

Five steps to map your competitive differentiation

Managing your competitive differentiation and positioning against competitors are critical in gaining market consideration and winning accounts.

Unfortunately, doing so can be challenging because differentiation is difficult to fully define and measure. It is often oversimplified to price leadership, product leadership or customer relationship leadership. These simple characterizations provide a useful guide but do not represent an effective management tool because the nature of business-to-business markets requires vendors to manage a combination of attributes rather than focus on one trait. Adding to the challenge are internal stakeholders who view your competitive differentiation through different lenses and thus have different beliefs about the best course of action for managing it.

Using a systematic mapping approach addresses these challenges and provides benefits across the organization, including:

- Realistic assessment: The process provides a realistic assessment of the market's perceptions of your strengths and weaknesses relative to competitors.
- Shared understanding: It provides a means of establishing a mutual understanding among internal stakeholders (e.g. marketing, sales force, engineering and customer service) of your competitive position and where changes are needed.
- Market priorities: It identifies the market's priorities when selecting vendors.
- Effective investment: It identifies where investment of resources will pay the most dividends and where it is unlikely to make a difference.
- Comprehensive insights: The insights gained can be applied across key business processes, including messaging, sales and product development.

Isurus recommends a five-step process for mapping your competitive differentiation.

Step 1: The first step in the process is to identify the dimensions the market uses to evaluate vendors. The marketplace typically evaluates vendors on a small number of dimensions, each of which is made up of several characteristics.

Product

- Performance on core functionality
- Feature set
- Ease of use

Brand Perceptions

- Financial stability
- Flexibility
- Responsiveness

Pricing

- Overall cost
- Ongoing maintenance
- Implementation

Focus

- Sector-specific vs. General market
- Point vs. Suite solution
- Prestige vs. General customers

Sales Process

- Consultative vs. Product
- Team (Reps, Engineers, Execs)
- Long-term relationships

Partners

- Channel
- Interoperability
- Influencers

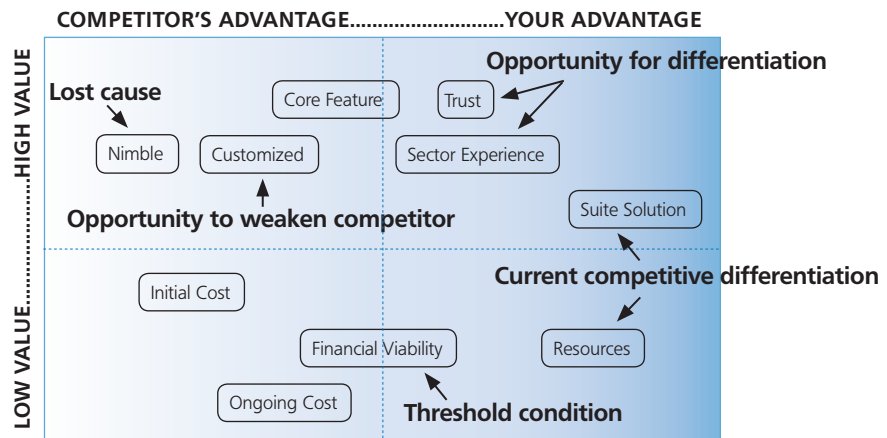
Step 2: Once you have identified the market's criteria when selecting a vendor you rank the dimensions and characteristics in terms of their relative importance to the market.

Step 3: You next evaluate your performance against competitors on these dimensions and characteristics.

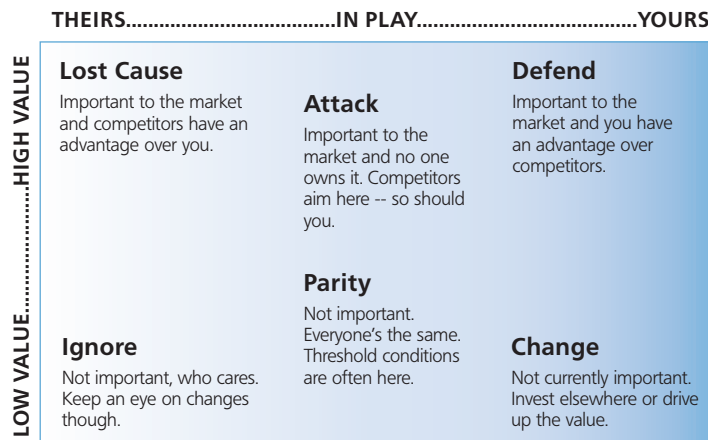
Steps 2 and 3 require knowledge about the marketplace – you need to know what the market sees as most important and how you compare to your competitors. There are several sources of information available to help fill in the picture of your market. These include internal knowledge, analyst firms and the sales force, as well as feedback from current customers and prospects. Collecting feedback from customers and prospects requires primary research which may or may not involve an external research partner.

Step 4: Once you have an understanding of what the market finds important and of how you compare to competitors you can map your competitive position on a standard quadrant matrix where the y axis is what is important to the market and the x axis is how you compare to competitors. This map makes it easy to identify:

- Your current competitive differentiation
- Opportunities to weaken a competitor
- Threshold conditions
- Opportunities for differentiation
- Lost causes



Step 5: Once you have a picture of where you stand against competitors you can manage the areas where you have the most control and where changes will have the most long-term value. You will know where you can attack competitor vulnerabilities and where you need to shore up your own position; you will have a common, objective starting point for internal stakeholders; and you will have an objective framework for future strategic decisions.



Visit www.isurusmrc.com to learn more about the process.



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