

a preview

imagine that you are standing in the middle of the cereal section of your local supermarket. Your job is to select a cereal you've never tried before, ideally one you'll end up enjoying. How would you go about doing it?

If you happen to be someone who has eaten cereal on a fairly regular basis throughout your life, the task is actually not that hard. In all likelihood, you'd simply walk down the aisle, mentally eliminating entire batches of cereals at once—say, all of the children's cereals . . . or anything that looked too sugary. You'd then winnow your selections further by applying a secondary set of filters—for example, anything with granola . . . or anything high fiber. After you'd narrowed the aisle down to a small subset of cereals—maybe six or seven brands—you'd layer on a few additional criteria—perhaps dismissing anything containing raisins or anything in an ugly box—until, boom, you'd made your selection.

The whole exercise would probably be over in a matter of minutes, unless of course you happen to be the type of person who is really persnickety about

your breakfast fare, in which case it might take a bit longer. Regardless, what would be impressive about your performance, irrespective of the outcome, would be the intelligence of your approach. Somehow, you have learned to deconstruct the product category the way a product marketer would: as a cascading set of subcategories and mini-subcategories. Somehow, you have learned to segment the product array across a range of dimensions, and somehow, you have learned to make distinctions between brands that come down to the most minute of details. In other words, you may not have realized it, but somewhere along the way, you became a category expert, a cereal connoisseur.

Now imagine a martian standing in the same aisle, faced with the same task. What was easy for you would be completely daunting for him. Even assuming his superior intelligence, parsing the variation among products would take hour upon hour. For this poor creature, all of those cereal boxes would look bewilderingly the same.

Why? Because where a connoisseur sees the differences, a novice sees the similarities. Where a connoisseur can discern subtle shades of distinction based on nuanced asymmetries, a novice lacks the necessary filters to canvas, to organize, to sift an assortment in a meaningful way. Where a connoisseur can navigate a category with effortless intuition, a novice will struggle to find beginning, middle, or end. Shopping in this regard can be beyond experiential; it can be phenomenological.

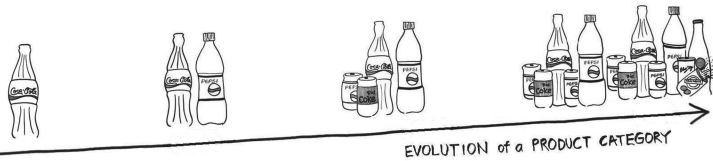
You could repeat this same exercise again and again, across product after product, with similar results. Try explaining to a foreigner the difference between Crest and Colgate. Try explaining to a child the difference between a Honda and a Toyota. When I visit a Foot Locker with my husband, he will cruise the store like an oenophile seeking a rare varietal. I, on the other hand, am a category outsider. So while he roams, I will park myself in a corner of the store and feel overcome by the sameness.



There is perhaps no better way to get a glimpse into the mass consumption values of a culture than to visit the place where the inhabitants of that culture purchase the stuff of daily living—soap, food, shoes. If aliens were to visit a grocery store or a drugstore in this country, they would have to conclude that we are a people hooked on the pleasures of picking needles out of haystacks—of selecting a cereal among an ocean of cereal boxes, of selecting a bar of soap among an ocean of soap bars. And in many ways, they would be right. We take for granted how frequently we thrust ourselves into the position of having to make purchase decisions in the face of overflowing product profusion.

This is particularly true in mature product categories. When a product category is nascent, it tends to be dominated by a much smaller set of products, or even a single product. The original PowerBar. The original Walkman. Coke and Pepsi. As the category

evolves, however, the number of product alternatives within the category tends to grow exponentially. Today, PowerBar alone produces more than forty different varieties of its energy bar, and the energy bar category has grown to include more than sixty assorted brands. Today, Sony produces more than two dozen variations of its Walkman, and the personal stereo category consists of more than a hundred options. In fact, one quick way to gauge the maturity of a category is to simply track the number of product variants in it.



And yet it would be a mistake to assume that product proliferation begets product diversity. On the contrary, as the number of products within a category multiplies, the differences between them start to become increasingly trivial, almost to the point of preposterousness. Try it. Pick a random product category such as soap, or cereal, or shoes, and make a list of what is different among the products within the category. The list will probably be long, but an overwhelming number of these differences will almost certainly be trifling. Put another way, the category has reached the point where it is possible for product heterogeneity to be experienced as product homogeneity. Which is

not to say that the distinctions between products are not real; it is simply to say that they are real only in the same way that synonyms have discrete connotations. Blue is dissimilar to red in a different way than teal is dissimilar to navy.

For a business, this is when competing in the category can become problematic. Because this is when it can require a category expert—a connoisseur—to negotiate the category with any kind of ease.



In many ways, product connoisseurship can be compared to language. It belongs to that special breed of knowledge that can be portal to a new world of understanding and interpretation. It is access; it is membership; it is authority. And if the non-fluent appear clueless by comparison, it is because they are. Lacking the means to penetrate the world with any kind of intelligence, non-speakers are outsiders in the most literal sense.

One of the easiest ways to acquire connoisseurship is through immersion. If every day were declared to be Halloween, it wouldn't be long before we would all be authorities on candy.

Easier still is to be introduced to a product category when it is at a relatively young age. The reason for this is that product categories tend to unfold in a cumulative fashion: a cell phone that used to be good only for phone calls is upgraded and developed over time to send text messages, take photos, capture video, and so on. If you are able to internalize these

product complexities as they develop, your command of the category can deepen without much willful effort. You simply evolve and mature as a consumer as the market itself evolves and matures.

It is far more mentally demanding to have to catch up to a category midstream. If you were to decide one day to become a chef, for example, your education would have to include not only learning how to cook but learning how to make fine distinctions between this type of cooking utensil and that type of cooking utensil, between this type of pepper and that type of pepper. And although parts of the process might feel pleasant enough, parts of it would probably feel much like homework, and it would take both time and effort before you could make informed choices with a comfort level approaching that of a category veteran.

Given this, category connoisseurs are not difficult to identify. The giveaway is almost always in the modus operandi. I have a co-worker who is fastidious about the writing utensils she purchases; she will think nothing of spending up to half an hour in the pen-and-ink section of Staples, studying the assortment like an epicure in search of the perfect meal. She has made herself a connoisseur of the category. I have a neighbor, a road warrior, who is exacting about the kind of laptop he uses; he will scrupulously compare weight differentials and battery life among the dozens of portables on the market. He has made himself a connoisseur of the category.

In categories in which we are cognoscenti, we are in many ways ideal customers. We are buying ma-

chines. We are discriminating, we are informed, and we have internalized the logic of the category with all of its various permutations. We are able to appreciate the peculiarities of a Canon EOS 40D versus a Nikon D90, or 2x Ultra Tide versus Ultra Purex Powder, and can thus maneuver our way around the category, not just with confidence but with erudition. And because connoisseurship often goes hand-in-hand with devotion, we typically have strong affinity for the category. We are aficionados in addition to being experts.



But expertise, too, can have a life cycle. At some point, the differences between products can become too incremental for even category devotees to appreciate anymore. A lover of language may delight in synonyms, but it's hard for anyone to see the point in a hundred different ways to say the word "blue."

We can all think of categories in which this has happened to us. Like my neighbor, I used to invest time looking for the perfect laptop offering the ideal balance of price, weight, and processing power, but the category has gotten away from me now . . . so these days, any laptop in the lightweight subcategory is fine by me. Similarly, I used to insist on buying a particular size, type, and brand of detergent . . . but I've long since stopped trying to keep up with the latest developments in the detergent aisle.

In other words, there can come a point in the maturation of category when even the most frequent buyers stop believing the comparative diligence is worth

the effort: The homemaker who is willing to give a cheaper brand a try. The road warrior who no longer cares about owning the hottest new portable. This can be a dangerous inflection point in the life cycle of a category: when the proportion of comparative differentiators to non-differentiators starts to shift direction. Now, the category is composed of a shrinking number of devotees who are focused on differences that seem almost idiosyncratic, along with a growing number of customers who are beginning to suspect that the differences simply don't matter anymore.

When a category reaches this point, I would contend that it is possible to start segmenting the market according to nothing more than the coping strategies customers have begun to adopt to deal with the growing market cacophony. I'll introduce this segmentation scheme to you later on in the book; suffice it to say that the customer segments include pragmatics, reluctants, opportunists, and so on. What all of these segments have in common is that they are made up of folks whose affection for the category has dissipated over time, replaced by some combination of indifference, confusion, and cynicism.



Why is this dangerous? Because at the heart of business success is the ability to compete; the ability to compete, in turn, is dependent on the ability to differentiate from competitors. Differentiate or die, or so the saying goes. And yet when a category reaches a point where there are a growing number of consumers

skeptical about the differences between products and brands, the differentiation within the category is at risk of being rendered meaningless.

One indication that a category has reached this point is that devotion to it not only declines but begins to look downright silly in its manifestation. To be on top of the category requires an obsessiveness about the most inconspicuous differences. We have all met folks like this—people who are a little too fussy about the kind of socks they wear or who are unnaturally strident about the merits of one brand of fabric softener versus another. Loyalty in this context requires the same kind of shamelessness as extreme price sensitivity: You have to be willing to reveal that you care deeply about something that the typical person would consider petty. This is a bad scenario for a business—when devotion demands a measure of fastidiousness, a level of engagement that borders on the eccentric.

When a category has reached the point when it's possible to make fun of the people who still believe in the differences across products, it has reached the point of what I refer to as heterogeneous homogeneity: The differences are there, but they are lost in a sea of sameness. Note that the mockery quotient of a category is directly correlated to the amount of meaningless differentiation in it.



There are truisms in business, just as there are truisms in sport, in play, and in life—self-evident, obvious truths that require little or no persuasion. Buy low,

sell high. Know thy competition. Listen to your customers. These are the axioms that have not only achieved the status of conventional wisdom in the world of commerce, they have become part of our modern business reflex. And because these wisdoms have become congenial almost, when they are called into question, we tend to be not just defensive, but dismissive.

When basketball installed the twenty-four-second rule, it did so to maximize the game's high-scoring potential; from then on, it went without saying that in order to win it was necessary to score, and score a lot. This is what made the ascendance of the 1956–57 Boston Celtics such a discontinuous moment in the history of the sport: The Celtics were a team of stoppers, not scorers. Led by their magnificent defensive virtuoso, Bill Russell, they defied conventional wisdom by winning the championship not just once, but eleven times in thirteen years.

At the time, most fans were apt to dismiss Russell as an aberration, an athletic wonder with an uncanny ability to do what others could not. More generally, when a challenger comes along and successfully flouts the existing orthodoxy, the initial reaction is usually to treat the exception as exceptional, rather than to treat the rule as potentially faulty. Fair enough. Sometimes an aberration is exactly that—an aberration.

Sometimes, however, the aberration can be a harbinger of something else, a shift in the landscape, perhaps, that carries with it the potential to undermine the foundations upon which we reflexively operate. In the

NBA today, defense wins championships, and everyone knows it. Why have we come to believe this? Because once the exceptions start to occur with enough regularity, conventional wisdom begins to transform under the weight of new evidence until, finally, the old truth is revealed as a myth—a false collective belief or, in some cases, an ideological relic.

What makes things tricky is that sometimes the difference between a truth and a myth is nothing more than time. A generation ago, offense *did* win championships; today, the opposite is true. In the 1960s and '70s, the words “new and improved” really *meant* something to people; today, those same words don't mean much at all. What is true in the light of day can become false in the dark of night. This is the problem with shifts: They tend to happen in real time, which means that there are going to be moments of ambiguity when remnants of the old truth still hold together, even as remnants of it are falling apart.

I believe that we're seeing one of those shifts in business today. One of the theses of this book is that in category after category, it has become apparent that competitive differentiation is a myth. Or to put it more precisely, in category after category, companies have gotten so collectively locked into a particular cadence of competition that they appear to have lost sight of their mandate—which is to create meaningful grooves of separation from one another. Consequently, the harder they compete, the less differentiated they become.

In these categories, there is a proliferation of sameness rather than differentiation, at least in the eyes

of all but the most ardent category connoisseurs. Products are no longer competing against each other; they are collapsing into each other in the minds of anyone who consumes them. The fact that Verizon and AT&T Wireless are locked in fierce competition is meaningless to anyone who can't discern any significant difference between their offerings. If martians were to land in this country, they would think there was a conspiracy of brands colluding in almost every category.

The extent to which true competitive differentiation has become a rarity becomes most evident when you simply take a look around you. In so many consumer categories—whether it be cereal, cell phone plans, or sneakers—it is difficult to name a single brand that stands out for its uniqueness.

I am reminded of a game my children like to play called perpetual tag. It's something of a mysterious game, involving an odd combination of running, chasing, tagging, freezing, and rock-paper-scissors. From what I can tell, the essential ingredients of the game are as follows: Any combination of kids—regardless of age, gender, or running ability—can play against each other; there is enough randomness built into the outcome to make it easy for weaklings to stay in the game yet difficult for jocks to dominate; at any given time, someone is winning, but never by very much and never for very long (the lead changes hands with too much frequency); and there is no natural end to the game—it can theoretically go on forever. In short, the beauty of the game, at least from a parenting standpoint, is that while lots of energy gets expended

and everyone gets winded in the process, the circadian rhythm of the game makes it almost impossible for anyone to stand out.

The metaphor should be obvious. The central premise in part 1 of this book is that in so many consumer categories, differentiation has become hard to come by because we have fallen into a pulse of competition that in and of itself has become an impediment to its emergence. In part 1, I also contend that businesses that find themselves locked into this particular pattern of competitive engagement have become masters at producing product categories filled with heterogeneous homogeneity, or dissimilar clones if you will. Which is to say that they have become masters of a particular form of imitation. Not differentiation, but imitation. Yet because this particular form of imitation is cloaked in the vernacular of differentiation, the myth of competitive separation lives on in the minds of the managers running these firms. Meanwhile, the emperor has no clothes and most consumers know it.



Fortunately, there is a second part to the narrative.

When sceneries change and deeply ingrained truths start coming apart at the seams, the first to let go of the myth has the advantage. In part 2 of this book, I contend that if one were to identify the most compelling business stories of the past two decades, a disproportionate number of these stories, in category after category, could best be described as exceptions to the rule. They could be considered the business

version of the 1950s Celtics, which means that their ascendance should be viewed as a harbinger that the landscape is shifting and that old wisdoms are on the verge of surrendering to the new.

What this means is that a careful examination of these outliers can yield telling insights. It's easy to forget that this has always been true. Anyone can learn how to write or paint or play music, but the virtuosos who have historically merited our most thorough exegesis have been those who were willing to stretch the boundaries of text, of music, of art, in new directions. In field after field, past experience has taught us that the ones to pay attention to are the ones who understand the rules so well that they also understand the urgency to break them. These are the players who force us to confront the frailty of our assumptions.

I believe that the same can be said of the world of business. As a percentage, the number of companies who are truly able to achieve competitive separation in their respective categories—to break through the noisy clutter, to create genuine emotional resonance with consumers—is depressingly small, and yet these outliers have much to teach us about the limitations of some of our most deeply held business assumptions. So while part 1 of this book may read like a critique, part 2 will read very much like a celebration, of these iconoclasts and their ways of doing business.

Of course, there are pitfalls in writing a book in which the mavericks are the champions. There is fashion in academia, just as there is fashion in clothing,

media, and entertainment, and the idea of the rule breaker as protagonist has become Harry Potter—trendy to the point of cliché. That’s why the objective in part 2 of the book isn’t so much to coronate these mavericks as to deconstruct and demystify what they’ve accomplished in a manner that makes their achievements accessible to the rest of us.



At the same time, I should be perfectly clear: This book is not a how-to. The reason I find how-tos discomfiting is that there is always the slim chance that people may actually take them on faith. What business-people need today is a fresh set of insights, not a fresh set of instructions. Thus, in part 3 of the book, I set out, in a series of reflections, to begin a conversation about a new way of thinking about competition generally, and competitive differentiation specifically.

In this regard, the challenge in writing this type of business book is that all of the good sentences have already been written. Break all the rules. Ignore conventional wisdom. Be radical. Discard the old; embrace the new. So the question is, how does one give weight to words that probably already feel over-used?

There is no easy answer to this. However, if you were to visit the travel section of your local bookstore, you would find two types of travel books. Dominating the section would be a set of books of the travel guide variety: Fodor’s *Caribbean 2010*. *Italy for Dummies*. Frommer’s *Europe from \$85 a Day*. These are instruc-

tion manuals really, filled with explicit travel advice on where to go and what to do, delivered in the form of listings, bullet points, rankings, and so on.

But tucked alongside this vast selection of instruction manuals would also be a second set of books offering an alternative form of discourse on the same topic: Bill Bryson's *Notes from a Small Island*. John McPhee's *Coming into the Country*. Paul Theroux's *To the Ends of the Earth*. Here, you would likely find nothing more than some author's personal ruminations and observations of, say, a recent visit to the English countryside, or an arduous trek through the Himalayas, or a meandering walk in the woods. Meanwhile, there would be very little explicit travel advice, for the unspoken reason that anything so pedantic would only detract from what might potentially be this type of book's most lingering effect—which is to serve as a gentle reminder that wherever you go, what matters less is what you are looking at, but how you have committed to see.

I mention this because a key argument in this final section of the book is that process drives outcomes; i.e., that the way people engage in the practice of competition tends to cultivate conformity and convergence in business. This is why I believe we need a new praxis. We need to develop new habits, new disciplines, and new conventions around the exercise of competition. Most important, we need to build a new culture of competitive engagement that creates, at the very least, the possibility that an extraordinary outcome may emerge.

So allow me, if you will, to take you on a walk through the world of consumption as I see it. I may meander a bit, and even slip into academic mumbo jumbo every once in a while, but keep in mind that the value of a diary like this one is intended to be measured on the rebound. Which is my way of saying that, at the end of the day, what matters less is what's on the page, but what's in your head as you read it.