

Category Disruption

There is a new discussion going on amongst marketing execs these days. "We need to disrupt the Category, but we are satisfied with our Brand positioning."

Disrupting the Category requires hurling a new idea into the entrenched positioning of your company, its management and its mode of operation. Look under the couch cushions, fight back and smell the napalm! Marketing or advertising change without revolutionary thinking is akin to peeing your pants in a dark suit: sure, you look good and it gives you a warm feeling, but nobody notices.

Brand positioning by those who cannot articulate it leads to a workforce that can't authenticate it, because management has not engaged its audience (the frontline employees) and has not delivered the message in a way that is meaningful to them. Conversely, market leaders' employees are Brand freaks who are proud of their jobs, because the Brand positioning reaches into their lives far beyond the paycheck to provide meaning. Remember, Brands that succeed in a communicated-saturated world are those enlightened to move from a benefits position to a lifestyle proposition. Said plainly, "I love you because of who I get to be when I am with you."

Category disruption requires many things: a new idea, a new voice and a dramatically different product, service or delivery. This demands an infrastructure willing and able to follow through on the innovation. Many a CEO believes that innovation is the responsibility of the marketing people, who in turn look to their agencies to carry that responsibility.

Creative Brand work without executive consensus on how to deliver the plan is not smart business. We are looking for dramatic difference here. A new logo or interior design package without dedication to product innovation, employee education and proper fiscal planning is the marketing equivalent of having a closet full of the soiled dark suits that nobody noticed.

Category disruption comes from the top down. We need a big idea and the power to pull it off. This must come from C-level leaders.

The best marketing in the world without executive buy-in and commitment to a bigger idea leaves marketing managers minding the matrix of Brand by agreeing that creative style and graphic design are substitutes for innovation.

Disruption ≠ Killer

First, let's get clear on the difference between Category disruption and Category killers. Wal-Mart and The Home Depot are the largest Category killers. Their strategy is to eliminate competition by being bigger and more ubiquitous than the competition, whether it be other major retailers or mom-and-pops. They play the high-volume game rather than the margins and simply outlast the competition. Category Disruption is completely different. It is leadership by revolution. Changing the way we see the world and getting a premium price at the same time.

Disruptors We All Love and Trust.

Nobody ever says, "Boy, I sure wish Papa John's would put a store in my neighborhood." Or, "Gosh, I just love that neighborhood, because of the Dunkin' Donuts, Shoe Pavilion and Blockbuster Video." But we have all heard people say things like that about two of the examples below. The third doesn't apply because its not brick and mortar.

Target: Design for the People.

Target did not invent the discount store concept. What they have accomplished is a feeling of clever hipness despite being cheap. Think Tide and a Michael Graves desk lamp in the same cart. It is the same store concept as Kmart. So, why does it work so well?

It works because senior management at Target has empowered the Brand to drive and reinvent the merchandising mix to attract a younger, mid-market consumer. This audience, already accustomed to fluorescent lighting and beige shelving, are inspired by the Brand to feel they are being rewarded for their cleverness in spending less, as opposed to being “cheap.” The store is not optically pleasing, save for the merchandise. When we are rewarded for hip frugality, we feel like we are beating the system. Therefore we will put up with bad lighting.

Result: by using Brand as its driver, Target has dominated the competition without capital expenditure for store improvements. It is in a unique place most retailers only dream about: its advertising works without having to throw the word “SALE” on screen.

Starbucks: Coffeehouse Culture for All.

Before Starbucks, coffee’s purpose in North America was as a caffeine delivery vehicle to be endured for its ability to jump-start your day.

Starbucks Americanized espresso to disrupt the coffee category. Incumbent brands like Folgers, Maxwell House and Yuban were left scrambling for eroding market share. By focusing on higher-quality coffee beans and higher-quality coffee experiences, Starbucks changed something to be endured into something to be enjoyed. Coffee was transformed into a product to be experienced for its richness and sophistication—at a price point that allowed all income levels to indulge. Instant culture, sophistication and hipness: \$3

With the Siren and her domain of the Third Place (for a deeper read on this subject, check out *A New Brand World* by Scott Bedbury, former VP of Marketing.) Starbucks set up a new, mass-market proposition: coffeehouse culture for all. By pushing the idea of hang time as a Brand driver, Starbucks asserted its Brand’s relevance into the lives and needs of a bigger audience than even it predicted. All of the design and product merchandising underscores this basic truth. Furthermore, the employees’ commitment borders on religious fanaticism. For more info read *The Servant Leader*, with a foreword by Howard Behar, former President of Starbucks. It seems like everyone is writing a book about his or her experience with Starbucks...

Blue Nile: Man, Suddenly I Feel Taller and Better-Looking.

Blue Nile did not invent the high-end jewelry Category, but it has pioneered the online incarnation. Unlike other online retailers that spent themselves into oblivion during the early years, Blue Nile has chosen to buck conventional retail wisdom for simple logic by validating a universal truth: typically, men who buy engagement rings don’t know what to look for and dislike high-pressure sales. They don’t want to look cheap or unknowledgeable at a particularly vulnerable moment in their lives. Blue Nile has put a premium on education by speaking with a consistent brand voice and offering tutorials and tools for evaluating diamonds and design, thus empowering male shoppers to make confident choices.

The numbers don’t lie. With a net income of \$27 million, their figures have dwarfed capital expenditures of \$3.5 million last year. Blue Nile is a very capital-efficient company, with \$52 million in cash, a sales increase of 79% last year, and earnings up more than 1,300%.

What is the secret? The cost of doing business for Blue Nile is 5%, as opposed to 10% for most other online retailers and 50% for brick-and-mortar jewelry stores.

... I Am the Lawn Mower!

In these three cases there is a common denominator among the organizations' leaders. They are not timid, not me-tooers, and they are playing for keeps. The leaders in these companies believe the world is grass and they are the lawn mowers. It is their manifest destiny to change the world. They see it as a responsibility and a birthright. They surround themselves with like-minded companions and argue until a new direction is born. Making the common feel uncommon.

These Category disruptors have another thing in common: they created positioning strategies to exploit the vulnerability of an established Category. These exploitations were not new *technology-centric* ones but, rather, new *positioning*. Each used positioning techniques to go on the offense and to transform a Category by removing its traditional boundaries.

I welcome your feedback to this article.

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