

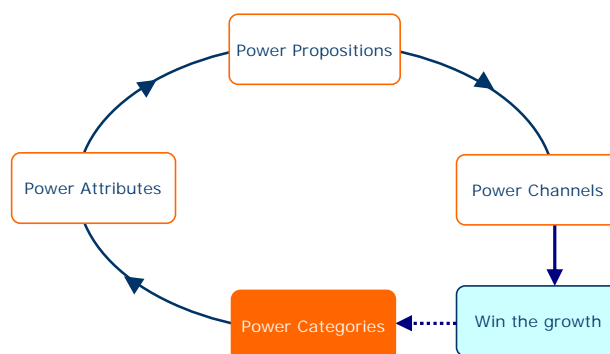


DIFFERENTIATE

Power Categories

Step 1 in the Growth Game

Choosing a game you can win



Power Categories

The current situation

Does this sound familiar...

Resources are stretched with not enough money or people to do everything for every brand, in every category, in every channel, for every customer type. Only a fraction of what you would do in an ideal world has a realistic chance of happening and everyone is building the case for their initiatives to be the ones that should be supported.

You have lots of brands, products or services targeting lots of occasions, needs and customer types. In fact even this is too simplistic as you may be operating in multiple categories with multiple distribution channels as well.

And the pressure to get growth is increasing while all the time it becomes more of a struggle to achieve.

If you are in this position then read on. There is a practical way to prioritise resource and effort behind the best growth opportunities that is robust and convincing.

Power Categories

The really useful concept here is Power Categories – market segments or groups of customers that will produce the most growth for your business in the future

Knowing the Power Categories will help you prioritise your investment and innovation in areas where it will produce the most growth. Power Categories will bring complete clarity to you and the team about where you should be focussing your efforts. It will answer the question of how to prioritise your limited resources.

The identification of Power Categories needs to go beyond the easy “data rich” segmentations. The market categorisations to look at in the context of really understanding where to get growth encompass needs, occasions, customer types as well as products, packs, channels, etc. Where data exists on these different ways of splitting the market it is usually from different sources and doesn't tie together. Pulling this together into one framework is often the first step to identifying Power Categories.

The identification of Power Categories comes from understanding what drives opportunity and competitive capability. A category with a lot of opportunity and in which the business is good at delivering what customers want probably offers more immediate potential than a category with less opportunity where there is no (easily accessed) capability.

It is easy to make this very complex but it isn't...

A category has high opportunity if it is big, growing and profitable. Of course in the real world the situation isn't straightforward and a way needs to be found to prioritise categories with very different sizes, growth trends and margins. Never the less the simplistic thought of big, growing and profitable as the driver of opportunity is the important one.

Category capability comes from the ability to create competitive advantage while not being killed by big, bold and fearsome competitors. This needs to be

Power Categories

looked at on a segment-by-segment basis to identify the areas of real competitive advantage. It also needs to be an assessment of the capability of the whole business rather than from the narrow perspective of one function or department.

There is a third concept that is key to identifying Power Categories – **unfulfilled needs**. Both opportunity and capability in a category are significantly increased if there are unfulfilled customer needs that the business can meet



Power Categories are plural not singular. It is the insight that comes from a multi-dimensional look at the market that reveals where to focus resource. Rarely does just one way of segmenting provide the answer and usually the combination of Power Categories provides a springboard for new and innovative growth initiatives.

You need to discover these Power Categories for your business to prioritise your time, money and effort if you are to achieve your growth goals. If you have read this far and don't have a growth problem remember that thinking Power Categories will keep you ahead and ensure you are well placed for growth in the future.

On one level identifying Power Categories is easy. You already do it in your head every time you make a trade off between different categories. However this is usually more subjective than it need be, based on what has happen in the past, and isn't part of a clear framework that everyone in the business understands.

Taking the structured approach outlined in this paper is a forward-looking approach that identifies the Power Categories for the future and aligns the whole organisation towards focusing efforts in these areas. In this way everyone's business building brains are directed on the same target, which will result in the best ideas being developed for the best opportunities.

Power Categories

In summary

Step 1 – Break the market into segments that you can offer products and services to. These segments are likely to be based on product and packaging types, customer types, customer needs or occasions, channels of distribution

Step 2 – Assess each of the segments based on the three key criteria: Opportunity size (big, growing profitable); competitive strength; unfulfilled needs

Step 3 – Identify the most attractive categories for growth based on this assessment

Thinking Power Categories is the first step to winning the Growth Game and driving growth. If you would like to find out more about our proprietary tools to identify Power Categories please contact Stacey or Chris on 020 8334 8064 or PowerCategories@differentiate-it.co.uk