

Virtually every startup, whether stand-alone or embedded in an enterprise, has larger, better-established and better-known competitors. In most industries, performance and costs improve relentlessly. So if you're trying to be better than such established competitors, you face an uphill battle. "Better" means you have to fight larger competitors head on.

Instead, be different.

Think Apple

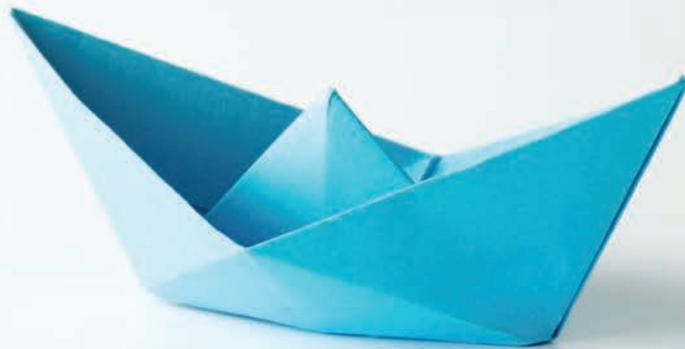
For decades, HP, Dell and Lenovo/IBM have sold laptops that run Microsoft Windows. Each company's products are incrementally better than the other along some dimension – for example, 20 percent faster, 25 percent larger screen or 30 percent more favorable price/performance.

In contrast, Apple developed both hardware and an operating system for the MacBook and tightly integrated them. The MacBook was more user friendly, more graphical and had more unique tools and applications for publishing, photos, music and video. Even Apple's slogan was "think different."

Over the years, Apple steadily took market share away from Windows. In 2010, for the first time, the market cap of Apple exceeded that of Microsoft. In 2011, Apple became the most valuable company in the world. Different is better than better.

For a startup, being better than established competitors is a tenuous advantage. In contrast, being different places you on one or more different dimensions from your competitors, whether the dimensions are customer needs or product features. For example:

- Other suppliers offer components for a wide range of applications. Instead, you test and offer similar components for novel applications with specs that other suppliers don't even measure or publish.
- Other suppliers use Excel spreadsheets to exchange design model data with clients. Instead, you save clients' time and labor and reduce errors by



EXECUTIVE SUMMARY

To be successful, startups need to differentiate themselves in an increasingly crowded, complex and competitive marketplace. Since most of their competitors continuously improve their products and services on an incremental basis, the best way to stand out is to be different, not better.

WHY different IS BETTER THAN BETTER

BY JOHN CHISHOLM



working with their native design files directly.

- Other suppliers recommend suppliers with skills complementary to theirs, but they require clients to schedule and contract with each supplier separately. Instead, you closely partner with complementary suppliers and offer clients integrated scheduling, service delivery and billing.
- Other call centers allow customers to complete satisfaction surveys after the call. Instead, you ask permission to record calls and use audio processing to measure tension or anger in the customer's voice, track whether it trended up or down in the course of the call with your agent and flag outliers.

Your different product or service may not be for every customer. That's OK. If you can earn the loyalty of a small but sufficiently strong set of customers, they will become repeat customers for your product or service, will buy more of your product or service over time, and recommend you to their friends or colleagues. Therefore, your organization will benefit further from word of mouth.

Find new dimensions

A tablet device with 20 times the memory of other tablets at a comparable price would enable entirely new usage patterns and applications that exploit the voluminous memory. That's truly different. Maybe you use a novel memory technology to achieve it.

But since memory size is a primary dimension along which established tablet makers compete, watch out: They will work hard to catch and surpass you. Make sure one or more patents, licenses or trade secrets adequately protect your novel technology.

Different means finding a valued dimension without competitors and excelling along that dimension. In the case of the tablet, it might be a novel way to receive, process or output data. If you can identify and excel along two such dimensions, that's even better. You won't

be competing directly with the established competitors, and you'll have more time and room to become established yourself.

Being different not only gives you a unique customer set, it also makes it harder for established competitors to respond to you. Harvard Business School professor Clayton Christensen meticulously documented this for the disk drive industry in *The Innovator's Dilemma*. In the 1980s and 1990s, established hard disk drive vendors found it difficult to shift to new, smaller form factors, even though the smaller form factor drives were better suited for each new generation of smaller, more portable computers.

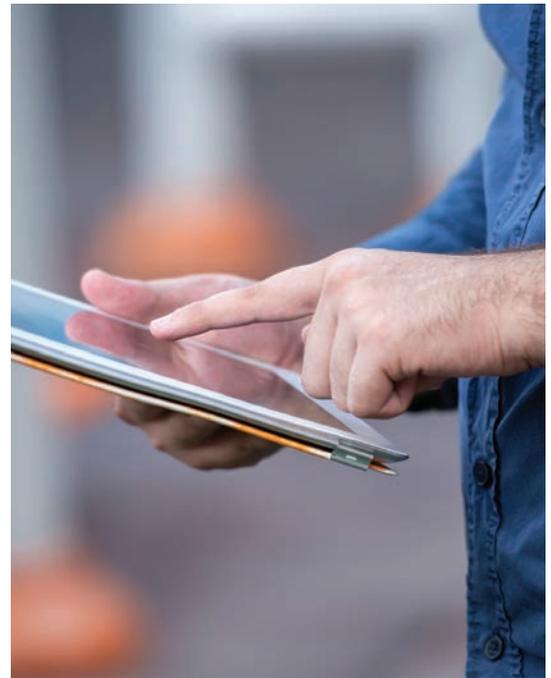
Originally, disks were 5.25 inches, then 3 inches, then 2 inches and then 1.8 inches. The established vendors' existing customers were mainframe and minicomputer manufacturers that wanted high storage capacity and low price per megabyte. But the new form factors initially had both lower capacity and higher price per megabyte, and therefore were ill-suited to satisfy the needs of the established vendors' customers.

In each case, one or more upstart disk manufacturers who did not compete in larger form factors won the market for the smaller form factor drives. Different was better than better.

To differentiate yourself, list the top three or four reasons customers choose established competitors that address needs similar to those that your organization aims to provide. Now ask, why would they choose my startup instead? List the reasons that don't apply to other companies. Those reasons differentiate you.

Here are specific techniques for differentiating your startup:

- Keep abreast of as many new technologies as you can, especially those adjacent to your industry. One of them might just offer a way to differentiate your product or service.
- Each time you become aware of a new technology, brainstorm what



new customer needs this technology and how, in tandem with your existing technologies, it might satisfy consumer demand.

- List all combinations of those new and existing technologies in search of combinations that might satisfy new customer needs. For example, with 10 technologies, there will be 45 pair-wise combinations (the formula is $N(N-1)/2$, where N is the number of technologies). For each combination ask, what new customer need might it satisfy?
- Different is better than better in team members, too. Diversity in how people think about problems and make decisions – cognitive diversity – makes a team stronger. Some people are abstract thinkers. Others are concrete. Some are high-risk. Others are risk-averse. Some are relationship-oriented. Others are transactional. Remember the important saying of University of Michigan economics professor Scott Page, "Cognitive diversity trumps even ability."

If you plan to launch a new venture, product, or service in 2016, make it different from those currently available. In today's ultracompetitive marketplace, different is better than better. ❖

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