

WHITE PAPER

STAMATS



TROUT ON STRATEGY: DIFFERENTIATION IN HIGHER EDUCATION

When a prospective student or donor visits your campus and asks, “What makes your institution different,” how do you respond?

In this White Paper, Jack Trout, author of *Trout on Strategy* and co-author of *Differentiate or Die: Survival in Our Era of Killer Competition*, shares his ideas on the importance of differentiation and marketing strategy to higher education. This White Paper also offers strategies for identifying your key attributes, insights into the role presidents should take in your marketing activities, and reasons to allocate resources to marketing your institution.

Jack Trout was a keynote speaker at Stamats’ 8th Annual Strategic Integrated Marketing (SIM) Conference in 2005. This White Paper is a result of an interview Dr. Robert A. Sevier, Stamats’ senior vice president, strategy, conducted with Jack Trout.

About Trout

Jack Trout is president of Trout & Partners, one of America’s most recognized marketing firms with headquarters in Greenwich, Connecticut, and offices in 13 countries. Trout manages and supervises a global network of experts who apply his concepts around the world. The firm has worked for AT&T, IBM, Burger King, Merrill Lynch, Xerox, Merck, Lotus, Ericsson, KPMG Peat Marwick, Procter & Gamble, Southwest Airlines, and other Fortune 500 companies.

Instrumental in developing the marketing concept of “positioning,” Trout also is responsible for such ideas as the brand extension trap, marketing warfare, and bottom-up marketing.

(bio is continued on the next page)

IN HIS OWN WORDS

Sevier: Your latest book, *Trout on Strategy*, draws on a lifetime of lessons. In a sentence or two, answer the question: what is strategy?

Trout: Strategy is how you differentiate yourself from your competitors in the minds of your customers. That is the cornerstone of strategy. Obviously, your customers must value this point of differentiation. For example, Volvo is a safe car. Safety is a benefit that people want. BMW is the ultimate driving machine. BMW appeals to people who value drivability. Safety and drivability are benefits for which people will pay.

Look at Harvard University. Harvard is able to differentiate itself from most other colleges because it was the first...one of the oldest...and it is wrapped in prestige. It offers the best credentials. There is the benefit.

Other institutions that were not “first” need to find other points of differentiation by which they can separate themselves from the pack.

Sevier: How important are attributes to the idea of differentiation?

Trout: Understanding attributes is essential. There are lots of ways to differentiate yourself from your competitors. The most popular way is called *attribute differentiation* (see sidebar on page 3).

For example, being a recognized leader is a key differentiator for Harvard. Another differentiator is specialization.

Hillsdale College is specialized. It has positioned itself as a politically conservative college. We have RISD—Rhode Island School of Design—it is specialized. Remember, schools that choose to differentiate on an attribute need to make sure that the attribute is one that students will value.

Sevier: Why do you think so few of the 3,600 colleges and universities in the U.S. actually differentiate themselves in ways that truly matter?

Trout: They are afraid that by specializing in one area, they will leave someone out

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A partial bibliography includes:

- *Trout on Strategy* (2004)
- *Big Brands. Big Trouble: Lessons Learned the Hard Way* (2001)
- *Differentiate or Die* (2000) with Steve Rivkin
- *The New Positioning* (1996) with Steve Rivkin
- *The Power of Simplicity* (1998) with Steve Rivkin
- *The 22 Immutable Laws of Marketing* (1993)
- *Bottom-Up Marketing* (1989) with Al Ries
- *Marketing Warfare* (1986) with Al Ries
- *Positioning: The Battle for Your Mind* (1981) with Al Ries

or lose credibility. They think that by offering more programs they will grow. But, they have it backwards.

The point is: if you focus on something of value, and become truly good at it, the marketplace will reward you. But to do this, you need to give up all of those extraneous things. This seems to be exceptionally hard for colleges and universities to do...to give up something. They have a tough time focusing on one idea or attribute at the expense of the others.

Sevier: The need to focus is a difficult concept for colleges and universities to understand and act on. They love the idea of "more."

Trout: That is right. They want to be everything for everybody. They think that security comes from being able to serve more people. Actually, it is the opposite.

Specialization is the only effective weapon against bigger players who probably can do almost everything. Sure, the University of Michigan can do everything because it is big and has the resources. It is the same with big companies. GE can be a lot of things.

But, when you are small and do not have the resources of the big guys, the only way you will succeed is to specialize and become extremely good at something that students are interested in. You need to pour your resources into this one thing. This is where the idea of focus becomes important.

Sevier: So, what you are saying is that the smaller you are, the more you need to specialize?

Trout: Absolutely. That plays out in business. It plays out in any competitive situation. I know it is kind of counter-intuitive, but that is the way it works.

Sevier: Sometimes a college will honestly accept the fact that it is not distinctive and opt, instead, to differentiate itself through its messaging. Is that a sound strategy?

Trout: That is a popular idea, but in the long run it will not work. Eventually, the marketplace will see through the messaging. All the messaging does is draw people's attention to you. If they respond to your messages, look at you, and find that you are not compelling, then the jig is up.

Sevier: So, what you are saying is that when you focus on messaging it is like trying to solve a strategic issue tactically.

Trout: Exactly right. When there is no strategy, all of the great messages in the world will not help.

Sevier: If a college is not interested in specializing in an academic program or is not first in a category, how can it identify other potential differentiators?

Trout: You can look around and see if there is an analogous category that might offer some insights.

For example, let's look at hospitals. We have a lot of hospitals, and they are all jockeying for certain patients and highly specialized treatments. So, what do you do if you don't have a gigantic reputation like Mayo? You reach out and hire bonus babies. You go to famous doctors and say, "Look, come here and

we will set you up and give you your own 'this' and your own 'that.'" Now your hospital has something to sell. Instead of being just like every other hospital, you have a draw.

Sevier: This sounds like a star system.

Trout: It is a star system. A college or university does the same thing when they land a Nobel Prize winner. They have something to sell. That is what hospitals do. And it works in higher education, too.

Sevier: But doesn't this just happen at the better schools?

Trout: Aaahhh! That is the secret. How do you think they got to be the better schools? They attract talent and that talent attracts others.

Sevier: You make this sound so easy.

Trout: Well, it is and it isn't. It takes money. And it can be risky. You have to keep your stars happy.

And, there is another problem: all the non-star faculty get "out of joint." When you attract a bonus baby you have to treat them well or they will not stay. You will set them up. They will be a head of a department. They will get some object that they can work with...maybe a lab. This will leave some people out.

But, a good marketing guy says, "Look, we can use this celebrity to attract attention and possibly get some publicity for the whole university."

Sevier: A rising tides approach?

Trout: Absolutely. But the academic world is often very political. Not too many presidents are that courageous. To make this work, you need to be willing to take the heat.

Sevier: Let's switch gears a bit. What is the most important thing that colleges and universities need to understand about brand marketing?

Trout: They need to answer the question, *What is our difference?* What is the reason that people should attend our institution rather than the "other" institution. That is what a brand truly is. It is what the brand represents conceptually in the mind of the student. It is not a nice logo; it is what that logo means. There are 3,600 college and university logos out there. That doesn't tell you anything. You have to connect your logo to an idea... a differentiating idea... a reason.

Sevier: Many schools emphasize quality faculty as a differentiator. Is that typically effective?

Trout: Hardly ever; great teachers are expected. Everyone says they have them, and most institutions do.

Sevier: Every college in the country describes itself as friendly, caring, and supportive.

Trout: That is "me too" stuff. There is no difference there. In other words, being friendly is like the idea of quality. Everyone says they have it, and it is hard to differentiate when everyone claims the same thing.

Sevier: We are back to those attributes....

Attribute Differentiation

According to Trout, an attribute is a characteristic, peculiarity, or distinctive feature of a person or thing. Each person, for example, is comprised of a different set of attributes including gender, size, ethnicity, intelligence, skills, and attractiveness. Like people, products also are distinguished by their attributes. One type of toothpaste, for example, is different from other types in terms of cavity prevention, plaque prevention, taste, tooth whitening, and breath protection.

Attribute ownership, according to Trout, is a critically important avenue through which you can differentiate products, services, and schools. However, there are a couple of rules you need to keep in mind. First, you cannot seek to own an attribute or position that your competitor owns. That is why the "me too" strategies, in which an institution tries to emulate a recognized leader, are likely to fail.

Trout believes that rather than emulating the leader, you should head in the other direction. If you are competing against an institution that focuses on a residential experience, for example, you might strive to be the best commuter institution in the region. If a competitor stresses the liberal arts, you might stress professional programs. Says Trout, the world of bourbon is dominated by two Js: Jim Beam and Jack Daniel's. So, Maker's Mark set out to own an attribute that makes its smaller sales more attractive: "Handcrafting our bourbon to produce a smooth, soft taste."

Second, remember that the most effective attributes are simple and benefit-oriented. No matter how complicated the product, no matter how complicated the needs of the market, it is always better to focus on one valued attribute or benefit rather than two or three.

Identifying the College Attributes that Matter Most

The key to differentiation through attributes involves identifying and then capturing attributes that describe the qualities of higher education that students, donors, and others value. Consider, for example, evidencing true leadership in an area valued by the student or donor (we are the world's leader in nanotechnology) or being first in a category (we were the first institution in the U.S. to offer a three-year B.A.).

There are some attributes that simply will not work in higher education. For example, some institutions try to differentiate on academic quality or great teaching. These attributes are expected. It is like one car trying to differentiate itself from another by saying, "Our cars have four tires." Price is also a poor differentiator. Low cost is often construed as low quality and high cost might send the signal that you are out of reach or elitist.

Trout does not believe that "breadth of line" (number of majors) is a good differentiator because people are increasingly aware that breadth of line is not the same thing as quality of line.

Trout: Exactly right. It comes back to differentiators. You have to come up with a compelling rationale as to why students should attend your school.

There is a four-step process that outlines this concept. And maybe this is the best way to introduce this concept.

Step one is understanding the larger context. You need to find out what is happening out there; who is up, who is down, and why? What are people interested in? What do they want that they cannot find? It is about research. You have to know where you sit in the marketplace and who your competition is.

Once you have a sense of your competition, then it is on to step two: determining your differentiating idea. What idea—based on what is happening and on the context, and not based on something I want to do—will differentiate me from the others? What idea can I focus on that nobody owns; what is different; what is valued; and what do I think I can deliver?

Now, we are at step three: having credentials. Step three means you have to deliver the goods, and you have to be able to support your idea. If you are going to say, "We are this," you must be able to prove it. You cannot do it with air. And, you cannot do it with promises. You need data and examples. You need to be able to defend yourself. You need credentials.

Step four is communicating your difference. How do I put my idea into the minds out there? How do I shape it? How do I verbalize it? How do I

communicate it? What stories can I tell? Everything you do should communicate your difference.

Here is an analogy: let's call that differentiating idea a nail. We have to use communication to drive the nail into the mind of your prospect. The communications program is the hammer. That is how you drive it into the mind. That is your program. That's it.

Those are the four steps you need to build a truly differentiated brand.

Sevier: Many people in higher education don't think it is that simple.

Trout: That is always a problem. Academics tend to make things more complex than needed. They do not trust it if it is that simple. But that's it. That's the deal. And you know what? Once you have it, stay with it. Never change it.

BMW has been the ultimate driving machine for 25 years. Diamonds have been forever for 55 years. The Marlboro cowboy has been around for 30 years, maybe more. You do not change. Once you have something that works, stick with it.

Sevier: We tell clients that a brand plan and a facilities plan take a generation to implement.

Trout: That is exactly right.

Sevier: Sometimes colleges and universities are in such a rush to build the brand externally that they forget to get the internal people on board. Why might this be a problem?

Trout: Before launching an external communications program, you need an internal communications program. (*Note: At Stamats, we refer to this as internal brand marketing.*) You have to get everybody, or at least the key leaders, pointed in the same direction. They have to understand what you are trying to do.

Once you develop, communicate, and begin executing a strategy, it becomes clear when you are out of sync with the strategy. People will notice and let you know. I think this is especially true in higher education, because faculty and others, by nature, are more observant and (sometimes) critical.

Sevier: Earlier you mentioned the need to have everybody on board. The odds are you are never going to get everybody on board. Would it be fair to say you just need to get a critical mass of people on board?

Trout: Yes. You will always have your malcontents, but I would say that you must have the majority moving in the same direction. There will be a few folks who do not want to get on board and you cannot do much about that. However, it is important to ask them to participate. They can decline, but they better have been asked.

Sevier: You don't like growth as a measure of success?

Trout: That is not true; I do not mind growth as a measure of success. I do not like measures that focus only on growth. There is a big difference between the two.

In other words, corporate America has just been through a period where an enormous number of people focused on stock price and growth. Growth is what drives stock price, which sometimes causes people to do bad things. That is why we end up with the Enrons and the MCIs. The biggest problem in marketing over the past few years can be defined in two words: Wall Street.

Wall Street has been forcing companies and encouraging companies to do bad things, because they worship growth. Alan Greenspan once said we don't have an inordinate need to grow, we just have an inordinate *desire* to grow. It is that desire that is the killer.

Colleges have their own version of the growth problem—they feel like success depends on growth in the number of programs and growth in the number of students.

Sevier: Based on what you know about higher education, what are some good measures, besides growth, that indicate success? What should colleges and universities strive for?

Trout: I know the number of students is important. But, there should be as much interest in the quality of students a school is able to attract. That is a critical measurement. The ability to get a good percentage of kids—who are able and are willing to go to another institution—is a great measure of success.

Sevier: Do any other measures of success come to mind?

Trout: Fundraising is another good measure of success. When you are attracting better students, it is much easier to raise money.

Another good measure of success is student achievement. Are your alumni consistently doing important things after they graduate?

Another thing that comes to mind is the ability to attract good faculty. When you have a better reputation, you are able to attract better faculty. People want to work for a winner.

Sevier: In your last book, *Trout on Strategy*, you say that marketing is too important to leave to amateurs. What would you tell a president or senior administrator who thinks they are solving their marketing problem by hiring a young man or woman with a freshly-minted B.A. in marketing?

Trout: They are making a mistake. No matter how good their intentions, young people do not have the perspective, experience, and respect. I would also tell the president that he (or she) is the keeper of the brand, and not the new marketing person. Now, if you (the president) want to have the young marketing person conduct the research and return with specific recommendations, that is okay. But, it is ultimately your call. It is something you must believe in and aggressively stand behind.

Sevier: I have learned that no matter who is the marketing champion, the president is the sponsor.

Trout: That is right. The president is the sponsor. The president needs to step

New Definition of Marketing

A major breakthrough occurs when a college or university realizes that marketing is not a person, but an attitude. In 2004, the AMA (re)defined marketing as:

An organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

This revised definition of marketing is important for a number of reasons.

First, this new definition places responsibility for marketing at the organizational level. In other words, it is not an individual or even a departmental effort, but an organizational effort. Marketing is now rightly recognized as part of an organization's DNA. Individuals who do not value and support this important distinction, especially if they are in positions of authority, imperil the organizations they lead.

Second, the new definition of marketing emphasizes integration. I and other practitioners have proposed that of the two words that comprise "integrated marketing," the more important word of the two is "integrated." Marketing is about shared goals and all major functional areas working toward a common vision. It is less about new dollars and resources, but more about shared dollars and resources. To illustrate the impact this notion of integration has, consider for a moment eight rowers in a racing shell. When all eight rowers are in sync, the shell moves swiftly and leaves its competitors behind. When all senior administrators are in sync and communicate this expectation of synchronicity to their middle managers, great things occur.

Third, the changed definition affirms, again rightly, that marketing is not solely about communication. Rather, marketing is about creating, communicating, and delivering value.

It is critical to remember that customers define value, not organizations. While what you do must be of value to stakeholders, it must also be of value to those who pay the bills.

Of course, we cannot overlook communication. However, marketers understand that you should not try to communicate or imply value when there is none.

Fourth, marketing has a goal of managing customer relationships. This is a critical departure...or evolution...from our historic understanding of marketing. In fact, this is actually a shift away from goods and services—what we sell—to customers and what they want and expect. Furthermore, it is not a one-time sale to customers that marketers anticipate, but a lifetime relationship.

Finally, this updated definition acknowledges that the purpose of marketing is to foster customer relationships in such a way that the relationship benefits not only the customer, but the organization and its stakeholders as well.

up, make the decision, take the heat, and see this thing through (see sidebar on page 7).

Sevier: So, presidents need to make the tough decisions?

Trout: That is absolutely correct. What you need here is focus, strategy, and sacrifice. These are all things that are not necessarily easy. You have to sell these things to a lot of folks at your institution, and you have to be comfortable when you put your body in front of it.

Sevier: Some brand strategies are loaded with buzz like "brand essence" and "brand personality"; phrases that have almost no meaning in higher education. How important is it to keep things simple?

Trout: Simple is critical. The president should not sign off on something he or she does not understand. And if the president does not understand it, chances are the marketplace will not understand it either. It has to be obvious.

You need to watch out for people trying to sell you goods. Otherwise, you will waste money and go nowhere. Sometimes we like to make things so complex that we do not have to do anything. Every chance you can, make it simple.

(Note: In 1998, Trout published *The Power of Simplicity*.)

Sevier: How does price relate to brand? In other words, is there a relationship between how much you are able to charge for tuition and the strength of your brand?

Trout: What you are talking about is brand equity. Brand equity is like the surcharge that people pay, beyond the real price of something, just to be part of the brand experience. Brand equity is what allows Harvard to charge so much.

Sevier: In higher education there is something called a discount rate. Essentially, the discount rate is the percent of tuition revenue that the institution turns around and uses for institutional financial aid. An average discount rate for a private institution is about 33 percent. Some institutions have discount rates that are much higher, say 50 percent or more. Could we draw a correlation between the discount rate and the perceived value of an institution's brand?

Trout: If you have to discount a product, you have a weak brand. That is General Motors' problem. The only way they can sell their cars is to offer rebates and discounts.

The same thing applies to schools. If the brand is valued, there will be less discounting. If the brand is not valued, then the school will need to discount more.

Sevier: A lot of colleges and universities believe that simply being good is all that it takes to be successful.

Trout: Being good at something is absolutely critical. But this is where many large companies miss the boat: the ultimate battleground is in the mind. It is all about perceptions; it is all about being known. It is about how people perceive you and compare you

with competitors. You can do a lot of things, but unless you build perceptions about the things you are doing, you get nowhere.

This is where marketing comes in, because marketing is about going forward and capturing that idea—that focus—and putting the concept into the mind of the prospect. Remember the hammer?

Sevier: You said "companies." Do the same rules apply to colleges?

Trout: Same rules, same deal. You are competing in the mind of your prospect.

Students face, what I call, the tyranny of choice. There are so many choices and so many categories that you must have a point of difference that students are willing to pay more for, or you better have a low price. Take your pick.

Sevier: What advice do you have for colleges and universities that are interested in recruiting better students?

Trout: Well, it seems to me that you need to make a strong case for why a better student would want to come to your school. Simply wanting better students is not enough. You need a strategy that focuses on what better students expect and how you are going to deliver it before you can worry about recruiting them.

Sevier: Last question. If you could say only one thing to a college or university president about strategy, what would it be?

Trout: It is all about being different in ways that students value. You cannot try to be everything to everyone. I think that is probably the one thing they have to get their heads around.

Sevier: It's like the title of one of your recent books?

Trout: Exactly. *Differentiate or Die*.

Role and Function of the President as Sponsor

The president sets the climate for marketing. As such, he or she must:

- *Have a vision for how marketing can help the institution. Without this personal vision, there will never be personal commitment. This vision must be declared and reiterated.*
- *Commit his or her power and prestige to the marketing efforts.*
- *Commit institutional time, talent, and treasure.*
- *Make tough decisions in a timely fashion.*
- *Provide authority to the chief marketing officer, department, and/or team.*
- *Convey that marketing is an institution-wide commitment and responsibility.*
- *Clear away organizational and policy roadblocks.*
- *Insist on shared goals and resources among senior administrators and staff.*
- *Go toe-to-toe with recalcitrant administrators, administrators who adopt a wait-and-see attitude, and administrators who are hostile to the idea of marketing.*
- *Be the marketing champion's sponsor.*

Why Market

A recent issue in *Stamats' QuickTakes* newsletter offered insights into how college and university marketing professionals might answer the question, "Why should we spend any dollars on marketing?"

Written in the first person, these comments represent an array of responses. Note that not all responses are suitable for all institutions and instances. Some responses include:

1. It is less an issue of spending and more an issue of investing. Like any good investment, a solid marketing strategy should have a positive return-on-investment (ROI). In most cases, this ROI will involve an increased ability to recruit more/different students, an increased ability to raise dollars, and greater success hiring first-choice faculty and administrators.
2. We are already engaged in marketing. We are already spending time and dollars. The question becomes "How effective is our current strategy?" and "Are we realizing maximum efficiency for the dollars we are spending?"
3. If we consider "integrated marketing," the emphasis should be on integration. Marketing is not about spending more dollars. It is about receiving greater value or return-on-investment on the dollars we are already spending.
4. Our reputation is our most important asset. How we are perceived and regarded is essential. If prospective students and donors are not aware of us, or if they do not perceive us as relevant, they will not be in our classrooms or on our donor roles.



Promises kept.

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5. Many faculty intuitively recognize the importance of reputation. In fact, establishing their professional reputations is a primary reason they spend time and energy publishing and presenting papers. In the same manner, faculty are reluctant to hire new faculty from unbranded or relatively unknown institutions. Reputation matters, and effective marketing builds institutional reputation.
6. If we do not make time to establish and manage our reputation in the marketplace, then the marketplace will establish one for us. In other words, we can choose to be relevant, or we let the marketplace decide that we are not.
7. Any institution that relegates the development of its reputation to the marketplace is toying with obscurity.
8. Many of the colleges and universities with which we once competed, but who have lately eclipsed us, spend serious time, talent, and treasure on marketing. In other words, they made a strategic decision to not only be good in the ways target audiences value, but to establish their reputation. This commitment, like the commitment they made to their facilities plans, may well be a generation in length.
9. One reason we spend so much money and sometimes have difficulty with student recruiting is that we do not have a consistent, valued image in the marketplace. In other words, we are not benefiting from a value proposition that is recognized by enough people to sustain us. This is one reason our discount rate is high.
10. Prospective students and their families are willing to pay more to attend schools with stronger reputations.
11. Our board is increasingly comprised of people from the private sector who have leveraged marketing for great professional and personal success. They expect us to use the same tools they did. Anything less will draw their critical attention.
12. Today's teens are savvy consumers. And like their parents, they will not spend significant dollars on a product or service that they, and their peers, do not recognize or value.
13. Marketing has one purpose: to increase the flow of resources to an institution. Better students are attracted to schools with which they are familiar. Strong faculty and effective administrators want to be associated with schools whose reputations will further their own professional goals and objectives. Donors give and give more often to schools that have name recognition. Foundations value institutions that are valued by the marketplace. Rewards come when institutions make the time and commit resources to build a reputation.
14. The most important thing we can do for alumni is to increase the value of their credentials. They will reward that effort with increased support.
15. A better reputation allows us to attract not just any student, but students who are able to pay. This increased revenue allows two important things to happen. First, it reduces our discount rate. And second, it gives us more financial resources for truly needy students.
16. Students who attend highly regarded institutions are more likely to persist. They are more willing to overlook minor issues like location or aging housing because the credential is valued by them and the marketplace.
17. As resources dwindle and in almost all cases become subject to greater competition, institutions will be increasingly dependent on partnerships and collaborations. Colleges and universities that choose to focus on strengthening their reputations will benefit in the long term when they are better positioned to align themselves (also called co-branding) with powerful governmental, private sector, and nonprofit partners.
18. Faculty and staff want to work at a place that colleagues and peers from other institutions recognize and value.
19. The faculty or administrator who says, "Harvard and the University of Chicago don't market" is sadly misinformed. Harvard has more than 650 people working in its advancement and marketing communications offices. The University of Chicago has 250. These numbers represent a significant investment that would not be made, nor sustained, if it did not return value to the institution.
20. Individuals on campus who believe that simply being good is all that matters are either naive or smug. Today's marketplace—and the students and donors in it—will not notice nor highly regard any institution that neglects to demonstrate pride or take time to tell its story in compelling fashion. Prospective students and donors will not seek you out because they are too busy engaging with institutions that have sought them.
21. Marketing can help you build the precise student body you want.