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What tech CEOs get wrong about positioning

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In 2021, Microsoft acquired Nuance Communications, a leading provider of conversational AI that made for a perfect fit with Microsoft's industry cloud offerings.

Microsoft acquired this or any of the other companies it has bought in the last few years not only because they have excellent capabilities, but also because they carry solid brands and do so because they are well-positioned.

Positioning is critical to the success of every tech business, but executives often overlook its importance.

For example, suppose a CEO is lamenting slowing sales and lagging growth at their company. In that case, it is tempting to place the blame directly at the feet of the sales team those well-intentioned front-line soldiers responsible for turning solutions into the bucks that feed the company's growth.

Indeed, many CEOs may feel that sales are the obstacle to accelerating product-market fit or securing market leadership.

However, is the sales department the problem, or is it more fundamental? Take a moment to answer these three critical questions:

1. Do customers confuse the company for another brand, competitor or not?
2. Do RFPs, demos, trials and pilots complicate sales?
3. Does managementor colleaguessay there is a messaging problem?

If any of the above rings true, the brand likely suffers from a more fundamental issue outside the sales and marketing engine.

Instead, the problem probably lies in the market positioning and Microsoft will not be knocking at their door anytime soon to make an offer.

Like any relationship that has gone astray, some soul-searching might reveal that the CEO may be the reason for the divide.

When customers do not understand the company's solution, how it compares to competitors or why they should care, unclear market positioning is likely the cause.

What is positioning?
Market positioning is how customers view the company and its solution to the problem that needs to be solved.

Is the company seen as a category leader or not seen at all?

Understanding this essential question requires a keen focus on positioning an often-misunderstood, sometimes-derided process that tends to be minimized or dismissed as marketing jargon.

However, more than just fancy marketing, it is a measurement of sorts a leading indicator of the brand's health.

Why is positioning important?
According to Geoffrey Moore, positioning is the most significant influence in buying.

Customers make buying decisions when a company positions itself and solutions to be easily understood. Therefore, the goal should be to create a space in the customer's mind which identifies the company's products or services as the best solution for their problem. The benefactors of this work include customers, markets, investors, recruits, and acquiring parties.

Customers will prioritize and evaluate solutions to their problems using a mental' ladder with the most recognizable brand and solution on the top of each ladder and lesser-known solutions occupying lower positions on that ladder.

Leading brands such as Mercedes, Apple and Uber climbed to the top rung of their respective industry ladders. As a result, they can command a premium price, despite no shortage of brilliant competitors nipping at their heels.

However, if a company is not on or near the top of its respective solution ladder, it may never appear on the customer's radar.

Conversely, if companies appear prominently on those mental ladders, they have made it easy for customers to choose their brand and solution.

Jack Trout and Al Ries, in their seminal book on positioning, "Positioning: The Battle for your Mind," first coined the notion of a ladder to describe how customers rank solutions.

According to Messrs. Trout and Ries: "To cope with the product explosion, people have learned to rank products and brands in their mind. Perhaps this can best be visualized by imagining a series of ladders in mind."

Think about all the tools customers use to stack-rank their choices; in other words, creating their ladders competitive trials, product demonstrations and comparisons, requests for proposals (RFPs) and competitive matrices. These can be exhausting and inefficient for solution vendors. Instead, find out where the business ranks in the customer's mind. Is the company on a ladder for its category of solutions?

Proper positioning helps companies create a ladder for their customers, so they do not have to. Furthermore, positioning can demonstrate a brand's knowledge of the problem and the solution.

What is the role of category in positioning?

Think of a category as one more element in this customer organizing system. They have a ladder for each group or category of solutions.

For example, think of the ERP category (Oracle, IBM, SAP), the CRM category (Salesforce, HubSpot), and the Ride Sharing category (Uber, Lyft).

Categories make it easier for customers to identify the solution and stack-rank companies on a ladder. Making decisions becomes simple if they have a category name and a ladder to aid stack-ranking. Do not leave this job to customers or competitors.

Furthermore, if business executives thoughtfully handle their positioning strategy, they may be fortunate to catch the attention of leading research analysts such as Gartner Research or Forrester.

If that happens, executives might find themselves on a Gartner Magic Quadrant chart or a Forrester Wave chart and be considered one of the defining solutions for their category.

Incidentally, these charts are Gartner's and Forrester's versions of a ladder, or organizing system, licensed to clients at a high cost to help them make decisions.

Why bother with positioning?
Besides increasing revenue and helping build a thriving business, business executives should care about positioning and categories because they can influence markets, investors and valuations.

If companies can uniquely position themselves to complement or fill holes in product offerings held by larger companies and acquiring parties, the outcomes can be very favorable.

For example, Salesforce paid $27 billion for Slack in 2020 because they had a hole for messaging software they needed to fill.

Similarly, Intuit needed an email marketing solution and bought Mailchimp for $12 billion in 2021 to fill a void they had in their offering.

Where do companies start?
Business executives can start the positioning process by studying their customers, competitors, market and products' unique differentiation.

Then, armed with that information, they can follow a simple template by Geoffrey Moore of Crossing the Chasm fame and build their positioning story.

Specifically, responding to the prompts appearing in parentheses below produces a succinct expression for why a customer might consider their solution.

- For (their business' target customer)
- Who (customers' statement of need or opportunity)
- The (company's product name)
- Is a (company's product category)
- That (customers' statement of crucial benefit or compelling reason to buy)
- Unlike (company's primary competitive alternatives), the company's product (company's statement of primary differentiation)

The good news is that this exercise can produce a powerful version of a company's elevator pitch. Companies should test it with customers, rewrite it and then use it to train employees, customers, and the market to speak with one voice about the company.

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