

Positioning Your Product Using the "Elevator Test"

HOW TO NAIL IT IN 14 FLOORS—OR LESS

By Geoff Moore, Geoffrey Moore Consulting

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I got the call at 3:30 P.M. on a Friday. It was a slow day at work. My feet were up on my desk. I was thinking. Then the phone rang.

"Mr. Moore, you don't know me, but I attended the Software Publishers Association conference at Orlando where you spoke on positioning, and I'd like to ask you some follow-up questions, if you don't mind."

After exchanging a few pleasantries, I learned that my caller was a Cambridge-based software developer of PC as well as Macintosh products, with an "information product"—his words—that he was ready to release. Now that the product was complete, he was interested in looking at marketing issues.

"No time like the present," I quipped. "What can I do for you?"

"Well, first of all, everyone tells me that the key to success with this product is to position it correctly, but I'm not exactly sure what all that entails." I told him to put his feet up and spent the next few minutes explaining the importance of positioning.

THE IMPORTANCE OF POSITIONING

1. Positioning is both a noun (as in the position/space something occupies in people's heads) and a verb (something you do to influence the position you get in people's heads).
2. The most important thing to know about positioning as a noun is that the space you get in other people's heads is very, very small—typically no more than a phrase or two.
3. The most important thing to know about positioning as a verb is that if you attempt to pack the positioning space in people's heads with more information

FROM THE HIGH-TECH MARKETING
COMPANION, DEE KIAMY, EDITOR,
ADDISON WESLEY, 1993

than they can hold, the space overflows, your "entry permit" is canceled, and your entire message is rejected as noise.

"But that's impossible!" spluttered my caller. "With a new type of product like ours, you can't possibly explain everything in a phrase or two."

"True, but since your customers don't want to know everything, so what?"

"So how do I know what to tell them?"

I explained that this was what consultants charged money for, and he explained that he was a bit short of funds at the moment, having just been through a painful, expensive, and unrequited acquisition attempt—too painful to discuss. I could relate to that; I had just priced a new car myself. Anyway, he asked if I could elaborate a little on how one went about solving this type of problem.

THE ELEVATOR TEST

"Have you ever heard of the elevator test?" I asked. He had not. I explained that the elevator test worked as follows: You and another person get on an elevator. As you press the button for, say, the fourteenth floor, the other person asks, "So, what exactly is this new product of yours all about?" If you have answered this question to the other person's satisfaction before the doors open, you have passed the elevator test.

This test is one that venture capitalists like to apply to new companies as well as new products—before they fund them. They know that the success of any new venture depends in part on a successful word-of-mouth communication campaign. They figure that if the developer can't explain things in a few words, then no one else is likely to be able to either and any kind of consistent word-of-mouth communication will therefore be doomed to failure. So it is *crucial* to pass the elevator test.

"Wait a minute!" interrupted my caller. "In the first place, my building doesn't have 14 floors—so I can't even practice this test. Besides, you haven't helped me at all. You've just restated my problem."

Drat. This guy was too savvy for me. I was beginning to suspect that he had been a consultant himself in some prior life. "OK, OK, I'll give you some of the basics. But this is my lifeblood I'm giving away."

HOW TO PASS THE ELEVATOR TEST

Basically, I asked him to draw a simple x,y graph, and then label the x -axis Key Benefit and the y -axis Key Differentiation. I drew the graph (see Figure 2-1) while we talked, hoping that he was doing something similar at the other end of the phone.

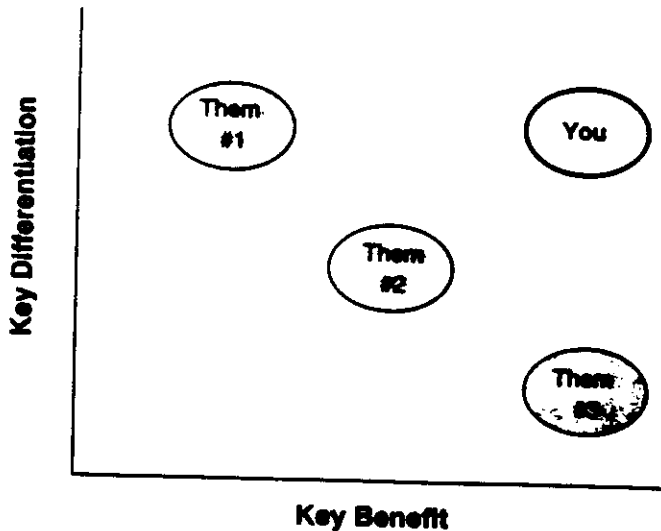


FIGURE 2-1 Positioning space, defined

The simplest way to think about the positioning space you get in people's heads, I explained, is to break it up into two components: the Why buy? component (the x-axis, Key Benefit) and the Why me? component (the y-axis, Key Differentiation). You get only one "sound byte" for each axis.

"But there are seven or eight great reasons to buy this product!" exploded my caller.

"Great," I replied, "but for any one type of audience, pick one. Throw the other seven away. Otherwise all you'll generate is noise."

"But for any one benefit, there are all kinds of competition," he moaned.

"That's what the y-axis is for. You get one shot at differentiating yourself from all that competition. Again, why one?"

"Because people won't listen to more than one," he intoned, his voice pitched halfway between evident pleasure in anticipating my point and the ensuing depression of realizing its implications. "I get it. I get it. But give me an example."

I thought for a minute back to a project we'd done to help a developer introduce a new monitor. The product, I explained, is a video-display monitor that can pivot between landscape orientation (11" x 8½") and portrait orientation (8½" x 11"). The idea is that for spreadsheets and presentations, landscape is better, whereas for letters and documents, portrait is preferable. So why not just switch whenever you want?

"How does it work?" he wanted to know.

"Never mind how it works," I replied. "The question is, how do you position it?"

"Oh, yeah. OK. How did they position it?" I talked him through the diagram in Figure 2-2.

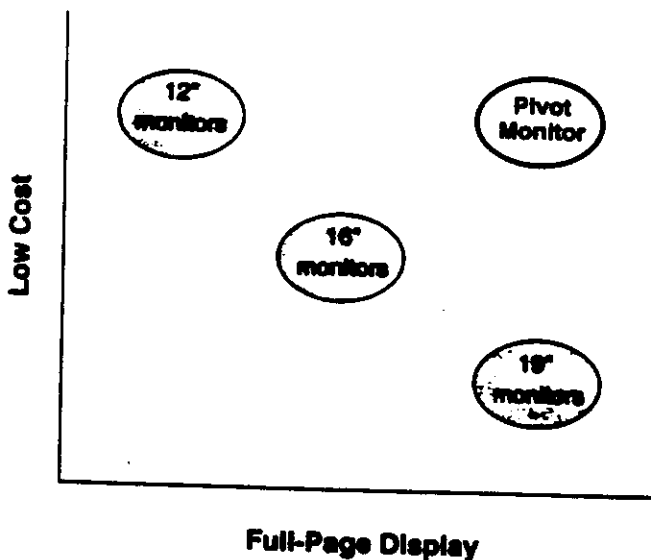


FIGURE 2-2 The pivoting monitor example

There are actually quite a few reasons a person might want a such a monitor: It looks cool, it saves desk space, it lets you switch back and forth in real time; but the developer decided that for its prime target customer—an administrative support person—the main attraction was getting a page-at-a-glance image for documents (portrait) as well as presentations (landscape). They called this benefit Full-Page Display. Now, it turns out that with displays that do not pivot—landscape-only displays—you must have at least a 19-inch monitor before you can see a full $8\frac{1}{2} \times 11$ -inch vertical page. With a pivoting monitor, you can get the effect with a 15-inch display. That gives this new monitor a major cost advantage. Hence, low cost was chosen as the key differentiation.

"But what about the pivot itself?" he asked. "Surely that is the key differentiator."

Well, yes and no, I answered. Yes, pivoting is a unique and memorable differentiating feature. But no, it isn't the key differentiator, if what we mean by that term is the basis on which customers will prefer your product over its competition.

Customers are rarely comfortable allowing a "unique" feature to be the basis for determining a competitive choice. Hence, the early problems in positioning fault-tolerant computing and the problems in positioning and finding a niche for the current pen-based computers. In this context, the pivot—alone, only as a pivot—is no more than a gimmick. But the pivot as the key to a low-cost implementation of a full-page display is the basis for a competitive preference.

"Well, that's all well and good. That company has something tangible to sell. But we've got a software product that is part data management, part data selection, part data display—plus we supply the data to go with it, along with our commitment to update it on an ongoing basis. We'll never get it down to anything this simple," said my caller.

"Look, this is all in my book, Chapter 6, pages 155 and following—so if I tell you all this, will you promise to go out and buy it?" He said he would, and I made him memorize the ISBN number, which my mom has had stenciled on the inside of all my underwear.

CREATING A POSITIONING STATEMENT

OK, here is a method for capturing your positioning strategy in a simple, two-sentence formula. The formula is as follows:

<i>For</i>	<target customer>
<i>Who</i>	<compelling reason to buy>
<i>Our product is a</i>	<product category>
<i>That</i>	<key benefit>.
<i>Unlike</i>	<main competitor>
<i>Our product</i>	<key differentiation>.

"Whoa, slow down. What's this all about?" he asked.

Positioning, I explained, is based on winning the battle for mind-share in any given market segment. A market segment is in part defined by specifying a target customer and a compelling reason to buy. Change the target customer or the reason to buy, and you change the segment you are attacking.

"Why compelling reason to buy?"

I explained that in a high-tech market, if the reason to buy is not compelling then it is all too likely that potential customers will not buy at all.

"So in the case of the pivoting monitor," he said, "the target customer was an administrative assistant. But what was the compelling reason to buy?"

I replied that the target customer was actually the administrative assistant's boss, the one who would have to approve the product's purchase. And the compelling reason to buy was to improve productivity on a task that made up the bulk of their relationship with each other.

The statement, in other words, should begin like this: *For executives with administrative assistants who need to generate documents and presentations frequently and with rapid turnaround, our product is a video-display monitor that provides a full-page display regardless of whether the page orientation is landscape or portrait. Unlike any other VDT that provides this capability, our product costs thousands of dollars less.*

"So what is this—the advertising copy?" my caller asked.

Not at all, I replied. This is the positioning statement. As such, it governs all positioning activities related to the product. It has an effect not only on advertising but also public relations, sales presentations, brochures, demos, and any other form of marketing communication. That is, the statement sets the criteria for accepting or rejecting ad copy, press releases, and the like. If the copy is not "on strategy," as defined by this two-sentence statement, then no matter how catchy it is, it is not acceptable and will be less likely to sell the product.

"But most importantly," my caller interjected in a voice bright with enthusiasm, "this will let me pass my elevator test."

"Right," I said.

"Now, if I can just keep an executive staff long enough to come up with a good statement...."

And with that reply, my caller hung up.