CHAPTER 2

The Art of Positioning

Allow me to introduce myself. My name is Wile E. Coyote . . . Genius. I am not selling anything, nor am I working my way through college, so let's get down to cases. You are a rabbit, and I am going to eat you for supper. Now, don't try to get away! I am more muscular, more cunning, faster, and larger than you are . . . and I'm a genius. Why, you could hardly pass the entrance examinations to kindergarten. So, I'll give you the customary two minutes to say your prayers.

—*The Bugs Bunny/Road Runner Movie* (1979)

GIST

Most people consider "positioning" an unnatural act foisted upon them by marketing dweebs who are assisted by highly paid and clueless consultants. In truth, positioning goes far beyond a management offsite or exercise. When done properly, it represents the heart and soul of a new organization, stating clearly

- why the founders started the organization
- why customers should patronize it
- why good people should work at it

Wile E. Coyote understands positioning better than most entrepreneurs: He's a coyote, and he's going to eat the rabbit for lunch. Organizations should position themselves with comparable clarity by explaining exactly what it is they do. The art of positioning really comes down to nothing more than answering that one simple question:

What do you do?

Developing a good answer to this question involves seizing the high ground for your organization and establishing precisely how it differs from the mass of competition. Then you must communicate this message to the marketplace. You will learn how to do both in a short, differentiated, and powerful way in this chapter.

SEIZE THE HIGH GROUND

Unless you are a rabbit about to be devoured by a coyote, good positioning is inspiring and energizing. It does not allow itself to get mucked up in money, market share, and management egos. These are the qualities to aspire to:

- **POSITIVE.** Entrepreneurship isn't war, so you don't describe your enterprise in warlike terms. Your organization's purpose is not to put another organization out of business. Customers don't care if you want to destroy the competition. They want to know what benefits they derive from patronizing your company or service.
- **CUSTOMER-CENTRIC.** Positioning is about what you do for your customers—not about what *you* want to become. Announcing that your organization is "the leading company" is egocentric, not customer-centric. It's also impractical: How can you prove you're the leader? How can you prevent another organization from declaring that *it* is the leader—just as you have?
- **EMPOWERING.** Employees must believe that what you do (that is, your positioning) makes the world a better place. The employees of eBay, for example, believe they enable people to gain financial success. This attitude empowers the employees to exceed their limits—and to enjoy doing so.

The Toyota Prius is a good example of high-ground positioning. The car gets fifty-five miles per gallon of gas by using a hybrid of an electric motor and a gasoline engine. It's not fast, sexy, or luxurious. But it's inexpensive to buy and inexpensive to operate, qualities that position it powerfully and uniquely.

In addition to seizing the high ground, good positioning is a workhorse. It is practical and serves tactical and strategic purposes that are easily understood and believed by customers, vendors, employees, journalists, and partners. Thus, good positioning also embodies these qualities:

- **SELF-EXPLANATORY.** Good positioning states its case unequivocally. It embodies such qualities as saving money and increasing revenue, as well as loftier concepts such as peace of mind, enlightenment, and joy.
- **SPECIFIC.** Good positioning targets the intended customer. If you are the target customer, you immediately understand that. If you're not, you understand that, too. For example, "increase the security of Web sites" is a mediocre and vague value proposition, compared to "reduce the risk of fraud for commercial banks in their online transactions."
- **CORE.** The core competencies of your organization—not ancillary products or services—are the basis of good positioning. For example, Apple Computer's positioning focuses on its ability to create innovative devices. It cannot tell a good story about information technology consulting services.
- **RELEVANT.** The flip side of an organization's core competencies is the core needs of customers. If your core competencies and their core needs aren't well matched, your organization and your positioning will not be attractive to them.
- **LONG-LASTING.** Bad positioning for IBM in its early years would have been "Provide cash registers to stores." Even worse was the

decision to name a company National Cash Register.* Aim for positioning that will last one hundred years.

- **DIFFERENTIATED.** Your positioning should not sound like your competitor's. Unfortunately, many companies craft positioning as if there *is* no competition—or as if the only competition is totally incompetent. This is seldom the case. (More about this in the section "Apply the Opposite Test" later in this chapter.)

EXERCISE

Review your positioning. Pick your reaction:

a) Pride because you've achieved laserlike focus on what you stand for.

b) Relief because you've mentioned every possible constituency and customer.

NICHE THYSELF

When F. W. Woolworth opened his first store, a merchant on the same street tried to fight the new competition. He hung out a big sign: "Doing business in this same spot for over fifty years." The next day Woolworth also put out a sign. It read: "Established a week ago: no old stock."

—Peter Hay, *The Book of Business Anecdotes*

Many entrepreneurs try to avoid market niches. They are afraid of getting locked out of important sectors, submaximizing sales, and putting all their eggs in one basket. They strive for broad appeal to large, horizontal markets because they see successful companies that are broad-based and assume that they must be, too.

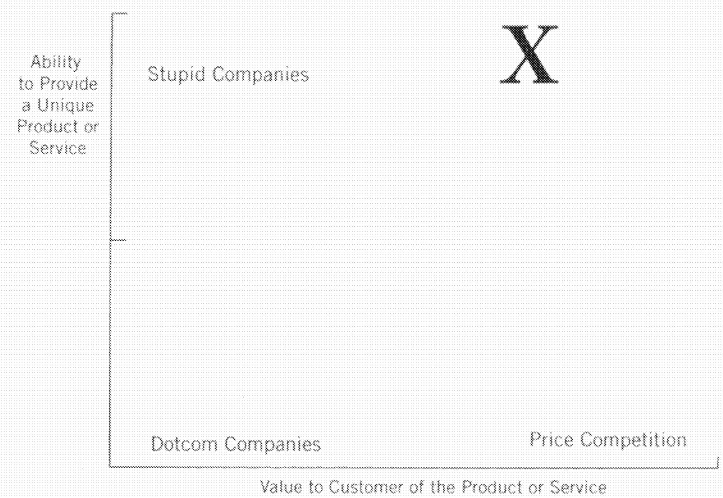
*IBM is the acronym for International Business Machines. While IBM sells more than "business machines," it didn't cubbyhole itself into the cash register market.

Take Microsoft, for example. Who wouldn't want to be Microsoft? Circa 2004, having defeated the Department of Justice, it sells operating systems for personal computers, servers, PDAs, and phones, as well as application software for Windows and Macintosh, plus online access, games for personal computers, and its own line of gaming hardware.

You might think that to build the next Microsoft, you'd have to launch a multiprong attack. Nothing could be further from the right approach. To build the next Microsoft, you have to start in a small niche, establish a beachhead,* and (with luck) move out from there.

Furthermore, you might think that Microsoft started out broad, which is how they now dominate the computer business. To set the record straight, Microsoft started in a sliver of a sector: a programming language called BASIC for an operating system called CPM.

As a startup, you're trying to start a fire with matches, not flamethrowers. (Hence, the design of this book's cover.) Few startup



*A *beachhead*, in this context, means a market that is small enough so that larger competitors are not already going after it, and big enough so that if you're successful, you can reach critical mass and profitability with it.

organizations can afford or manage a flamethrower. In other words, put one niche in your basket, hatch it, put another niche in your basket, hatch it . . . and soon you'll have a whole bunch of niches that add up to market domination.

The diagram on the previous page provides a conceptual framework for niche marketing. The vertical axis represents your organization's ability to provide a unique product or service. The higher you are, the more you are able to provide something that is different from everything else in the marketplace. The horizontal axis represents how important your good or service is to the customer. The further to the right you are, the more valuable the good or service. Let's analyze the four corners of this chart:

- **UPPER LEFT.** This is the position that stupid companies occupy. They are producing products or services that no one cares about, but are unique.
- **UPPER RIGHT.** This is the corner you want to occupy. It's where customers most appreciate you and margins are good because you provide something unique that they strongly desire.
- **LOWER LEFT.** Looking back, this is the corner that many dotcom companies occupied. They were providing goods and services nobody cared about, and many companies were doing the same. Other than that, everything was great.
- **LOWER RIGHT.** The problem with this corner is that life is a continuous price war. Sure, people want to buy what you make, but lots of other companies have similar offerings. You can be successful here, but life is a grind.

Accurately assessing the location of your organization on this chart is a difficult task. Most organizations turn it into an exercise in wishful thinking: What parameters can we use that put us in the upper right position? You'd be amazed at what labels companies use to accomplish this goal, but the only relevant parameters are value to the customer and unique ability to provide.

DON'T COMPROMISE ON YOUR NAME

A remarkable name for your organization, product, or service is like pornography: It's hard to define, but you know it when you see it. Coming up with a good name is easier than creating a product or service, but you wouldn't think so based on the atrocities out there.

Spend the time and effort to come up with a good name—it makes positioning easier. Here are some tips for the process:

- **HAVE A FIRST INITIAL THAT'S EARLY IN THE ALPHABET.** Someday your organization's, product's, or service's name will appear in an alphabetical list. Better to be early in the list than later. Imagine, for example, a trade show with a thousand exhibitors. Do you want to be in the first third or last third of the show's directory?

  Also, avoid words that begin with X or Z because they are difficult to spell out after hearing them. For example, if you heard "Xylinx," would you think that it's spelled "Xylinx" or "Zylinx"?
- **AVOID NUMBERS.** They are bad ideas for names because people won't remember whether to use numerals (123) or to spell out the number (One Two Three).
- **PICK A NAME WITH "VERB POTENTIAL."** In a perfect world, your name enters the mainstream vernacular and becomes a verb. For example, people "xerox" documents—as opposed to photocopy them.

  More recently, people "google" words instead of "searching for them on the Internet." Names that work as verbs are short (no more than two or three syllables) and not tongue twisters.

EXERCISE

See if the name you're considering works in this sentence: "_________ it."

AWOA (a word on acronyms): Avoid multiple-word names unless the first word has solid verb potential (for example, "Google Technology Corporation" would still be fine) or the acronym spells out something clever. For example, the name Hawaiian Islands Ministry, a parachurch organization that trains pastors and ministers, becomes "HIM"—a clever homonym with "hymn" and a play on "Him," that is, God.

- **SOUND DIFFERENT (AS OPPOSED TO "THINK DIFFERENT").** The name should sound like nothing else. For (a bad) example: Claris, Clarins, Claritin, and Claria. It's hard to remember which name refers to software, cosmetics, antihistamines, or online marketing. Even if you did remember, it's likely that you would associate all four words with one category, and that can't be good in three of four instances.
- **SOUND LOGICAL.** In addition to sounding different, your names should also sound logical. That is, they should "match" what you do. A good example of this is the names of the Pokémon characters. They are among the most clever examples of naming that you'll come across. Take Geodude and Lickitung, for example.

  Ask your kids to show you the cards of the characters Beautifly, Delcatty, Flygon, and Huntail, and you'll see what I mean about logical names and good positioning.
- **AVOID THE TRENDY.** With hindsight, we made two mistakes naming Garage Technology Ventures when we started it in 1997. First, we initially called the company "garage.com." Unfortunately, *dot-com* acquired negative connotations when the Internet tide went out because it came to stand for companies run by people without business acumen in markets without business models.

  The second mistake was lowercasing the "g" in *garage.com.* It was a silly act of pseudohumility, but those were silly times. The problem with the lowercase "g" was that it was hard to pick it out in blocks of text. The visual cue that the word was a proper noun wasn't there—you'd think that someone named guy (sic) would know this. Also, no one could really figure out what to do when a sentence started with "garage.com"—should it be capitalized or not?

The bottom line, in hindsight, is that you should come up with a name that will endure for decades, and save your cleverness for the features of your products and services.

On the other hand, consider the name Krispy Kreme. It doesn't start with a letter early in the alphabet, and both "crispy" and "cream" are spelled incorrectly. Furthermore, the company's donuts are neither crispy nor creamy. What this proves is that if you have a truly great product, it can overcome anything.

One last example: I saw a great name for a company in a restroom at the Calgary International Airport. The company sells billboard advertising space in restrooms, and its name was Flushmedia. Brilliant.

MAKE IT PERSONAL

To his dog, every man is Napoleon; hence the constant popularity of dogs.

—Aldous Huxley

I recently met an entrepreneur who wanted to start an online service to enable people to create trusts for their pets. She was concerned that sometimes people died before their animals. Her pitch hinged on the fact that nine million pets are euthanized every year in the United States.

My first reaction, as a venture capitalist, was that nine million pets may get euthanized, but not all of them because their owners died. Few are probably euthanized for this reason, so the market isn't as big as she thinks. My second reaction, as a dog owner (Rocky Kawasaki, boxer), was that she was right: What will happen to Rocky? He wasn't included in any of my family's wills and trusts.

The lesson is this: Position your product or service in the most personal way that you can. "What happens to Rocky?" is much more powerful than "What happens to the nine million pets?" If you hook me with a personal concern about my own dog, I can extrapolate

IMPERSONAL	PERSONAL
Our operating system is an industry standard that enables MIS departments to maintain control and reduce costs.	Our operating system enables you to be more creative and productive.
Reduce the size of the global ozone hole.	Prevent you from getting melanoma.
Dozens of airplanes flying in a hub-and-spoke pattern around the United States.	"You are now free to move about the country."
Increasing the mean test scores for children in your school district.	Ensuring that Johnny can read.

this to the millions of other people who are concerned about their pets.

Positioning is more powerful when it's personal because potential customers don't have to take the step of imagining how a product or service fills a need.

SPEAK "ENGLISH"

Ask yourself, did it . . . catch my attention? Hold my interest? Pierce my armor? Talk English? Center on "me"? Make a point?

—Allen Kay, advertising maven, on what makes a good ad

A company CEO showed up one day at Garage and pitched us with the following positioning statement: "Utilizing the 2048-bit Diffie-Hellman key exchange and 168-bit triple-DES, we provide intrusion protection for digital voice, fax, and wireless communications."

To encryption experts, this statement would mean a lot. For the rest of us, the CEO might as well have been speaking in Greek. With our help, he changed his positioning statement to "We safeguard your communications."

If the client had let me, I would have further reduced it to a mantra of "secure communications."

No matter what you're selling or who you're selling it to, use plain words to describe what you do. Whatever jargon is the *lingua franca* of your industry, remember that a lot more people than insiders need to understand what you do.

EXERCISE
Delete all the acronyms and technical terms from your positioning statement. Is it any weaker?

APPLY THE OPPOSITE TEST

Most companies use the same terms to describe their product or service. It's as if they all believe that their prospective customers have been living on a desert island and have never before heard a product or service referred to as "high-quality," "robust," "easy-to-use," "fast," or "safe."

To see what I mean, apply the Opposite Test: Do you describe your offering in a way that is opposite to that of your competition? If you do, then you're saying something different. If you don't, then your descriptions are impotent.

For example, it would be fine to describe your product as "intuitive, secure, fast, and scalable" if your competition describes its product as "hard-to-use, vulnerable, slow, and limited." However, this probably isn't the case, so you're saying nothing.

ADJECTIVE	PROOF POINT
Intuitive	You can set it up in one day, and end users need no training.
Secure	No one has ever hacked it.
Fast	Real-world results show a fivefold improvement in throughput.
Scalable	It has handled as many as 20,000 transactions per second.

A far better way to distinguish your product is to offer concrete proof points so that people can deduce its unique qualities.

Obviously, there are occasions when you do not have the luxury of using this many words to make your point. But this sort of restriction is seldom justification to resort to commonplace and meaningless adjectives. Find unique language or offer scientific proof points, and don't be tempted to think that you have the only product described with such overfamiliar adjectives as *intuitive*, *secure*, *fast*, and *scalable*.

CASCADE THE MESSAGE

Crafting the positioning of an organization is a demanding process, but well worth the effort. It's a pity that many companies get to this point and then do nothing more than send out a halfhearted internal memo or stick a rote positioning statement in an annual report. For shame.

A critical step in any positioning process is to ensure that people from the marketing department and top of the organization right

down to temps and consultants understand the positioning. You can achieve this by providing a short document detailing your proposal and discussing it in all-hands meetings. Managers should ensure that all employees know it. Think of a waterfall cascading down a mountain—not just the summit is wet.

EXERCISE

Ask your receptionist what your organization does.

Extra Credit

Ask your latest hires why they joined the organization. Their answers provide a rich vein for a good and true positioning statement because they have a fresh, outward-facing perspective.

And don't forget your directors and advisors. You'd be amazed at how many board members cannot effectively describe what an organization does. You'd think that because they "run" the place, they'd know its mandate exactly. In actuality, they're usually far removed from what's really going on—much less what should be going on.

The bottom line is that communicating the positioning of an organization is not just marketing's and management's job: It's every employee's job. This is so important that you need to repeat the process as employees come and go—and even the ones who remain need refreshers on the positioning. A six-month interval is about right.

FLOW WITH THE GO

While you cannot let the market position you, it's also true that you cannot ultimately "control" your positioning.

You do the best you can to craft a good message and cascade it to your employees, customers, and partners. But then the market does a strange, powerful, sometimes frustrating, but often wonderful thing: It decides on its own. This can happen because unintended customers are using your product or service in unintended ways. For example, a spreadsheet/database/word-processing computer becomes a desktop publisher's tool.

When this happens, (a) don't freak out, and (b) listen to what the market is telling you. Perhaps it has done you a favor and found a natural positioning for you. Is it one you can live with? In the end, it's better to flow with what's going than to try to prop up the unnatural positioning you've concocted.

EXERCISE

Step 1: Write a one-paragraph description of your customer's experience when he's using your product or service.

Step 2: Call up a customer and have him write a one-paragraph description of using your product or service.

Step 3: Compare the two descriptions.

FAQ

Q. Should I use a PR firm to craft a positioning statement for my organization?

A. You should never hand the task of positioning over to a PR firm (or any other external organization). It is way too important a job to delegate. Positioning is a fundamental task, so don't wimp out on it.

Q. Is there a strategic advantage in appearing to be "the little guy"? Or, should I try to project a larger, more established image?

A. Lying doesn't scale. Once you start deceiving people, you have to keep track of how you deceived them. This will get more complex, the more people you meet. You should always project what you are. This is not to say that you go out of your way to look undercapitalized, premature, and weak, if that, in fact, is what you are, but don't try to act like General Motors if you're not General Motors.

Q. Should we take into account the availability of domain names when we name the organization?

A. Yes, absolutely. It's not just cool to have a domain name, it's essential that you have one that customers, partners, and investors can easily remember and use.

Q. Do I need to think ahead and consider exit strategies when I think about positioning?

A. I don't know how an exit strategy (which you have no control over) would change your positioning. Build a great organization—one aspect of which will be good positioning. Don't worry about exit strategies—and certainly don't worry about how exit strategies should or could affect your positioning.

RECOMMENDED READING

Trout, Jack. *The New Positioning: The Latest on the World's #1 Business Strategy.* New York: McGraw-Hill, 1995.