

## CATEGORY CREATION:

# The Knowledge Differentiator for Successful CMOs



**I**NSTANTANEOUS DIGITAL interactions across an expanding range of channels have displaced high-touch offline interactions today. From a small number of well-known brand names to an increasing number of niche brands in every category, the variety of products has increased. Businesses need to be more creative, act faster, and comprehend and even anticipate the specific needs and expectations of the customers who define their markets in order to compete in this new economy.

## THE PATH LESS TAKEN

A difficult to pull off marketing strategy for long-term differentiation, category creation if done right, can easily be considered the gold standard for any CMO. This is because it can be directly measured in terms of its impact on a company and the broader industry. Think of category creation as a framework for building your company and product around the big idea that sets your solution apart from everything else already in the market.

The *Harvard Business Review* examined *Fortune's* lists of the 100 fastest-growing U S companies from 2009 to 2011. They found that the 13 companies that were instrumental in creating categories accounted for 53 per cent of incremental revenue growth and 74 per cent of incremental market capitalisation growth over those three years. It should come as no surprise that companies that create new markets expand much more quickly and are valued much higher by investors than companies that only make minor innovations.

A game-changing product or a catchy slogan alone, however, aren't enough for category creation. A powerful, consistent vision throughout all aspects of the business – from product development, to sales strategy, executive content, and yes, marketing – is needed for category creation to be successful. The resulting benefits are manifold:

- ❶ It improves internal focus; helps the c-suite prioritise, allocate resources and be ruthlessly efficient with the go-to-market activities.
- ❷ Amplifies brand awareness; by establishing the trend, category creation creates the perception of being 'the expert' and thus, a new market conversation is associated with your brand.
- ❸ It helps qualify leads and accelerate sales; by providing a framework for your customers to "think differently" and forcing your competitors to counter your point of view.

## AMPLIFYING BRAND VALUE

Helping people recognise that the existing category is centred on the incorrect problem and that a completely different problem needs to be solved is a necessary step in creating a new category. After that, the brand should focus all of its efforts on educating, resolving, and satisfying this new market. Creating

awareness and recognition of the new challenge does require more investment in knowledge building and dissemination than simply presenting a familiar-but-tweaked idea to the market. And it is here that marketing in the digital age can truly shine. Much of the lifting at this stage of category creation can be accomplished through community-building, rather than traditional communications. It is here that the reinvigorated and redefined role of brand in category creation comes into play. This is when a brand – the product and the values it represents – becomes more than just something to buy. It spurs a movement, centres a community, and becomes part of people's lives. Starbucks anyone? The brand didn't just sell coffee but offered customers a third space to hang out, away from home and work. Starbucks' customers, eager for connections in an increasingly mobile and transient world, showed up in droves to help create a modern coffee shop that's now deeply woven into the social fabric.

## BRIDGING THE CONNECTIONS AND THE COMMUNITY

While many believe that category creation is the purview of products or services department alone, today that no longer holds true. Brand marketers are actually the drivers of change. Increasingly, we are seeing that a brand's evolution,

**We live in a time of tremendous transformation. The 2020 disruption laid bare the shortcomings of existing business models and transformation efforts. And in the ensuing scramble to plug holes and fix what's broken in their operations, astute CMOs recognised that it's time to part ways with past assumptions, checklists, and playbooks and instead embrace the new challenges and opportunities to thrive in today's digital-first markets**

Photograph by Ymgerman



its communities and its ecosystem creates the demand for new categories; products and services then fulfil that demand. HubSpot, IKEA, Pixar, Netflix, Google, Airbnb, Uber – while some of these brands may not have been the first to enter their markets; they were the first to brand their markets. Most of these brands were definitely the first to create emotional, not just utilitarian, connections with their communities and their consumers.

They were the first to make us want to experience something different, even better. Even though we now find it impossible to imagine our lives without these straightforward fixes, initially these brands had to come up with a special marketing plan to explain why the conventional approach is ineffective in the face of a better option. This entails higher costs for premium content, events, and the marketing budget will be stretched. But, in the long run, these category creation costs will pay off as the brand will have established a thriving community that will expand over time and solidify its market position.

## WORTH THE RISK?

Through the creation of a new category, brands can completely transform their businesses, but doing so requires big ideas and a team of decision-makers who are innovators at heart. Additionally, it might necessitate a financial commitment above and beyond the typical marketing budget. This involves a higher degree of risk. Inevitably, some new categories will falter or take a while to catch on. But often, most CMOs will not even venture down this path for fear of the unknown and the assumption that category creation is best left to startups.

They couldn't be more wrong. Consider the fact that Apple was more than 20 years old when it launched iTunes, the key innovation that allowed it to shift from computers to consumer electronics and media. Nike is another powerful example of a legacy company that uses a Next-Gen approach to stay ahead of competitors and continually capture the attention and loyalty of an evolving marketplace. **BW**

