Points of Parity, Points of Difference

Meeting customers' basic expectations keeps an offering in the running to be selected. However, this position does not lead to a high probability of purchase. Chances increase when the offering has a point of difference on one vector while measuring up to basic expectations on the other two. If, for example, a customer values health when selecting bottled water, the German brand Gerolsteiner with very high levels of minerals and glass bottle truly stands out as shown in the depiction of its position in Figure 6.3. Its premium price reflects this performance value. For customers who do not value home delivery and are willing to buy the product during normal shopping trips, the brand achieves points of parity on relational value.

Few markets are as undifferentiated as refined sugar. Brand names are weak, the soft-drink, baked goods, and retail customers are powerful and insist on dual-sourcing, and the market is barely growing. Two big competitors—Redpath and Crystal—were locked in a stalemate, which was reinforced by a mindset that emphasized scale and production efficiency to drive down costs. Both rivals competed on price value with the same products and similar sales approaches. Customers got the message and based their purchasing decisions solely on price and delivery terms.

To escape the profit-draining stalemate, C-suite members at Redpath Sugar decided to talk with the company's 17 largest customers to understand their needs and uncover new insights upon which the company might compete. The results were discouraging—they discovered that the two suppliers were considered equally competent, but no different—but also encouraging because the research uncovered evidence that customer needs were changing. Customers wanted shorter production runs, faster deliveries, more varieties of product and packaging, and smaller inventories on hand. None of these emerging requirements could be met with the current business model that focused on large refineries, centralized warehouses, and scale economies.

Redpath's selection of a relational value strategy, based on partnering to manage the customer's total requirement, was obvious in retrospect, but daunting in prospect. The necessary changes in the supply-chain (more decentralized warehousing and just-in-time dispatching and delivery) and the tracking systems required a different mindset and significant investment (a $40 million modernization and capacity expansion project).[16] Many of the traditional salespeople struggled to adapt to the sophisticated solutions approach to selling. The new strategy was validated within two years, however, as customers slowly integrated their production process with the company's logistics system and gave Redpath a growing share of their requirements because of the overall associated cost savings they experienced.

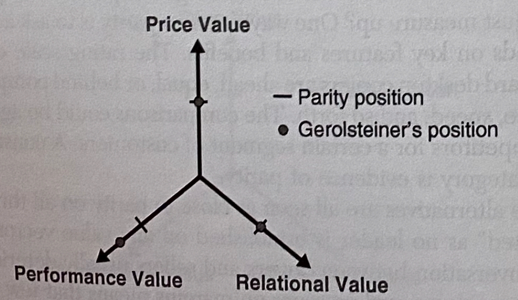

Figure 6.3 Gerolsteiner's Performance Value Leadership Position in the Bottled Water Category

SLACK: IMPROVING THE EXPERIENCE OF WORKPLACE COMMUNICATIONS[17]

Businesses increasingly rely on enterprise social network platforms to connect and drive collaboration between employees. Among the fastest growing is Slack—a messaging/group chat/document-sharing application. Both the desktop and mobile versions of the software allow teams to chat in online channels with conversations divided by subjects.

Since the company's launch in late 2013, Slack has attracted hundreds of clients, including Comcast, Zappos, Expedia, and even NASA. With daily users at an all-time high of 2.7 million and a valuation of $3.8 billion in 2016, Slack is poised to completely redefine workplace communications.

Several factors have been instrumental in accelerating Slack's growth. First, the software development team made customer feedback integral to the process. In beta testing, for example, the company gathered input on product look and feel in waves, gradually expanding the batch of users each time. This enabled Slack to identify and prioritize the development of features that were resonating with end users. Another factor was management's thoughtful approach to scaling the product. Early on, Slack realized that client buy-in was contingent on teams of employees "saying yes" to the software. So, the company developed training materials and other resources that helped users work through common adoption barriers.

A final factor was Slack's decision to infuse superior customer experience into its offering. Its software features a personal level of human touch: it may greet a user with, "What a day! What cannot be accomplished on such a splendid day?" or an amusing comment such as "Please use Slack responsibly." Slack also allows users to seamlessly sync information across multiple devices, providing quick transitions and follow-ups from conversations. Finally, Slack sets a high bar for its customer service. A dedicated team tracks both good and bad customer comments that come through Twitter or the in app "help" function—and responds to every single one. The team views every interaction as an opportunity to improve its offering features to innovate and engage its users with excellent experiences.

Evolving Value Propositions

As growth slows, the struggle for competitive position intensifies, and the strategies of incumbents start to converge and accelerate. There is a well-known herd mentality among incumbents that leads to continuous jockeying to reestablish "points of parity" along the value vectors. It is not enough for a mid-tier hotel to offer cable TV and room service; it must offer premium coffee makers and down duvets to meet the competition. From toothpaste to credit cards to orthopedic devices, the degree of perceived differentiation steadily diminishes due to the relentless process of imitation.

Keeping pace with rivals in a market is a requirement for staying in the game. Falling noticeably behind on any one of the three value vectors erodes the overall customer value position. One effect of everyone keeping pace is that the parity level on each vector steadily moves outward: performance improves, real prices drop, and service is better. Parity becomes an escalating target. As the Whole Foods co-founder and Chief Executive Officer John Mackey said of the pressure traditional supermarkets are putting on its organic and natural foods business "Our competitors are not standing still."[18]

As parity advances on all three vectors, companies have to spend more just to stay in the game. Customers, especially business customers with dedicated purchasing resources, are more informed and more willing to play one competitor against another. As customers' expectations