Tilt: Shifting Your Strategy from Products to Customers

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This book discusses the need for businesses to shift their priorities from upstream to downstream when seeking opportunities for sustainable competitive advantage. Today’s hyper competitive markets require businesses to differentiate from the pack to attract and retain viable share. Historically, differentiation has been pursued upstream with larger factories, cheaper raw materials or labor, logistical efficiency or superior products. The book suggests that competitive advantage in the post-industrial era should reside downstream where “value is created in the interactions with customers” (p. 7). The central thesis of this book is to tilt the organization away from dependence on operational excellence and toward customer-centric priorities, away from “selling better stuff” and instead “selling stuff better” (p. 10).

The book is divided into four parts. Part I illustrates the concept of a “center of gravity” as the *locus* of competitive advantage within upstream versus downstream activities. Businesses that define their strategic imperative as “how much more can we sell?” will tend to invest their time and resources in upstream capabilities, erroneously believing that this source of differentiation is sustainable. The book argues that maturing markets have shifted value downstream as product innovation, materials sourcing and manufacturing are easily replicated. In contrast, downstream opportunities for enhancing customer acquisition, retention, share of wallet and lifetime value abound. The strategic imperative within a business must tilt toward answering the question “what else do our customers need?” to widen the scope of options for maximizing perceived value in the post-industrial era.

A key component of downstream competitive advantage is to decrease your customer’s costs and risks when purchasing your product. Impediments in the buyer decision process reduce the benefits promised by your offering and threaten to derail initial or repeat purchases. Uncovering these hidden obstacles can reveal important opportunities for adding value without resorting to price discounts or R&D investment. Downstream innovation and differentiation can be realized by solving the customer’s problem in terms defined by customers and specific to their industry. “Competitors are quicker to replicate, neutralize, and commoditize upstream competitive advantage than they are to do the same thing with downstream advantage” (p. 75).

Part II discusses the valuable vantage point or “perch” that a business occupies and could do more to leverage. A business is likely to have a unique, aerial view of an industry that comes with serving multiple customers and segments within it. Customers, in contrast, are limited by their own experiences. A business might be able to provide additional value to customers by identifying the “patterns in the pixels” (p. 85). These insights can be assembled from systematically collecting, synthesizing and analyzing data across the customer base to extract strategic insights, benchmark performance and predict outcomes. The power of this big-picture view of the industry resides in its evidence-based crowd-sourced foundation. From a strategic perspective, this added value for customers is inherently unique, as it is based upon the business proprietary information and thus unlikely to be replicated. The details of how to go about conducting this type of analysis are not addressed in the book, other than to say that advanced statistical expertise would be needed. Likewise, this source of downstream competitive advantage might only be viable for larger more established businesses rather than startup ventures due to a critical mass of customers that would be needed to establish a reliable big picture.

Part III focuses on the competitive playing field inside the customer’s mind. Some basic principles of consumer psychology, cognitive science and branding are incorporated into this section, making it the most academic portion of the book. The studies and frameworks that are included effectively reinforce the validity of tilting toward customer-centered competitive advantage. The outside lines of the playing field are defined by the consumer’s tendency to avoid undue cognitive effort in given a buying situation. The inside lines are the criteria that consumers are willing and able to consider when choosing a brand within the category. Successful businesses play within the boundaries of these cognitive limitations by building strong associations with key buying criteria. Business strategy comes into play when choosing which criteria to associate with the brand. Contrary to popular belief, a dominant brand is not dependent upon being first to market, as:

[…] products may be invented in the laboratory, but competitive advantage is seized in the marketplace … Fast followers with a clear marketing strategy that builds a brand with strong associations to well-defined customer criteria of purchase tend to win over the long term (p. 133).

A dominant brand maintains its success due to its relatively higher likelihood to be recalled in a given purchase situation. Furthermore, the dominant brand’s associations can influence which criteria are legitimate and relevant within the category. Later entrants must work that much harder to establish the value of alternative associations. A central strategic question is whether key criteria are bought or made, in other words, “are you a criterion taker or a criterion maker?” (p. 149). The author argues for the latter and provides several examples whereby challenger brands successfully established new criteria of purchase despite market leader dominance (e.g. Viagra versus Cialis, Intel versus computer box makers, Mac versus PC). In each case, criteria importance was explained, emphasized and elevated in importance over time and with substantial marketing investment. The brand’s superiority on this dimension must be established as well. “The competitive task here is essentially to increase the relative importance of attributes associated with your brand as well as the perceived value of your brand on these attributes” (p. 165).

Part IV sums up the key message points of this book and provides a glimpse of the future. The primary insight gleaned from the author’s thesis is to debunk the myth that one must have a better product to succeed. Instead, it is far more critical that the business places the customer’s experience at the center of its strategic decision-making process. Competitive advantage is the result of influencing the consumer’s criteria for purchase, elevating the importance of the criteria on which your brand can deliver valued benefits and building a strong association between your brand and the selected criterion. Product functionality is relevant only to the extent that it demonstrates the brand’s positioning; it is not an end unto itself. While the customer is the source of defining value, it is not appropriate to simply follow directives. Customers may not be able to state what they want or envision the possible ways to reduce risks and costs or realize new approaches to overcoming challenges. “It is not the customer’s job to know what criteria they would like you to define; it’s yours” (p. 177). The global competitive landscape of the future will take place in the downstream, as emerging markets begin to move up the value curve in an effort to build global brands to capture customers in the developed world. Likewise, as consumption increases in developing economies, greater downstream capabilities will be needed to serve these markets competitively and effectively.

This book is well written and engaging. The content would be a good resource for professionals who are interested or involved with the strategic planning function in their business. The book clearly describes the tendency for businesses to rely on operational excellence or new product development to grow and thrive. This book provides an interesting alternative viewpoint whereby a business does not need to invent a better mousetrap, reduce costs or reduce prices to succeed. Instead, competitive advantage can be derived from expanding the definition of value and improving relationships with customers with existing resources and offerings. The book offers interesting examples of companies and cases to demonstrate the validity of focusing competitive advantage downstream.