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category redefinition consultants

B2B Marketing Strategy: REDEFINE YOUR CATEGORY.

A strategic approach that defeats commoditization.

By Lew Berey & Gunnar Branson

CMO's and Strategic Planners tend to face an up-hill battle in Business-to-Business ("B2B").

A recent study conducted by Greg Welch of Spencer Stuart[1] suggests that CMO's don't have much time to live. The average tenure of a CMO was reported as just shy of 23 months. That means most marketing leaders have less than two years to deliver tangible, meaningful growth – not just new creative.

Short life spans aren't just for the rough and tumble world of consumer packaged goods. B2B Marketers have even shorter tenures – industrial marketers, for example, have only 15 months average tenures.

So – with less than 2 years to live, what is a marketer to do? In competitive, commoditized categories, conventional wisdom dictates that a company's fortunes depend on deal makers and pricing. Most companies believe they win deals primarily due to their products, their relationships or their sales muscle; rather than elevated strategic marketing efforts to develop customer demand, and focus sales on highest areas of return. Let's face it – most B2B companies see Marketers as the people you go to for brochures, trade-show booths, press releases and direct mail campaigns.

But how do you do differentiate, develop customer demand and focus sales on areas of highest return when advertising budgets are negligible, sales support is merely greens fees, and branding efforts have little measurable impact? Even strategic planning is often seen as a budgeting exercise that barely challenges the status quo.

Is it possible to change all that?

We think so. After working with a large number of companies, NPI has found a fundamental strategic step that can dramatically impact growth. This strategic step develops a path where Marketing and Strategic Planning – not just Sales or Operations – influences the operating decisions for an entire company.

That step is to **Redefine the Category** your business is in. Instead of continuing to slog it out with competitors in the same category, defining differentiation on ever smaller increments of quality, relationships or price – when a company is redefined, it can change the rules of engagement to their favor and create whole new opportunities for growth. Thanks to a clear focus on the needs of customers, Marketing and Strategic Planning are well equipped to lead the redefinition process– and no other single strategy available to a B2B will have a greater long term impact on growth.

Companies that successfully Redefine their Category acquire a clear leadership position, fast growing market share, high margins, and the ability to dictate the terms of their competition.

But most companies never manage to break free of their existing category because it is difficult to imagine and deliver upon a new context for a company. If you simply ask your customers what they want – they will usually respond based on what you already have. This might be useful to assess how well you or your competitors are doing right now, but without a new context, your colleagues as well as your customers can only comment on the current category.

Here are two examples of companies that have successfully Redefined their Category:

In commercial real estate, office rent is usually determined by market competition, quality of the building and location – but Regus has experienced explosive growth by redefining office space as "outsourced work places" – including complete IT support, administrative and receptionist support, mailroom, etc. If someone wants to set up a new office in another city, start a new business, or have an office in another city for a few days, they call Regus to get a complete solution. Instead of just selling office space by the square foot , Regus has Redefined the Category to offer a more valuable , more complete solution than their competition could possibly offer.

In Canada, Purolator kept FedEx from gaining a meaningful share of the Canadian market by Redefining their Category away from Overnight Delivery to Anytime Shipping. Purolator had more trucks and more shipping stores than any other player in Canada – and therefore was able to redefine the category away from FedEx's strength to Purolator's advantage. If you are a business in Canada, Purolator can have your packages picked up any time of day or night – and then delivered at least as fast as FedEx.

Time and again, conventional wisdom that a category is commoditized and that sales can only be made based on price is challenged and disproved by companies that redefine the cate-

1. Spencer Stuart Research White Paper—"CMO Tenure: Slowing down the revolving door" by Greg Welch—2006

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gory itself. Those that do Redefine become fast leaders, with fast growth, higher margins – and the ability to set a new bar for competitors.

Category Redefinition can focus corporate strategy, product development and new ventures with a customer driven and validated starting place designed to create tangible sales growth. Once a Category is Redefined, the promotional responsibilities of marketing can then take their rightful places as tactical support elements of a strategic marketing program that includes elements such as segmentation and branding.

In working with our clients, we've found it necessary to use various techniques to push thinking beyond the current competitive landscape. Instead of looking to competitors for ideas – our clients look at companies outside their industry. Instead of asking customers to comment on their satisfaction, we ask them to evaluate the whole spectrum of vendors, products and services that they interact with. Whatever process you use to imagine your future Category Redefinition, it's important that you elicit and consider multiple viewpoints from across your company, your intermediaries and your customers. Not only will multiple views help create a more detailed, nuanced and viable definition – but in the process of collecting views, you will create enthusiasm and ownership for the execution of your new strategy in the future.

After a viable "straw-man" of a potential new category is developed, with products, services, and delivery processes expressed clearly, it's possible to ask a customer what they think. With the stimulus of a redefined category in front of them, not only is it possible to discover if the new category will work or not – but you will be able to enlist your customers' aide in building, editing and refining what kinds of things your company can invest in to make the redefined category as compelling as possible.

B2B doesn't have to excuse itself from taking command of a category simply because it's commoditized. Nor does it have to accept smaller margins, tougher sales, shrinking market share, and another stab at an ad campaign or brochure that simply keeps a company "in the game" with its competitors. Redefine your Category, and you can take control of your destiny.

NPI is a Category Redefinition Consulting Company – Starting as a consumer goods specialist 35 years ago for 65 of the top 100 advertisers, NPI, under the leadership of President, Lew Berey, has developed a process and proprietary techniques for redefining categories of business. In recent years, NPI has adapted its techniques to help B2B/B2G companies redefine their categories.

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