around schizophrenic brands, just like you do not like to hang around people with multiple personalities.

These are the three major steps that we take with every client on any branding project for the Differentiation Strategy phase after we have identified some of the differentiators that the client could possibly use:

STEP 1: VALIDATE

For any differentiation strategy to work, it must have the support of an important group of people – your internal stakeholders. These include your management and employees. They must be convinced that the differentiation strategy the company is committing to is the right one. Of course, if you have a company with a few hundred employees, this is not possible. We normally get all the senior management people and department heads to be involved in this exercise, which is done through a series of workshops in which we present the potential strategies and get their feedback. This is part of the validation exercise.

Occasionally, you may end up with two opposing camps. One may prefer Strategy A and the other, Strategy C, for instance. If both camps are equally strong and equally matched, you would have a deadlock. When such a thing happens, we have to step in and play mediator. We will make a recommendation based on what we think is the best option and explain our case clearly, supported by evidence, and try to persuade the client to accept that option so that the project can move ahead. We have seen projects that have been delayed for a couple of months because internally, the client has two opposing camps and each one prefers a different strategy.

It is not an easy process to get validation but it is extremely important. With validation comes buy-in from your internal stakeholders. With buy-in comes ownership of the strategy. With ownership comes execution. If you feel that you have a part to play in the creation of this strategy, you will feel the need to make sure that this strategy works. Without validation, the strategy could unravel in as little as a year. Sometimes, the strategy does not even take off! Validation will make your internal stakeholders walk the walk, in addition to talking the talk.

The single-most important thing you must remember during the validation process is that you cannot take a middle-of-the-road approach in choosing between two strategies. That is not only a cop-out, it will jeopardise your brand. It is the lazy way out. When you are faced with two equally matched camps, each wanting a different strategy, you have to study both options carefully – weighing the pros and cons. Sometimes, companies will say, "Okay, since we can't agree on which of the two strategies to use, let us abandon both and use the third one." If you do that, you end up with the worst of both worlds. We read somewhere that when Lexus was finalising the design for its first car ever – the LS400 of 1989 – the stakeholders could not decide on which of the 40 designs for the front grille to use, so they chose one that nobody liked. That is no way to do it, people. That is one of the reasons the LS400 looked so boring. In the event of a major deadlock, the CEO will usually have to make the decision on which strategy to use after carefully considering both. Well, that is what CEOs are paid to do anyway – to make those tough calls.

Not taking the middle-of-the-road approach is very important, so much so that we will spend some time talking about it here. Do you know why you scream at your children when they play in the middle of the road? Because that's where accidents happen. The same thing can happen to a brand if it adopts the kind of middle-of-the-road strategy that many Singapore companies seem to favour. When you play tennis, there is an area of the court called No Man's Land that any good coach will tell you not to stand in and that area is the middle area between the baseline and the service box. That is where most balls land. Standing there makes it difficult for you to control your shot. Make sure your brand does not end up in this dead zone because if you are stuck in the middle, you will be under a lot of pressure from the brands at the top and the brands at the bottom.

What makes a strong brand strong?

It stands for something in the minds of people.

SIA stands for something in the mind – the best service in the air. eBay stands for online auction. Rolex is the original expensive Swiss watch. Dell is all about computers sold direct to you. Panadol stands for headache relief. Volvo means safe cars. Zara is just-in-time fashion. Viagra stands for performance enhancement. Look at any leading brand and you will find that it stands for something very specific in your mind.

You will not find a strong brand from among those who take the middle-of-the-road approach. So, when it comes to differentiating your brand, make sure you don't cop-out. When you are faced with two viable differentiation strategies, take one or the other. Don't settle for something that is neither here nor there.

Why Can't Your Brand Stand For Everything?

The human mind needs to be able to categorise things for easy reference. When we see a brand, we need to immediately associate it with a category. If your brand stands for everything, that's hard to do. If the brand stands for everything, then it would have a lot less credibility. A strong brand is one that stands for one thing in the minds of its customers.

What is Nokia? Mobile phones.

What is Coca-Cola? Soft drinks.

What is Oracle? Database software.

What is VISA? Credit cards.

What is BlackBerry? Portable e-mail device.

What is Toyota? Reliable car.

What is SKII? Pitera-based skin care.

What is Red Bull? Energy drink.

What is Intel? Microchips.

What is Sensodyne? Toothpaste for sensitive teeth.

What is Mitsubishi? Err… Air-con? TV? Refrigerator? Car?

You can't please all people all the time, so pick whom you want to please and work hard at it. If you try to make your brand stand for everything under the sun, you end up standing for nothing. Make up your mind. Decide what your brand is, where it stands and stick with it. If you don't, or won't, your brand will run into trouble. Maybe not now, but eventually.

So, when you do the validation for your differentiation strategy, always bear in mind that you can only use one strategy. Find the best one and stick with it. Make that strategy your brand's primary differentiating idea. One brand. One differentiating idea.

STEP 2: DRAMATISE

A differentiator in its raw form is not much use to any brand. Very often, the differentiator is not very apparent, but one glance is all you have with customers these days. If you can't make that big first impression, your brand might have lost the chance to win a customer. For your differentiator to be useful in building your brand, it must be properly dramatised. Dramatisation makes the differentiator more exciting and large than life. In Chapter 15, when we talked about Attribute Ownership, we showed an example of how to dramatise the differentiating idea for a brand of elastomers designed to absorb sound and vibration.

We have also met a company that specialises in technical wood products. It is able to use wood waste left over from saw mills to make doors and tables. Technical wood is similar to compressed fibre boards but apparently, the process this company uses results in a stronger product that is more fire resistant and sound absorbent than even regular wood. The company also claims that its technical wood is longer lasting. The differentiation strategy is one based on attribute – tougher than regular wood.

But how do you show that is tough? You need to dramatise the difference. This company built a demonstration kit that consists of a sealed clear plastic box filled with water. A piece of technical wood was submerged within and the date of submersion stamped on the box. When we saw the demonstration kit, it had a piece of wood that had been submerged for months and yet it looked as good as new. Very impressive. This is an example of how you dramatise your differentiator.

Mobil tried to show the world that its Mobil 1 synthetic engine oil protects engines better than anything else in the world. That is a differentiation strategy based on performance leadership. How do you show that performance difference since engine oil can't be seen after it goes into the engine? Even the engine can't be seen once you close the bonnet. Mobil ran a BMW 325i (the E30 model) using nothing but the Mobil 1 synthetic engine oil in real-world conditions over a distance of one million miles (1.62 million kilometres). At the end of the test, it stripped the engine and measured the amount of wear on each part. This test was independently verified, by the way. What Mobil found was truly dramatic. There was virtually no wear on those engine components. That is also an excellent example of dramatisation and if you visit Internet car forums, you will still find people talking about this Mobil 1 test 13 years after it was concluded.

3M tried to differentiate its safety glass based on performance as well. 3M wanted its safety glass to be perceived as the best-performing safety glass in the world. It has some very serious competition in the form of the Lexan glass from GE, which has been around longer. What did 3M do to dramatise its performance? It put up a glass display at a bus stop. This glass display looked like a regular bus stop advertisement display except for two things. One, the glass used was 3M's safety glass and the display also had tens of thousands of dollars in it. 3M stamped a small "3M Safety Glass" logo on the glass display.

Many people attempted to break the glass to get to the money. None succeeded. One man even took a flying kick at the glass. The reporter who was there said that the glass was not even scratched but the man looked like he might have broken a few toes. That stunt generated a lot of publicity for 3M and it is probably the best example of dramatisation that we have seen in recent years.

You do not have to go to the extent that Mobil and 3M did to dramatise your differentiator. Jack Trout shared an interesting case study involving olive oil at the Global Brand Forum 2006. When olive oil is mentioned, Italy usually comes to mind. That did not make the Spanish very happy because Spain accounts for 51 per cent of total olive oil production and Italy only accounts for 22 per cent. Italy buys the raw oil from Spain, repackages it and sells it under its own brands. Spain produces most of the oil but Italy makes most of the money because perception is reality and Italy is perceived as the olive oil king and therefore it is. Can Spain reverse this?

According to Jack, Spain needs to position itself correctly as the world leader in olive oil production. That is sales leadership. “Spain. The World’s No. 1 Olive Oil Producer.” It must then dramatise this difference, possibly in advertisements. For example, Spain can run advertisements based on this simple message, “Two thousand years ago, the Romans were our best customers. Two thousand years later, they still are.” This will show that all those expensive brands of olive oil from Italy are actually made with olive oil from Spain. Fantastic case study. Thank you, Jack!

Sometimes the dramatisation of the differentiator requires the use of elaborate demonstration kits or publicity stunts. And at other times, the differentiator can be dramatised using a simple slogan. When we do branding projects for clients, we try our best to dramatise the differentiator using the latter method because the former often requires a lot more money to execute – money that the clients may not want to spend.

One of our favourite examples is when we created a new power cable brand called Licavo for one of our clients. One of the client’s strengths is that it has the kind of structural cost advantage that allows it to offer lower total cost of ownership for its customers, so the Licavo power cable can own the attribute “low cost”. But saying that you are low cost or cheap or affordable is not very exciting. We needed to dramatise this attribute of low cost.

So, we created a slogan that said, “Our Cables Are Simply Longer.” When Jacky first proposed this tagline for internal discussion, the first reaction from our colleagues was, “Hey, this has sexual connotations.” Jacky’s response was, “Yes, it does but only because you people have dirty minds!” But there is no denying that this slogan caught people’s attention and it was a rather elegant way of saying, “We are cheap” because with Licavo, every dollar buys you more cables.

STEP 3: COMMUNICATE

After you have dramatised your differentiating idea, you have to communicate it clearly and consistently at all customer touch-points. If you do not, nobody will know about it. Wilson tells clients all the time that a brand is not a brand until it is famous, and it will not become famous until you communicate it properly and regularly.

Many people think that communications is expensive. It need not be. There are two types of communications channels – static and dynamic. The static channel is the non-human one and that makes it easier to control. The dynamic channel involves human beings and therefore, is much harder to manage.

The static communications channel is made up of things like:

- Website
- Brochures
- Marketing flyers
- E-mail
- Name cards
- Packaging
- Advertisements
- Store design
- Uniforms
- Deliver vehicles

The dynamic communications channel is made up of people such as:

- Management
- Employees
- Ex-employees
- Distributors
- Agents
- Brand evangelists
- Customers
- Spokespersons
- Media
- Suppliers

You need to make sure that your differentiating idea is communicated through these channels at all times. If you do not, then there will be gaps that your competitors can exploit. Keep telling the world about your differentiator. Keep reminding people of what makes you different and what makes you special so that people will always remember the reason to buy from you.

The components that make up your static communications channel can be developed, refined and put in place during the branding project. After the static communications components are in place, they can be left alone for a while. However, the dynamic communications channel needs a lot of hard work because it involves people, and people have minds of their own.

Out of all the people in your dynamic communications channel, the two groups that you have relatively more control over are your management and employees. So, start with them. Make sure they are properly trained in The Way Of The Brand. They must understand what the brand is all about and how they need to act and communicate with outsiders to ensure the brand is consistently portrayed. And this is an ongoing process. You need to constantly remind your people of this. When your internal stakeholders are able to consistently communicate the brand to the outside world, they will influence the other people that make up the dynamic communications channel to spread the brand message as well.

WHAT YOU SAY IS AS IMPORTANT AS HOW

Both of us love to write and we have had short stints as copywriters previously (longer for Jacky). Jacky thought he could write pretty well. So, when he started working in Singapore in 1996, he chose to be a copywriter despite the fact that he studied marketing when he was in the United States. One day, after he presented a piece of work, his boss told him that he had produced rubbish and he would never make it as a writer. Taken aback, he asked why. The boss told Jacky that he was quite typical of copywriters – always thinking of how to say things in the most creative way ever imagined. Jacky asked what was wrong with that since they were in the creative industry. And the boss replied that there is nothing wrong, except that most copywriters don't think of *what* to say before they plunge into how to say it – a sin that Jacky realised he, too, was guilty of.

That is the single-most important lesson Jacky learned from his advertising days and it is one that every company needs to be reminded of from time to time. It boils down again to the two things that we always tell clients they must have to be a successful brand – *strategy* and *execution*. They are both important but strategy must come first.

When you are trying to build a brand, you must get the strategy right first. The market is not a very forgiving place. Every mistake is punished immediately by competitors and customers alike. What is brand strategy? It is about finding a differentiator or Unique Selling Proposition (USP) as we have established earlier in this book. Once you have found that USP, you need to communicate it clearly and consistently.

To become famous, you need to communicate, communicate, communicate. This is where a lot of brands actually fall flat on their faces – even those that have outsized budgets for advertising – because they don't focus on what to say. They jump straight into how to say it. So many advertisements that you see today are worthless because they don't communicate the brand's USP. And if you take away the brand's logo and name, you actually can't tell what those advertisements are trying to sell or which brand they represent. It makes us crazy when we see good money being flushed down the toilet on advertising campaigns that are very creative, imaginative and perhaps even award-winning but which ultimately fail to communicate the brand's USP.

In A Nutshell

Finding a differentiator is not easy but once you have found it, your job gets even harder. That differentiator is the raw material. It needs to be refined, polished and packaged before it can be used. That process involves three critical steps: Validation, Dramatisation and Communication. These must be done and done right; otherwise, all the hard work that went into finding that differentiating idea will go to waste. If all this sound like too much hard work, you can always do the other thing that we mentioned – sell cheap. Slashing your price is easier to do in the short run but not as much fun in the long run. It might even kill your brand.

Chapter 23

Protecting Your Differentiating Idea

EVERY company wants to grow, and if you are a Singapore company, that means you will have to venture beyond this tiny island of 704 square kilometres someday. That will be when many companies will see their differentiating idea being torn to shreds by the market forces pulling at it from a hundred and one directions – the reason being that each market is different. So, a differentiating idea that works in one market may be useless in another.

In the United States, Starbucks was the gourmet coffee brand. It started an exciting new category that made it different. When it ventured into Europe, Starbucks found that it was just another coffee chain because there were so many high-end cafés in Europe serving gourmet coffee. So, what do you do in a situation like this? You have to adapt. You can't change your brand entirely but you can tweak it. For Starbucks, its differentiating idea could be modified. It could become "the gourmet coffee from Seattle". This might work if Starbucks is able find something about Seattle that can be romanticised.

However, you cannot change your brand so much that it becomes confused. In our previous book, we wrote about the importance of consistency in building and maintaining a brand. It is a simple idea but very hard to execute properly. You need to be consistent or your differentiating idea will become blurred, weakened, and eventually be destroyed. Inconsistency can ruin even the best of brands. So, if you are a person who is easily bored or the type who can't help tinkering with things, don't get into the brand-building business. Contrary to what many people believe, branding is a boring game because to build great brands, you need absolute consistency. You need to do the same thing day in, day out. You don't mess with a winning formula.

GIVE IT A KISS

KISS here stands for "Keep It Simple, Silly". A lot of people confuse complexity with sophistication. These are not the same. People are afraid to keep things simple because they are under the impression that simplicity will be viewed as stupidity. No one wants to be labelled a Simple Simon because that implies you are a village idiot. But if you want to build strong brands, simplicity is the way to go. Simplicity will keep your brand on the straight and narrow. It will keep your brand focussed. And simplicity makes it easier to maintain your differentiating idea in the light of competition and expansion into overseas markets.

Simplicity doesn't mean that your products or services are not sophisticated or that they are low-tech. Some of the most powerful brands in the world are built around complicated technologies but they have never been presented as complex. On the contrary, they are such strong brands because they have been built around simple ideas!

The BlackBerry is a highly sophisticated portable e-mail computer. But it is a simple product in the sense that it only does one thing – send/receive e-mails. Sure, the latest 8700 model also does other things like make/receive phone calls but the powerful idea behind the BlackBerry is a simple one, which makes the job of marketing it very easy. What is a BlackBerry? It's a portable e-mail computer. *Bam!* That idea, and the brand attached to that idea, is lodged firmly in the mind.

The Nintendo Gameboy is a high-tech gaming device. But it is also simple enough to be positioned strongly in the mind. What's a Nintendo? It's a portable game console. Nintendo didn't try to make the Gameboy a complicated multi-function product like the Sony PSP. What's a PSP? It's a portable game console that also does all kinds of other things – DVD player, MP3 player… and we have no doubt it could even launch a space shuttle, given the chance! But the simpler Nintendo is still the leading brand in the portable gaming consoles category.

The iPod is a sophisticated device. It is the leading MP3 player in the world. But despite all the technology that went into the iPod, it is a simple device. It plays MP3 music files. It doesn't try to double up as a flight controller for the space shuttle, which is what a lot of consumer electronics gadgets seem to be aiming for. An iPod is a simple idea with a simple design and a simple interface. And it rules the MP3 category.

But a simple idea is hard to find. It is probably the hardest thing in the world to do, because to arrive at a simple idea that can be expressed simply, a lot of hard thinking needs to be done first. Simplicity is the result of lots of deep thinking. Only after you have thought through everything can you distill it into something simple.

Simplicity also does not mean that you take short cuts. You still need to consider all angles, study the problems from all fronts, weigh the different options available. And after all these things are done, you need to arrive at a simple idea that can be communicated very simply.

Study the history of successful brands and you will always find that they are built on the principle of simplicity.

Boeing makes really complex airplanes but it is built on a simple idea: Jumbo jets.

Cray makes the most complex computers in the world but it is built on a simple idea: Supercomputers. Computers that are really, really fast.

Sharp's Aquos TV is so complex that only a handful of companies have the expertise to make the screen, but Sharp is built on a simple idea: LCD TVs.

So, if you want to build a powerful brand, remember to keep things simple. The more complicated you make things, the harder it is to build a brand. And yet, we come across so many business executives who are so afraid to keep things simple. They have this almost psychotic tendency to want to complicate things. If you want to build a strong brand, keep it simple, or you can watch those competitors with a simple idea and strong focus run away with your market.

DOWNSIZE BEFORE YOU UPSIZE

One way to keep things simple is to downsize. We can hear CEOs all over Singapore screaming, "What? Downsize? No way! We need to grow. Grow, grow, grow!"

What if we tell you that downsizing can actually help you grow?

Nokia downsized its business before it became a mobile phone powerhouse. It dropped everything else to focus on mobile phones. By downsizing, Nokia managed to keep things simple. And that, in turn, allowed it to concentrate on dominating the mobile phone category. When that category grew, Nokia became a multi-billion dollar company.

THE COMPLICATED SOLUTION MAY NOT ALWAYS BE BEST

When US astronauts first went to space, they found that in the weightless vacuum of space, ordinary pens did not work as the ink couldn't flow. So, NASA spent millions of dollars on R&D to develop a pen that could write in space. We are sure you have seen one of those pens. They even write upside down. That is incredible, is it not? A triumph of technology over nature. The same problem also affected the Russian astronauts but unlike the Americans, they did not have that much money to spend. So, what did they do? They used pencils. Brilliant!

We were also told of a story of two factories that installed a high-speed, fully-automated manufacturing system that could pack products much faster and cheaper than humans can. This improved the factories' efficiency and reduced their cost. However, there was a flaw in the system. Occasionally, the system would leave some boxes sealed but empty. That resulted in a lot of unhappy customers who threatened to take their business elsewhere. So, these factories frantically got their workers to manually inspect every box at the end of the production line, which made it pointless to have the system. They could not figure out why some of the boxes were left empty. The occurrence was very low but they could not afford any more angry customers. A solution had to be found.

One factory tasked a team of engineers to develop a vision-inspection machine that used X-Ray to scan each box as it whizzed past on the conveyor belt. When an empty box was detected, it would stop the production line and the empty box was then removed manually. This was much better than having the workers manually inspecting each box at the end of the line. But to design and build that system cost a lot of money. And to integrate that system into the main production line meant shutting the line down during the night shift for two weeks. But the end result was, no more empty boxes being delivered to customers. Everybody was happy – except the accountant.

The second factory also sent a team of engineers to solve the problem. After much brainstorming where technical solution after technical solution was presented and debated, the team decided that the best option was to buy industrial fans and install them by the production line. They reasoned that the empty boxes would be rather light and would therefore be blown off the conveyor belt. They were right! The two fans they installed only cost a few hundred dollars and they worked. Empty boxes were blown off the line and workers could collect these empty boxes at the end of the day. Simple and brilliant.

Keep things simple when it comes to your brands. Resist the temptation to make things complicated. While complicated charts, diagrams and technical jargon may sound very impressive, they are not so in reality. Simplicity does not mean that you are being lazy or are taking short cuts. Simplicity is hard work. Take the engineering team in the second factory. They considered the problem from all angles and came up with many potential solutions. Ultimately, they hit upon a simple one that worked like a charm. Keep that in mind. Branding is not rocket science. Keep it simple. Keep it straight.

IT TAKES TWO TO TANGO

To build and maintain a strong brand, you also need to consider the items that we have listed below. All of them come in pairs. You need both to build your brand and protect your differentiating idea. If you have one but not the other, it will not work. You need both.

Marketing & Innovation

Peter Drucker is probably the greatest business guru who has ever lived and he is certainly widely credited as the father of modern business management. He wrote something in 1953 that is still as valid today as it was back then.

"The business enterprise has two – and only two – basic functions: marketing and innovation. Marketing and innovation produce results: all the rest are 'costs'."

Before you stand up and object, let us just say that even if you are performing a support function like administration, customer service, accounting or logistics, you still need to innovate. If you do not, your competitors will and they will steal your lunch. And eat it.

A brand is all about marketing and innovation. Without marketing, even the most ground-breaking products will sit in the warehouse collecting dust. The truth will not just get out without some help, and that comes in the form of your marketing activities. But without innovation, your products will become obsolete and nobody other than an antiques dealer wants an obsolete product.

Strategy & Execution

Strategy and execution are equally important for branding success, but strategy must come first. Differentiation is the strategy part. There is a time and place for everything, and the time to execute is after the strategy has been properly developed and validated. If the strategy is wrong, you can forget about achieving your goals no matter how well you execute the details. That is why great military thinkers like Sun Tzu and Klaus von Clausewitz say that the battle is won even before the first shot is fired. It's the same in business.

When it comes to branding strategy, there are also two ways of going about it:

1. The Bottom-Up Strategy
2. The Top-Down Strategy

The Bottom-Up Strategy is driven by what you already have in your company – what you already do well. For example, if your strength is in manufacturing high-quality packaged food, try to use that to formulate your branding strategy. Singapore has many food manufacturing companies that have made names for themselves by building on their strengths. But what if the strengths you have are not enough for you to build a branding strategy on? What if your competitors are stronger everywhere? Then, you may need a Top Down Strategy.

The Top-Down Strategy is more aspirational. It requires senior management with vision, courage and commitment, because it dictates that the company should try something new to build a brand. That may require the company to invest lots of money and time into building a new category and the risk is potentially high.

But sometimes companies have no choice. For example, Kodak is a powerful brand in photographic film. But the advent of the digital camera – which, ironically, was introduced to the world by Kodak in 1976 – has practically killed the film business. Kodak has since launched its own line of digital cameras. Sales are growing but the margins are low. So, Kodak has embarked on a high-cost, high-risk project to invent a new category of pigment-based photo printers with prints that can last 100 years instead of the usual 15. *BusinessWeek* reported recently that this new line of Kodak printers will soon be ready to be launched.

That is Top-Down Strategy.

Brand Champion & Brand Ambassadors

You need two types of people to build a brand: A brand champion and an army of brand ambassadors. The brand champion has to be the CEO of the company. No one else is qualified to do the job. If the CEO doesn't champion the brand, the brand will be pulled in a hundred and one different directions by internal and external forces. Every big brand in the world has an equally big brand champion behind it. Microsoft has Bill Gates. Apple has Steve Jobs. Ferrari had Enzo Ferrari. Disney had Walt Disney. Oracle has Larry Ellison. Southwest Airlines has Herb Kelleher. FedEx has Fred Smith. The list goes on…

The brand champion needs to set the direction for the brand – the brand strategy – and he (or she) needs to rally the rest of the company to buy into the brand's vision and work together to achieve it. A brand champion sometimes needs to get rid of people within the company who are not supportive of the vision, no matter how good or brilliant they may be because they will poison the other brand ambassadors. That was one of the things that Jack Welch had to do as CEO and brand champion of General Electric.

Brand Name & Category Name

We are not trying to turn you into a secret agent but you need two names to build a strong brand. You need a brand name and that needs to be short, unique, memorable, easy to pronounce and work well in the English language. Names like Google, Xerox, Kodak, Lexus, iPod, Apple, Hyflux, Zagro, Osim, Intel, DeWalt, Otis – just to name a few – are names that work well.

A brand name also needs to be linked to a category name. Intel is a strong brand only because its name is very strongly linked to a category called *microprocessors*. Google is linked to *online search*; DeWalt, with *power tools*.

Public Relations & Advertising

A brand is built by public relations and maintained by advertising. Again, if you have a new brand or a brand that has been around since the Jurassic Age that nobody knows about (which means it is, for all practical purposes, a new brand), you need to use PR first to get the brand known.

PR has credibility because it is what third parties (the media – newspapers, TV, radio, magazines, journals, etc) say about you. Advertising is less credible because it is what you say about yourself. What you say about yourself is only credible if you sing the same tune that is already in your audience's head – meaning it must agree with the idea that PR has already planted in their minds. But a brand needs advertising to live. Eventually, brands run out of stories to tell the media. When that happens, advertising kicks in to maintain the brand.

FINAL WORD

Products are made in factories but brands are built in the mind. In fact, a brand is nothing more than an *idea* that exists in people's minds. Every brand, including yours, is defined by the idea that it owns in the minds of its customers. If you don't own an idea, you don't have a brand. At best, you have a weak brand. If you try to own too many ideas in the mind, you will also not have a strong brand. One brand. One idea.

Treat the mind like a wall that you are trying to penetrate. Branding is like the nail (your differentiating idea). And marketing is like the hammer (your marketing communications) that you use to drive the nail into the wall. That will probably make it easier to remember the relationship between branding and marketing. They are related but they each have a different role.

If you remember nothing else from this book, remember that there are basically two things that you can do with regard to building a brand: DIFFERENTIATE OR SELL CHEAP. If you are not differentiated, you'd better have a low price because if people can't tell the difference between your brand and your competitors' brands, they will just buy from whomever is cheaper and that may not be you.

If you think that you can maintain your price advantage, go ahead and compete on price but if you can't, you had better find a powerful differentiating idea or it will be "Game, Set and Match!" to your competitors.