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Marketing lesson: The differentiation and distinctiveness debate

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Summary

Discusses the differentiation and distinctiveness debate, arguing that differentiation may not be necessary to be successful.

- The debate between differentiation and distinctiveness matters - something differentiated and valued means people will pay more for it.
- Andrew Ehrenberg pointed out that differentiation does exist, but it happens within brands, not between them, and brands differentiating from each other is difficult, mostly as they copy each other.
- You can therefore still win customers without differentiation if you are willing to rigorously commit to building distinctive brand assets.
- Knowing this, we might save ourselves hundreds of hours, headaches, fights and agency fees trying to invent a 'weak' form of differentiation that lacks credibility.

Need to know

- The view that brands must be differentiated to get bought is rarely challenged
- Andrew Ehrenberg, Byron Sharp and others say the concept lacks empirical evidence. While effectiveness expert Peter Field found that differentiation turns out to be actually a relatively weak driver of success
- According to Ehrenberg, differentiation happens within brands - not between brands
- The debate between differentiation and distinctiveness matters - something differentiated and valued means people will pay more for it
- But to build your brand on differentiation you need genuine difference. Ten times better. Not trivial differentiation
- You can still win customers without differentiation if you are willing to rigorously commit to building distinctive brand assets

Almost a decade ago, when I was Head of Brand for O2 (in Ireland), I attended hundreds of focus groups on the hugely successful mobile phone network. The groups usually had a mix of customers and non-customers. The moderator would get their views on various mobile phone networks. *Why are you with O2? Why are you with Vodafone? Why did you choose them? What is different about each? "How would you describe the brands?"* The response? *"O2 is blue. Vodafone is red"*.

Most mentioned O2's sponsorships. People struggled to remember the details of the advertising. But they all knew what the ads look like. And sounded like. They knew what an 'O2' ad would be like. Everybody spontaneously mentioned the O2 *bubbles*. Since day one, the advertising has featured bubbles. These tend to generate a bit of lively banter in focus groups. Always happened. "*What's up with those bubbles? They don't make any sense*".

Usually, one person will have switched brand at one point in the past five years. Why? Coverage was patchy in their new house. Or they got a new work phone with their job and O2 was the network the company used. Or they lost their phone at the weekend, tried a few stores and ended up with Vodafone. Their offers were better that particular day.

The brand personalities were quite different for sure. You'd never mistake O2 for Vodafone. O2 was visually very distinctive. No question about that. And tonally it was somewhat distinctive too. But the actual services were pretty much the same. Neither was the cheapest option in the market. Both had good network coverage in Ireland. Vodafone had a slight advantage here in people's minds, but not a meaningful one I believed. Both had retail stores across the country. Both have a similar range of phone handsets. Our customers told us how much they like O2's customer service. O2 might have had a slight edge on that. But again, only slight.

How frustrating. If my job was to differentiate the brand, I was failing miserably. Never enjoyed bumping into our CEO after a focus group. In fairness to her, she bought into the importance of long-term brand-building. And had always supported it.

The assumption I never challenged is *"whether we needed to differentiate ourselves, to win"*. At least not until 2010, when Professor Byron Sharp's newly published *"How brands Grow"* book caused me some mild panic. The possibility genuinely never crossed my mind that we might not need to differentiate ourselves. There are few ideas in business as ingrained as differentiation. From Michael Porter's 'Porter's Five Forces framework' to Jack Trout's book *'Differentiate or die'*.

The rarely-challenged view is that brands must be differentiated to get bought. Consumers must have a reason. This is a compelling, and intuitive concept. Make sense. No reason to suspect that it might not be true. Except that some of the marketers best-known for empirical findings are not big fans of it.

Andrew Ehrenberg, Byron Sharp and others say the concept lacks empirical evidence. Peter Field told me that within his effectiveness research using the IPA database, he too found that *"differentiation turns out to be actually a relatively weak driver of success. It is rare to find brands that have functional differentiation that is very significant. So, if you pursue the route of seeking out points of difference which you then maximise, and then talk about in your advertising, you inevitably get driven to what are often peripheral or perhaps even irrelevant kind of points of difference."*

So there may be a subtle difference between advancing a theory like Porter's that advocates for a business to differentiate itself - and one that recommends we should talk about how we're different in our advertising and marketing communications. I don't think the debate is whether or not it is not a solid business strategy. Although executing this over the long term is difficult. The debate tends to be about whether it is an effective advertising one.

Why might it not be effective? Well, it seems people don't believe that one brand's products are that different to their other options. The experts point to data that shows that we regularly buy a handful of brands. And we switch seamlessly between them. In my own situation - the argument was that if people believe O2 is a pretty good substitute for Vodafone, then they are more similar than they are different. Not differentiated.

Andrew Ehrenberg pointed out that differentiation does exist. But it happens within brands. Not between brands i.e. a car brand selling a two-door sports car is different to a four-door family car. But brands differentiating from each other is difficult. Mostly as they copy each other. Successful ideas and innovations are quickly imitated.

But differentiation can exist. I saw that first hand too. In the UK and Ireland, O2 had exclusivity to sell the original iPhone for two years before the other mobile networks could. The iPhone was very different to every other brand of mobile phone at the time. Clearly the difference was valued. Thus, the price premium. And, for those two years at least, O2 was different - it was the only network that sold the iPhone. This was temporary differentiation of course.

The other argument is that most brands have to compete without a world-changing, desirable, premium product like an iPhone. This is true. Apple, Google and Amazon are amazing companies. But they're not that helpful in our workshops trying to figure out how to win. Peter Thiel, the co-founder of PayPal, believes in differentiation. Although he points out in his book "Zero to One" that you need genuine difference. Ten times better. Not trivial differentiation.

Does any of this actually matter? Or is it just an academic argument? It does generate some good debate among the academics. Debate worth having. But are we just mincing words when we say differentiate versus distinctive? From a practical perspective, I think it matters. This is about making better marketing decisions. If we have a powerful differentiator that customers will value and desire, great. Let's shout about it. I'm working with a brand at the moment that I think has, at least for now, something differentiated and valued enough that people pay more for it. They're going to advertise their point of difference and see what happens.

But if we don't have meaningful differentiation, it does seem feasible that we could still win customers without it. Brands that we are more familiar with, or ones that are popular, have done so. Knowing this, we might save ourselves hundreds of hours, headaches, fights and agency fees trying to invent a 'weak' form of differentiation that lacks credibility. All because we believe differentiation is essential or because we've been told by the CEO that we must show how we're different.

Again, I saw this with O2 in Ireland. While I genuinely don't believe we were that successful in differentiating ourselves versus other mobile phone operators, we were world-class when it came to carving out a distinctive brand. We never had the level of structure, research and academic rigour on "distinctive brand assets" that Jenni Romaniuk has since given us all - but the thinking was there. Credit must go to the likes of Charles Valance of VCCP, and Gary Holt for this. We were ruthless in our consistent execution of distinctive brand assets. Years after the O2 brand has disappeared from Ireland, people there still think of O2 when they see those beautiful bubbles against a vibrant O2 blue background.

My lesson learned from my time there was not whether long term differentiation exists or not. The more important lesson for me is to challenge marketing 'truths' and their underlying assumptions.

About the author

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Paul's particular interest is marketing effectiveness. He is Head of Marketing Effectiveness for Alternatives, a marketing consultancy, training clients such as Electric Ireland and Smurfit Kappa. Previously, Paul has worked at Indeed, the recruitment firm, PokerStars, Telefonica and O2.

This article summarises one of the chapters in his forthcoming book "Run with Foxes - Make better marketing decisions" which will be available in January 2020.

Topics

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