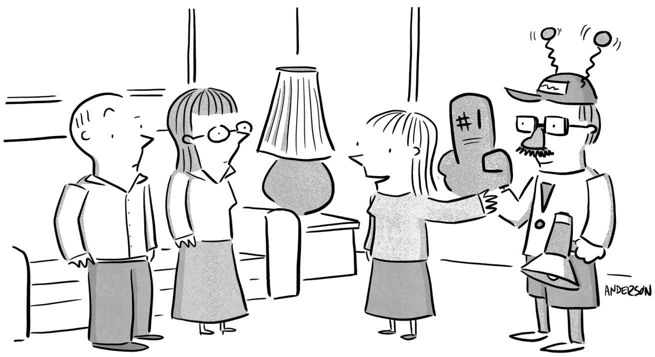
Zero-sum marketing channels: Good or bad for a startup to pursue?

by Jason Cohen on August 4, 2015

Paying premium for zero-sum marketing channels? Invest in scalable, non-zero-sum channels instead."



"This is Tom. He creates awareness."

Many marketing channels are "zero-sum," meaning when one company wins a piece of the channel, it necessarily locks out other companies from using that piece.

Example: AdWords, where the price is set by the highest (dumbest?) bidder, and the few companies who get the good slots will get the vast majority of the clicks, whereas the other companies cannot get enough clicks to materially impact their sales.

Example: SEO, where the top three search results receive nearly all the traffic. Even getting 10 of the slots ranged 11-30 doesn't add up to a fraction of what the winners get.

Counter-Example: Social Media. If company P has an awesome Twitter feed, that doesn't prevent company Q from also having an awesome Twitter feed. Great tweets or content by P doesn't prevent Q from to earning attention in the same manner.

You might conclude that it's wise to try to win zero-sum games, because there's "double" value. That is, not only do you *get* the sale, all your competitors *don't get* the sale. But, especially with auction-style zero-sum games, this means paying top-dollar. Even then, the available inventory is limited, e.g. the top few slots in AdWords or SEO.

So, even if you win a zero-sum channel, your growth in that channel is capped, and expensive.

Whereas if you invest in non-zero-sum channels like social media, long-tail SEO, brand-building, content, value-added resellers, or even cold-calling, the limit of the channel is closer to the limit of the market itself, rather than the sliver of the market which might reach you via a single advertising channel.

And, **your success is dependent almost exclusively on yourself**, not dependent on how some advertising platform works, or how much money some competitor is willing lose.

This is especially true for smaller companies, because you don't have the resources (money, consultants, in-house expertise) that large (or funded) companies employ in the gladiator-style kill-or-be-killed arenas of zero-sum games, whereas there's nothing the big guys can do to prevent you from shining in the other games.

There are few things in startups that you control. The product, your culture, and your voice online are among the few. Take advantage of those when you can!