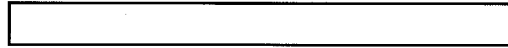


ValueSpaces™ - For Breakthrough Positioning

John J. Ruf



In this thought-provoking article, Ruf defines a revolutionary approach to positioning development, and proposes that this can deliver results on the scale of Dell or FedEx.

"Positioning" has become one of the most overused words in marketing today, yet it remains a somewhat vague and misused concept with many definitions. The issue is not just how to define it, but how to create a positioning that is truly differentiating and sustainable.

Some marketers mistake it for a tagline or slogan, while others view it as a copy strategy. Still others rush to develop positioning "concepts" that are often long-winded ways of describing something amorphous and often confused with an advertising concept.

Another failure of positioning work is attempting to create a lofty vision for a business that turns out to be simply a category-generic benefit or descriptor that could illustrate any brand in the category.

The AT&T Universal Card created a new ValueSpace™ as it added the convenience of a telephone calling card to a credit card without the penalty of an annual fee. It disrupted the playing field by recognizing that customers wanted to be acknowledged as bringing value to AT&T, and not just as a credit risk.

At Charles Schwab, a leading discount broker at the time, we recognized that even deeper discount brokers were leveling the playing field. Through segmentation research, we identified the emerging sector of independent investors who wanted impartial advice and simple transactions. Schwab responded with a value proposition that combined electronic brokerage and a supermarket of funds and other products at competitive prices.

Other examples of unique ValueSpace™ applications include: FedEx, created the "guaranteed overnight delivery" that initially drew disbelief because how could anyone "guarantee overnight delivery"?

IBM created eBusiness, which has become the corporate focus for almost 10 years now.

Dell created direct demand-driven, personalized PCs that completely changed the playing field and contributed to the demise of Gateway. Similar to Schwab, they recognized and responded to the emerging seg-

ment of savvy, direct consumers by offering bundled PCs, peripherals, service and software at a significantly lower price.

Each ValueSpace™ enabled the brands to change the playing field by:

- Associating the brand with a new breakthrough value proposition.
- Changing customers' perceptions of how the category is defined.
- Identifying the brand as the market leader.
- Making it difficult for other competitors to claim the space without appearing as me-too brands.

A breakthrough ValueSpace™ should not be misconstrued as just a set of words that convey a new value or customer benefit, but must be supported by the company's products and business system. FedEx would have failed dismally if they couldn't deliver on their promise.

How can a company create a new ValueSpace™, especially when it is counter-intuitive to everything marketers have learned about competing in a defined category. Home Depot is often cited as a good example of a company that created a new ValueSpace™ by creating a new world of "do-it-yourselfers". History will show that Home Depot simply set out to capture the growing trend towards home improvement. The targets were all existing channels ranging from the local hardware store to the lumberyard to the home center. Only as an afterthought did they discover that shoppers went to their stores for "inspiration". In fact, Lowe's figured it out before Home Depot did and has redefined DIY into a new ValueSpace™ known as Inspirational Retailing.

ValueSpace™ Creation

The process for defining a new "ValueSpace" matches up under-served customer needs with potential, "unprotected" benefits, future market dynamics, and potential business system opportunities, all within the context of potential competitive scenarios. FedEx's overnight delivery was both an under-served need gap and an "unprotected" benefit. Its aircraft fleet and centralized distribution center were its business systems breakthrough.

In working with Stanley Tools, we discovered that Stanley was ignoring the needs of the professional market of contractors and tradesmen, e.g., carpenters and electricians. The breakthrough ValueSpace™ was captured in a value proposition of highly durable, ergonomically-designed tools offered in channels where professionals regularly shopped, under the Stanley Contractor Grade brand. The value added in the line represented higher margin for Stanley as well as the trade. This ValueSpace™ also projected the consolidation in tool channels that could benefit from clearly differentiated professional vs. consumer products.

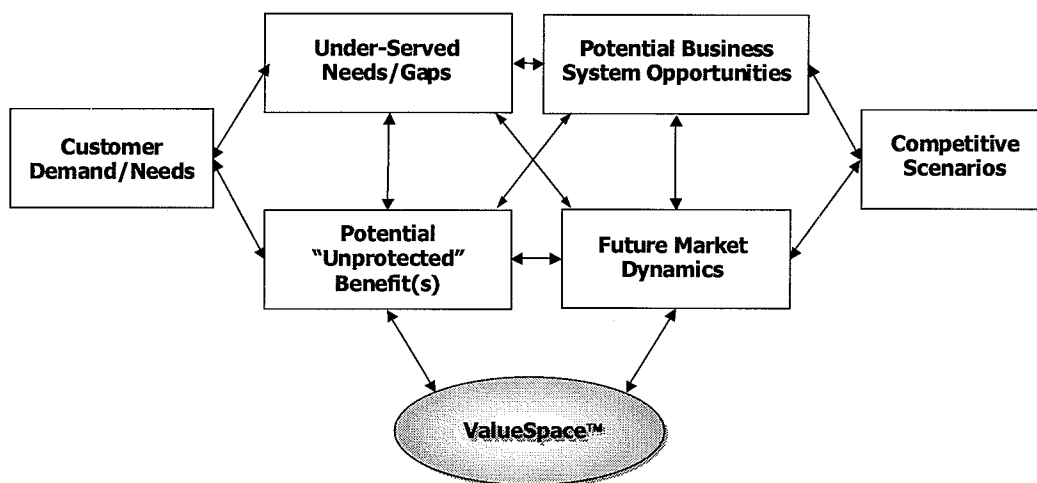
Value Driven Positioning Model

Classical positioning processes taught us that we have to start with a business mission and/or brand vision before we develop a brand positioning. Furthermore,

ten find that a company's business mission needs to be overhauled, or at least refined, to reflect the new ValueSpace™. It also becomes clear what benefits, products and solutions you need to offer, and how the business system needs to be reconfigured to deliver the differentiating customer value. It also greatly simplifies the communications strategy process, as you only have to focus on how to execute the value proposition rather than on trying to define it.

The most difficult task is to create the ValueSpace™ that truly differentiates. Once that is established, then the focus can shift to developing breakthrough, creative products and solutions while adjusting your business system to support the new ValueSpace™.

ValueSpace™ Creation Process



positioning is often defined only in terms of a communications strategy. However, I would argue that to achieve sustainable competitive advantage, you have to start by defining your breakthrough ValueSpace™, and then drive products, solutions, channels, communications and your business system. In other words, we have disrupted and expanded the conventional positioning model. The Value-Driven Positioning Model forces you to define the value proposition that will change the competitive playing field. Based on this approach, we of-

