

Franchise Articles

Decrease Your Deal-Dependence with Differentiation

BY DENISE LEE YOHN

JULY 20, 2011 08:00:00 AM

The stagnant economy. Sustained unemployment. Rising food and gas prices. It's no wonder consumers are more value-conscious than ever before.

To meet this new demand, many restaurants and retailers have turned to steep discounts and sensational promotions like gas card giveaways and free financing. While these deals may seem necessary to spike traffic counts, they come with serious consequences.

First, they train consumers to expect sales and promotions, so many businesses have difficulty moving away from them. This deal dependency - on the part of consumers and businesses alike - erodes profit margins and tarnishes brand images. Restaurants and retailers must look elsewhere for ways to grow their businesses more sustainably.

For some franchises, sales and promotions are not viable options. David VanAmburg, managing director of the American Customer Satisfaction Index (ACSI), explained in a recent report the unique importance of differentiation to higher-end businesses. " is something full-service restaurants can't leverage because they are going to be a more expensive experience. So full-service restaurants need to differentiate themselves on ambiance, quality of the food, and service."

Differentiation is really the best way for all businesses to address consumers' new value mindset.

And the three most highly effective ways to differentiate are to 1) be first, 2) own an attribute, and 3) specialize.

1) Be first. Being "first to market" - meaning being the first to create a demand and fill it - can give a business a strong differentiating competitive advantage.

First movers usually enjoy a market leadership position - whether real or perceived. In 1997 Netflix was the first to offer movie rentals by mail, and today it is the market leader - in sales and in consumers' perceptions. Pinkberry remains the gold standard for frozen yogurt shops with a tart flavor profile and because it started the trend.

"First to market" can mean being first in a geographic area, but it can also be about a new type of shopping experience or a new product or service. The only criteria for "first" are that the first *truly* be first, and also be something meaningful to prospective customers.

2) Own an attribute. Identifying a specific attribute or feature that distinguishes the franchise is another effective way to differentiate.

The attribute must be something more than excellent customer service or great-tasting food. At best,

attributes like these are costs of entry - that is, every business must offer them to even be considered a player in the market; at worst, they're empty platitudes that savvy customers ignore.

A business that focuses on a unique attribute of its product offering - say, the widest variety, or the most unusual, etc. - will stand out. Or a store could differentiate itself by focusing on providing an extraordinary experience, as lululemon athletica does with its complimentary in-store yoga classes.

The strategy is to identify an attribute that no one else is talking about or that is a weakness for your competitors - and then to adopt it as the defining attribute for your business. It's important to over-deliver on it and communicate it at every touchpoint. If a business owns an attribute, prospects are more likely to remember it and have a compelling reason to choose it over other options, regardless of price.

3) Specialize. Differentiation can be also achieved by specializing in a target market. Women, Boomers, teens, blue-collar workers, and families are all different market specialties that could be unique targets for restaurants and retailers.

Most retail businesses try to appeal to everyone because they don't want to limit their prospects. But time and again, businesses have found if they try to be everything to everyone, they end up being nothing to no one.

Specialty's Café & Bakery demonstrates how specialization produces focus and operational excellence.

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From the design of the store to the services, salespeople, signage, etc., a business should be tailored to meet the specific needs of its target market. By focusing on one unique market, the business is positioned as an expert in that market - and differentiation based on expertise is particularly effective in attracting prospects.

Eye of the beholder. The most important point about differentiation is that it is like beauty - differentiation is in the eye of the beholder. Customers are the judge of what is truly and meaningfully different. Business leaders may place a lot of importance on a new feature or capability, but if it doesn't make a difference to customers, it doesn't matter.

But if customers think you stand out and offer something extraordinary, they're more likely to pay more for your brand - even in this economy.

Denise Lee Yohn has been inspiring and teaching companies how to operationalize their brands to grow their businesses for over 20 years. Leading restaurant and retail brands including Burger King, Brookstone, Jack in the Box, and Road Runner Sports have called on her, an established speaker, author, and consulting partner. Read more by her at <http://bit.ly/DLYohnArticles>.

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