

DIFFERENTIATING AND POSITIONING THE MARKET OFFERING



Free competition among organizations has been an important factor in market economy concept. Freedom to enter and leave markets allows firms to marshal resources efficiently and to achieve their goals easily. Although competition can help improve a free-enterprise economy, it can damage individual organizations that fail to consider competition in their marketing planning. Even large companies who dominate their markets can get into trouble if they fail to keep up with changing customer needs. Smaller companies face extreme difficulties facing giants directly. A way-out in this situation is to differentiate the market offer thus avoiding direct competition and ensuring existence of the organization in the long run. The other option is to take measures to establish a position for the product in the consumers' frame of references.

School of Business

Blank page

Lessons - 1& 2 : Tools for Competitive Differentiation

Objectives of these lessons

After reading these lessons, you will be able to:

- Define the concept of differentiation
- Explain how differentiation opportunities vary with the type of industry
- Identify the continuum along which product differentiation takes place
- Identify the major service differentiators
- Describe how a company can differentiate its offer using personnel,
- Know how channel of distribution may be exploited to differentiate a company's offer, and finally,
- Understand the concept of image differentiation.

Introduction

As a practical matter all sellers' offerings are differentiated from those of their competition. Differentiation may be based upon certain characteristics of the product itself. It may also exist with respect to the conditions surrounding its sale. A company's product may also be differentiated by the images of its personnel as well as the type of distribution channel it uses. Any differentiation by a firm gives it a partial monopoly.



The Concept of Differentiation

A firm may face considerable competition in the marketplace with a whole market approach. A large market nearly always attracts competitors. To operate effectively, then, the marketing executive will commonly use a strategy of differentiation - making consumers believe the firm's offer is different (i.e., better) than those of the competitors. A general class of product is differentiated if any significant basis exists for distinguishing the goods (or services) of one seller from those of another. Such a basis may be real or fancied, so long as it is of any importance whatever to buyers, and leads to a preference for one variety of a product over another. Philip Kotler has defined differentiation as “the act of designing a set of meaningful differences to distinguish the company's offering from competitors' offerings”¹. Because the differences are often more imaginary than real, the strategy involves promoting a distinction in terms of quality, value, or some other factor. Differentiation, then, may be based

*A large market
nearly always
attracts competitors.*

¹. Philip Kotler, *Marketing Management: Analysis, Planning, Implementation, and Control*, 9th edition, Prentice-Hall of India Private Limited, New Delhi, p., 282

upon certain characteristics of the product itself, such as exclusive patented features; trade names; peculiarities of the package or container, if any; or singularly in quality, design, color, or style. It may also exist with respect to the conditions surrounding its sale. In retail trade to take only one instance, these conditions include such factors as the convenience of the seller's or channel members' locations, the general tone and character of his establishment, his way of doing business, his reputation for fair dealing, courtesy, efficiency, and all personal links which attach his customers either to himself or to those employed by him. In so far as these and other intangible factors vary from seller to seller, the offer in each case is different, for buyers take them into account, more or less, and may be regarded as purchasing them along with the commodity itself. When these two aspects of differentiation are held in mind, it is evident that virtually all product offerings are differentiated, at least slightly, and that over a wide range of economic activity, differentiation is of considerable importance.

There is more to the concept of differentiation than the differences in quality, design, patents, trade names, and other features that often distinguish one similar product from another. Such differences are planned by manufacturers and have their source in the production function even though they are planned to establish some level of market superiority. Differentiation is often used to build superiority in the market, but all firms recognize the differences which they can exploit that have their sources in the tastes and preferences of consumers. In other words, what we know about the economic and noneconomic aspects of buyer behavior gives a firm an opportunity to strengthen its market advantage by developing real or fictional distinctions about its market offer. If such differentiation exists, even though it be slight, buyers will be paired with sellers, not by chance and at random, but according to their preferences. Products services, image, status connotations, quality, distribution channels used, and any economic or noneconomic factor are all illustrations of the firm's attempt to create and foster the concept of differentiation.

Differentiation Opportunities According to the Type of Industry

By this time you are aware of the concept of differentiation. Opportunities for differentiation vary according to the type of industry. There are four types of industries identified by the Boston Consulting Group (BCG). These types are based on the sizes of the industry and the number of competitive advantages available to them. Figure on the next page shows the BCG competitive advantage matrix. According to the matrix there are four types of industry based on the size and differential advantages available to the industries. They are: the volume industry; the stalemated industry; the fragmented industry; and the specialized industry. Let us now have some idea on them:

- The Volume Industry:** If an industry can gain only a few but large competitive advantages, it can be termed as a volume industry. There could be quite a number of examples of such an industry. One of such industries is building material industry. Such an industry can pursue policy of establishing itself as cost-leader or unique one in terms of service or quality. If it is successful in its policy, it skims the cream and can gain substantially. How much profit the company will be able to make out of pursuing such policies depends on the market share captured by it or the size of the firm.

Figure - 5.1 : The Boston Consulting Group Competitive Advantage Matrix.

Number of Approaches to Achieve Advantage

		Few	Many
Size of the Advantage	Large	Volume	Specialized
	Small	Stalelated	Fragmented

Source: Kotler, Philip Marketing Management, Millennium edition, p. 288.

- The Stalelated Industry:** If an industry enjoys only a few competitive advantages of small sizes it can be called a stalelated industry. Same as the volume industry, there are quite a number of examples of stalelated industry that can be cited. One of such an industry is oil industry. An oil company can hardly differentiate its product with that of competing company. It is also very difficult to reduce the costs of oil extraction. The ways in which it can differentiate its offer are recruiting highly capable salespeople, offer credit facilities and so on. But, the company should remember that these measures will be able to give only a little competitive advantage to it. In a stalelated industry, the market share of a particular firm is not related to the profitability of the said firm.

If a particular industry enjoys many competitive advantages of small sizes, it is termed as the fragmented industry.

- **The Fragmented Industry:** If a particular industry enjoys many competitive advantages of small sizes, it is termed as the fragmented industry. Examples of fragmented industry are quite large. A fast food shop can be cited as one of the examples. The fast food shop can differentiate its offer in quite a number of ways. But, such differentiation cannot yield a proportionate revenue since market share cannot be expanded extensively. In a fragmented industry, profitability is unrelated to the size of the firm in question. It is possible for firms of any size either to make profit or to incur loss.
- **The Specialized Industry:** If an industry enjoys quite a large number of differentiation advantages it can be called a specialized industry. One important requirements for an industry to be considered as a specialized industry is that each of the differentiation opportunities must be large enough to yield the company a healthy profit. Any firm making specialized items or marketing specialty goods aimed at selected market segment (s) is a part of the specialized industry. The profitability in such an industry is not related to the size of a firm. Both small and large companies can be profitable in a specialized industry.

Companies differ in their potential maneuverability along five dimensions as identified by Milind Lele. The dimensions are: target market, product, channels, price, and promotion. Which of the above dimension a company will move depends on its position in the industry and the structure of the industry. In order to decide on the dimension, a company initially estimates the return for each potential maneuver, and finally selects one that promises the highest return.

Major Differentiating Variables Available to Firms

You are already aware of four types of industries based on the number of available competitive advantages and their size. You also know that there are five dimensions of a company's potential maneuverability. You should now know, precisely, how a company can differentiate its offer from those of its competitors' offers. The dimensions along which a company can differentiate its offer are: products, services, personnel, channel, and image. We shall now examine the above mentioned dimensions at some length. For a bird's eye view on these dimensions you may look at the table below :

There are five dimensions of a company's potential maneuverability.

Table 5.1 : Major Differentiating Variables

	Major Differentiating Variables				
	Product	Services	Personnel	Channel	Image
Differentiation Variables	Form	Ordering ease	Competence	Coverage	Symbols
	Features	Delivery	Courtesy	Expertise	Media
	Performance	Installation	Credibility	Performance	Atmosphere
	Conformance	Customer training	Reliability		Events
	Durability	Customer consulting	Responsiveness		
	Reparability	Maintenance and repair	Communication		
	Reparability	Miscellaneous			
	Style				
	Design				

Source: Kotler, Philip, Marketing Management, Millennium edition, p. 288.

A. Product Differentiation

Product differentiation is the path chosen by most brand leaders in any industry. The fact that cellulose tape became known as ‘Sellotape’ and the vacuum cleaners are referred to as ‘Hoovers’ is a great credit to the originators. They become natural first choice brands against which all competitors are judged. Maturing markets mean increasing competition for market share, and use of marketing research and experimentation to find strategic ways to segment existing large volume markets, and to differentiate products. To operate effectively, then, the marketing executive will commonly use a strategy of product differentiation. Product differentiation provides one basis on which a marketer can appeal to selective buying motives. A general class of product is differentiated if any significant basis exists for distinguishing the goods or services of one seller from those of another. Thus products are differentiated if the consumer believes that they are different. It is very difficult for marketers to differentiate standardized products. There are examples of firms who have successfully differentiated the standardized products they are selling. Again, there are products which can easily be differentiated. Automobiles and furnitures are two products which have successfully been differentiated by their manufacturers. If a product is a distinct item, such as an automobile, significant changes can be made in its design or performance. If a product is of generic type, such as gasoline or sugar, consumers are less likely to perceive differences among offerings of various manufacturers. Thus, each manufacturer would be advised to engage in a strategy of product differentiation. A manufacturer can basically differentiate based on the features, performance, conformance, durability, reliability, reparability, style, and design of his product. Let us now have a look at each of them:

Product differentiation is the path chosen by most brand leaders in any industry.

Product differentiation provides one basis on which a marketer can appeal to selective buying motives.

- **Features:** A product serves a basic function. The basic function can be supplemented by adding some characteristics to the product. The characteristics that supplement the basic function of the product can be termed as features. Marketers now a days offer their product with varying features by adding characteristics to them in order to attract customers of new segments. In addition to the basic product, a company can create additional versions by adding new characteristics to attract new groups. A wrist watch manufacturer can offer additional features such as alarm, calculator, memory book and so on. Thus the company hopes to attract new customer segments. A company can skim the cream by establishing itself as a pioneer in adding new features to its products. But such move must be a tactical one to succeed. Identifying and selecting new features to add is a difficult job, though not impossible. There are quite a number of ways of identifying and selecting new features such as interviewing recent customers. Such an interview may include questions on consumers' preferences for the particular product brand, strengths of the product, problems customers face with the product, suggestions on product improvement, price perception, reactions on other customers' suggestions and so on. Thus a company can have idea on features that may be added to differentiate his product with those of competitors. The company, now, has to decide on which features it can and should add with the existing ones. Decision may be arrived at by equating the cost involvement with customers' perceived value. Each of the new features should thus be equated to decide finally which one (s) to be added. Consider the following example to understand the equation. Say, for example, a wrist watch manufacturer is considering three possible improvements. They are shown in table - 5.2. Alarm, for example, would cost the company Tk. 50 per watch. It was found from the interview/survey of customers that customers value an alarm facility at Tk.150. The manufacturer could therefore generate Tk.3 of incremental customer satisfaction for every Tk 1 increase in the cost of it. Calculator, say, would cost the company Tk. 75 per watch and customers, for example, value that Tk. 300. Memory book on the otherhand, costs Tk 125 per watch to add and customers value that Tk. 250. Looking at these three equations, it can be concluded that by adding calculating facilities the company can gain most, i.e. customers can be satisfied more by offering an additional features as calculator.

Table -5.2 Meaning Customers Effectiveness Value

Product	Features	Company cost per unit (a)	Customers perceived value (b)	Customer effectiveness value (c = b ÷ a)
Wrist watch	Alarm	35	105	3
	Calculator	75	300	4
	Memory book	125	250	2

After the above equations are found, the next logical step is to estimate the size of market that is to be attracted by the new additional feature, calculating the time to be required to add the feature, and anticipating competitors' reactions. Final decision should be taken based on the above analysis.

- Performance:** A product may perform at low, average, high, or superior level. At a time it usually performs at any one of the above levels. Product's performance relates to the level at which it performs. It is found from different studies that higher quality products generate higher revenue and higher return on investment. A producer of higher quality product can also charge a high or premium price from the customers yet able to attract more customers. Particularly in high ticket items, price is perceived to be an indicator of quality. Monroe, surveying the literature of price perception, reports that a significant number of studies do substantiate a perception of price-quality relationship. There is also price snobbery. One cosmetic product, for example, showed a poor market performance at a low price but, when reintroduced at a higher price did well. The inverse price-demand relationship (the less it costs, the more people will buy it) is a cornerstone of classical economics, but there also appears to be much evidence of the high price-desirability relationship for some products.

Performance refers to the level at which the product's primary characteristics operate.



You already know that in case of a high quality product, a manufacturer can charge a premium price and able to earn more profit. This is possible by creating a set of loyal customers who purchase repeatedly and convince others to buy. The cost of production and delivery of high quality items are not proportionately high in comparison with the cost of low quality items, and, as a result high quality items yield more profit. Despite the positive relationship between quality and profit, it is not advisable for a marketer to design high performance quality level for all time. If market gets sour, manufacturer's return will diminish, and it is therefore, logical for a firm to design performance level based on the target market's requirements as well as the performance levels maintained by the competitors.

There are three strategies available to a firm to manage performance quality with the elapse of time. The manufacturer can improve the performance quality on regular basis and can expect capturing additional market share as well as higher profit. The other option is to maintain quality at a particular level at all time. The last option is to reduce quality as time passes to cope up with the rising cost of production or to increase the profit figure.

All the produced units are identical and meet the promised specifications.

- **Conformance:** Based on buyers' expectations, manufacturers may produce items of identical nature that conform to the specifications of the producer. Conformance quality is the degree to which all the produced units are identical and meet the promised target specifications. For example, a television manufacturer claims that a particular model of television sets show picture clearly within 5

seconds of switching on. If every television set does so it is said to have high conformance quality and able to satisfy customers greatly. If otherwise happens, i.e., if some of the sets of the said model do not show picture within 5 seconds, customers are likely to be frustrated and will develop negative attitude toward the company.

- **Durability:** By durability we mean the expected life of a product. It is considered very important in most product types as well as to most customers. They expect that the product should last long if used under normal and unusual conditions. If a product is perceived to be durable customers do not mind paying a premium price. If a product is priced disproportionately high or perceived obsolete by the buyers they will not be willing to pay a premium price. Thus, while charging higher price for a long-lived product, a marketer should keep in mind the nature of the product, i.e., whether there is rapid technological change or not.
- **Reliability :** Reliability relates to the functional performance of the product. If buyers perceive that the product will perform well without trouble, they will be ready to pay a higher price. Positive perception of buyers about the reliability of the product thus gives the seller a competitive edge.
- **Reparability:** If a product can easily be repaired in case of improper performance or function, it is perceived positively by customers. In such a case, buyers again will be ready to pay a higher price considering the convenience of fixing the product. A particular brand of television, for example, is considered to be highly repairable if it is made of parts that are widely available and of standard quality and can be replaced easily.
- **Style:** Style is a reflection of social and cultural forces. ‘A style is a distinctive manner of construction or presentation in any art, product, or endeavor. Thus we have styles in automobiles (sedans, station wagons), in bathing suits (one-piece, bikini), in furniture, and in dancing (waltz, “break”).² If a product is styled outstandingly, the seller finds no difficulty selling the product at a high price since there are groups of customers who always look for styles. Style could be used very effectively as a differentiation variable. While deciding to exploit style as a differentiation tool marketer should keep in mind that it should not be compromised with convenience of use. If it is so the result could be otherwise. One of the styling weapons used widely in contemporary marketing practice is packaging. Attractive package easily draws attention of buyers and lot of buyers in many different kinds of products take buying decision based on packaging.

By durability we mean the expected life of a product.

Reliability relates to the functional performance of the product..

Reparability is a measure of the ease of fixing a product when it malfunctions or fail.

Style describes the product's look and feel to the buyer.

² Stanton W.J., Etzel M.J., Walker, B.J., *Fundamentals of Marketing, tenth edition, McGraw-Hill, Inc., Singapore, 1994, P., 254*

Design refers to the arrangements of items that collectively form a

- **Design:** Good design can also form the basis of product differentiation. This is perhaps more readily appreciated in physical products, and the success of companies such as Gucci clothing and accessories, Braun consumer durables, or Olivetti office equipment spring readily to mind as examples of companies where design is closely associated with both distinctiveness and quality. Design refers to the arrangements of items that collectively form a product. Good design provides three important aids to the consumer: it represents the 'perceived value' of the product, it enables the company to create a 'personality' for its products, and by judicious periodical alterations in designing, it creates demand through 'replacement' with more fashionable new designs. It now appears that good designs improve the marketability of a product and ensure more profit to the firms. But, as a matter of fact, many companies are yet to invest in improving designs of their products. It is also a common picture in many companies to consider style and design synonymously and designers also receive little attention. On the other side, there are companies as well as countries that are leading the world in the field of design. Before deciding to invest in design activities, management should be convinced of its desirability. It should take into account, the corresponding return. If the return figure seems frustrating, the company should give a second thought. One of the German companies, Braun, producing various small appliances is regarded as leader in fashion in its field. Braun has suggested 10 principles of good design that may help a company to bring success in design activities. The principles are mentioned below:

Principle-1 : Good design is innovative.

Principle-2 : Good design enhances the usefulness of a product.

Principle-3 : Good design is aesthetic.

Principle-4 : Good design displays the logical structure of a product its, form follows its function.

Principle-5 : Good design is unobtrusive.

Principle-6 : Good design is honest.

Principle-7 : Good design is enduring.

Principle-8 : Good design is consistent right down to details.

Principle-9 : Good design is ecologically conscious.

Principle-10 : Good design is minimal design.

B. Service Differentiation

A company side by side the product differentiation, can also rely on service differentiation. By adding more value-adding services as well as by improving their quality, a company can differentiate its offer based on services. There are situations, when companies have little scope of differentiating the tangible product. In such situations, a company can pursue the policy of service differentiation. Ordering ease, delivery, installation, customer training, customer consulting, maintenance and repair are some of the important service differentiation variables.

Service Differentiation Variables

- **Ordering Ease:** It relates to the convenience or comfort that customers enjoy while ordering the product. There are companies that offer customers facilities to order products sitting at home with the punch of a computer button. There are other companies that either send their sales people regularly to customers' door-steps to collect orders or phone them to receive orders.
- **Delivery:** The process of delivery is known as distribution, and it involves both the selection of suitable channels for distribution and the physical movement of items associated with the marketing of the product. Delivery is an important means of differentiation of company's service. Customers' prefer prompt and timely delivery and a company can build its image as a fast and timely deliverer of products.
- **Installation:** The term installation is used with reference to fixing the product so that it becomes operational. Certain types of products required to be installed or put in place by expert personnel. If not, they may malfunction. Customers of such products expect that it be installed by the seller. A lift or a generator, for example should be installed and made operational by concerned technical person. What type of installation facilities are offered by the sellers on such items determine their image in the market.
- **Customer Training:** Many products have become so advanced that buyers need assistance in learning how to properly use them. This service will become more important as home computers and other high-technology products begin to significantly penetrate consumer markets. Companies may have their training centres or can maintain an efficient and trained group of personnel responsible for training buyers or their representatives on product use/operation. IBM, for example, has established consumer service telephone lines to answer customer questions.
- **Customer Consulting:** Companies may supply different relevant data, information, or offer advisory services on different aspects to customers. This is referred to as customer consulting. It may be offered free of cost or for a price. A company, for example, may

Delivery is an important means of differentiation of company's service.

advise its customers on setting up distribution system either free or against a fee. By offering different relevant and remotely relevant services free of cost or at a reasonable price may help the company differentiate its offer.

- ***Maintenance and Repair:*** Despite the advances in technology, no product is designed to last forever. Marketing executives have begun to recognize the importance of having a good repair network since poor maintenance has been a continuing source of consumer dissatisfaction and complaint. Increasingly intense competition has made this area of service improvement more attractive. Companies like Rang's Electronics and Singer Bangladesh are having their repair stations to provide customers with the repair service.
- ***Other Services:*** There could be many other services that a company may add to its offer as differentiable variables. Examples could be credit program as "BUY NOW, PAY LATER", express and implied warranties and so on. These can give a company the competitive advantage and ensure its long-term existence in the market.

C. Differentiation in Terms of Personnel

The creation of a particular image or personality for a company or its products is a particularly astute form of marketing. It can better be used by companies in which physical design can play little part. Such differentiation can give a company a competitive edge. In this case, the marketer aims to create an 'aura' for the product. It distinguishes the product from its competitors in indefinable ways. In the airline industry, for example, before deregulation, when differentiation under IATA regulations was virtually excluded, certain airlines were able to develop distinct 'personalities'. Thus, an airline may develop an image of a friendly, easy-going airline quite distinctive from other airlines operating on the same routes. Certain hotels are renowned for their atmosphere giving them a unique quality that cannot be captured by their competitors. While creating personality an organization should consider six characteristics to be possessed by their staff. The characteristics are: competence, courtesy, credibility, reliability, responsiveness, and communication.

D. Channel Differentiation

Distribution channel is another variable that a company may use to differentiate its offer. A company can distribute its products either directly or through the use of middlemen. While deciding on this, it should take into consideration, customer characteristics, company characteristics, product characteristics, and the environmental characteristics. In channel design decision, the above factors should be combined in such a way that customers consider it different and attractive. Successful implementation of such decision may again give company a strong competitive advantage.

E. Image Differentiation

The concept of image has become important in marketing strategy. The image is the final impression of a product or company that a customer receives through both his physical senses and psychological experiences. There are six basic kinds of images - corporate, product, brand, wholesaler, retailer, and the customer's self-image - all of which are inter-dependant.

The concept of image has become important in marketing strategy.

The corporate image transcends all other types of images, for a company with a poor image will have difficulty in gaining optimal market penetration for its product. The corporate image depends upon the selection of the advertising media and the quality of public relations program. The customer must feel that the company's major objective is to satisfy customer demand.

The product image depends upon the image-building operation of the several companies making the same product line. A product may be considered as being for young people or for the elderly; as connoting high or low social status; as being feminine or masculine. Associations helping to build product image for an industry should try to communicate that the product has good quality and is dependable.

Complementing the corporate and product images is the brand image. Once a product line has been accepted by the public, each company making that product tries to have its own brand accepted. Brand acceptance depends upon packaging, labeling, brand name, identification, advertising, and the promotional efforts of a company. The corporate image of the company can help or hurt brand acceptance, and hearsay evidence of neighbors or friends may modify a brand's acceptance by customers.

Even if the other images in the several steps of the channel of distribution are acceptable, a sales barrier may arise if the wholesaler's image is poor. If a product is carried by a retailer whose image is poor, the sales of the product to customers will not reach optimal level.

The customer's self-image is a very important factor in marketing. The self-image is the role the customer believes he is portraying or the way he believes others regard him. Self-image is composed of basic physiological, sociological, and psychological elements. No matter how good the corporate, product, and outlet images may be, if they do not conform to the self image of individuals in a market segment, acceptance of a brand will be negatively affected.

The customer's self-image is a very important factor in marketing.

While deciding to exploit image as a differentiation variable, a company should be careful about the way it is communicated to the customers, media used to communicate, symbols used, nature and characteristics of customers as well as products and all other image components. Successful operation here can place a company on to a distinctive position.

Questions for Review

1. Differentiation is making consumers believe that –
 - a. The firm's offer is different (i.e., better) than those of the competitors.
 - b. The firm's offer is inferior than those of the competitors
 - c. Both a & b
 - d. None of the above.
2. Differentiation strategy involves promoting a distinction in terms of–
 - a. Quality
 - b. Value
 - c. Some other factor
 - d. All of the above.
3. Differentiation may be based upon certain characteristics of the product, such as –
 - a. Exclusive patented features
 - b. Trade names
 - c. Peculiarities of the package or container
 - d. All of the above.
4. Which of the following is an illustrations of the firm's attempt to create and foster the concept of differentiation?
 - a. Product services, image, status connotations
 - b. uality, distribution channels used
 - c. Both a & b
 - d. None of the above.
5. If an industry enjoys only a few competitive advantages of small sizes it can be called –
 - a. A volume industry
 - b. A stalemated industry
 - c. A fragmented industry
 - d. A specialized industry.
6. If an industry can gain only a few but large competitive advantages, it can be termed as –
 - a. A volume industry
 - b. A fragmented industry
 - c. A specialized industry
 - d. None of the above opportunities, skills, and resources.

7. If an industry enjoys quite a large number of differentiation advantages it can be called –
 - a. A micro industry
 - b. A volume industry
 - c. A specialized industry
 - d. None of the above.
8. Companies differ in their potential maneuverability along –
 - a. Several dimensions
 - b. Five dimensions
 - c. Seven dimensions
 - d. None of the above.
9. The characteristics that supplement the basic function of the product can be termed as –
 - a. Features
 - b. Design
 - c. Style
 - d. Fad.
10. It is logical for a firm to design performance level based on –
 - a. The target market's requirements
 - b. The performance levels maintained by the competitors
 - c. Both a & b
 - d. None of the above.
11. Reliability relates to –
 - a. The design of the product
 - b. Model of the product
 - c. The name of the manufacturer
 - d. The functional performance of the product.
12. Which of the following is a service differentiation variable?
 - a. Ordering ease
 - b. Installation
 - c. Customer training
 - d. All of the above.
13. Define the concept of differentiation. Analyze different tools used for competitive differentiation.

Answers

1. a, 2. d, 3. d, 4. c, 5. b, 6. a, 7. c, 8. b, 9. a,
10. c, 11. d, 12. d.



Lesson - 3 : Developing a Positioning Strategy

Objectives of this lesson

After reading this lesson, you will be able to:

- Know the reasons of adopting a positioning strategy
- Define positioning and describe positioning strategy
- Identify the types of differences that a company can promote
- List positioning errors that a company should avoid
- Understand the concept of perceptual map
- Recognize the different positioning strategies that a firm can pursue

Introduction



To get a competitive edge firms try to position their products differently in the minds of customers. A company can position its product through a number of positioning strategies. Positioning is done making the product different from the competing products and convincing customers of these differences. Care should be taken by the firm to avoid the errors involved in positioning.

Why a Positioning Strategy is Adopted by Companies?

In the previous lesson you were given ideas on differentiation. You have seen there that a company can try to differentiate its product in many different ways. No matter how a company tries to differentiate its product, it will not be considered different if customers do not perceive it different. Adopting a policy of differentiating product involves cost to the company, and it expects to realize such costs by increased sales. But, there is no guarantee that sale will go up unless customers act positively. To act positively, customers look for something in a product that is claimed by it seller as different. A company, should therefore, be careful in selecting ways of differentiation and provide for the following criteria in its offer:

- **Importance:** If a product is able to deliver highly valued benefit to majority of the customers, it will be considered important by them.
- **Distinctive:** A product will be considered distinctive by the buyers if it offers something not offered by the competing brands.
- **Superior:** If the difference seems to be better by the customers compared to other ways obtaining the same benefit they consider it superior.
- **Communicable:** Marketer should develop such a difference which can easily be intimidated to market, and market should be able to visualize that easily.

- **Preemptive:** If the difference cannot easily be copied by the competing firms, it is considered to possess the preemptive feature.
- **Affordable:** Differentiation, you know, costs to the company and the company realize that from customers. It should, therefore, consider whether customers are in a position to bear the same. If they can, such differentiation is called affordable.
- **Profitable:** To work out a differentiation company needs to incur lot of costs. A company does so with the hope of making a sizable profit through increased sales. If sales do not increase proportionately to warrant company profit, such a differentiation cannot be called profitable.

Experiences say that quite a number of companies could not meet the above criteria in their differentiation. The reason may be that customers did not consider the product different, or the particular company failed to make a position of its product in the customers' own frame of reference. This resulted in the failure of and loss to the firms. To meet the need of a particular market segments, companies should therefore, differentiate their products on the basis of specific attributes or characteristics able to meet the needs of specialized market segments. To achieve this task, marketers use positioning. Position is a term that describes a product's objective or subjective characteristics in relation to competing brands. Positioning may be an attempt to differentiate a marketing offer from competitors. A positioning strategy may be used to:

- Differentiate a firm from its competitors in a mass-product market, or
- Position a firm to serve target customers in one or more product-market niches.

The Concept of Positioning (product) and the Positioning Strategy

Positioning is 'a process whereby a company establishes an image of its product in the minds of consumers relative to the image of competitors' product offerings.'³ Thus, the merging of product differentiation with market segmentation is called positioning (product positioning). The term product positioning refers to the decisions and activities that are directed toward trying to create and maintain a firm's intended product concept in customers' mind. It is therefore a strategy of establishing a position for a product in the consumer's frame of reference, differentiating it from others in the same category. Thus Napa, for example, became 'the extra-strength pain reliever' to distinguish it from simple paracetamol. When marketers introduce a product, they attempt to position it so that it seems to possess the characteristics most desired by the target market. This projected image is crucial. A product's position refers to the customers' concept of

The merging of product differentiation with market segmentation is called positioning.

³ Keegan W. J., *Global Marketing Management, Fifth edition, 1996, Prentice-Hall of India Private Limited, P., 268*

product's attributes relative to their concept of competitive brands. For example, 'Tibet' is positioned as fluoride toothpaste that fights decay, and 'White Plus' is positioned as whitening toothpaste that increases the user's sex appeal.

Product positioning is a part of a natural progression when market segmentation is used.

Product positioning is a part of a natural progression when market segmentation is used. Segmentation allows a firm to aim a given brand at only portion of the total market. Effective product positioning helps to serve a specific market segment by creating a concept of the product's characteristics in the minds of customers in that market segment.

Typically, the product becomes the focal point of positioning strategy since distribution, prices, advertising, and personal selling all are working toward positioning the product in the eyes of the buyers. Thus, the designation **product positioning strategy** is often used. Since position can be achieved using a combination of marketing program factors, product positioning is the result of more than just the product. The product becomes a composite of the total marketing program.

A positioning strategy is the design of a marketing program consisting of the following decisions:

- The product or service offering
- How distribution will be accomplished
- Choice of a pricing strategy, and
- Selection of a promotional strategy.

These decisions represent a bundle of strategies. So the objective is to form an integrated program with each of the above components fulfilling its proper role in helping to position the firm in the product markets management chooses to serve. The result often distinguishes a company, product, or brand from its competitors due to customers' perceptions of the product or brand. The product, the method of distribution, the price, advertising and personal selling all help to establish these perceptions, as do the marketing program actions of competitors plus other uncontrollable factors. When a positioning strategy is properly selected, the needs of the people or organizations that comprise the target market are satisfied. The essence of a good positioning strategy is one that will deliver customer satisfaction to the firm's target market and also meet corporate and marketing objectives.

A firm can position a product to compete head-on with another brand, as Coca-Cola has done against Pepsi, or to avoid competition, as RC Lemon has done relative to other soft drink producers. Head-to-head competition may be a marketer's positioning objective if the product's performance characteristics are at least equal to competitive brands and if the product is lower priced. Head-to-head positioning may be appropriate even when the price is higher, if the product's performance characteristics are superior. Conversely, positioning to avoid competition may be best when the product's performance characteristics are not significantly different

from competing brands. Also, positioning a brand to avoid competition may be appropriate when the brand has unique characteristics that are important to buyers as is the case of RC Lemon. The maker of RC Lemon is trying to position his product in buyers' minds as being in a category by itself.

If a product has been planned properly, its attributes and its brand image will give it the distinct appeal needed. Style, shape, construction, quality of work, color - all elements of the product component of the marketing mix - assist in creating the image and the appeal. If the benefits can be easily identified by buyers, then, of course, they are more likely to purchase the product. When some preferred attributes are not being offered, then room exists for a new product or for repositioning of an existing product.

Types of Differences That a Company Can Promote

In order to be successful, a company should decide on the number and type (s) of differences that it is planning to promote. Let us now, have some idea on how a company can decide on this issue. There are differences in opinions among marketing experts and writers as to how many differences a company should promote. Some argue that it is always wise to find one suitable attribute and promote that aggressively highlighting company's strength in it. The need to invest distinctive benefits in a product gives rise to the concept of the Unique Selling Proposition, or USP. This is the feature or features in a product which offer unique benefits not found in those of its competitors. To understand the concept, let us take the example of holiday marketing companies. There are number of holiday companies specializing in the organization of package tours aimed at the young (18-30) travel market. While the product offered is similar in many respects, companies focusing on this market segment seek ways to differentiate their product from others. Thus for example, company 'A' may emphasize that their hotels are used exclusively by their customers, while company 'B' may place stress on the added adventure and, company 'C' may focus on the blatant sexual promise of their holidays. USP basically highlights on picking one attribute and trying to be number one in that attribute. There are many attributes available of which a company may pick one and try to establish it as number one on that, because number one always draws more attention than others. The attributes could be 'quality', 'service', 'price', 'value', 'reliability', 'safety', 'speed', 'customization', 'modern' etc.

In order to be successful, a company should decide on the number and type (s) of differences that it is planning to promote.

There are situations when companies may need to go for double-benefit positioning. It happens when more than one firm claim to number one on the same dimension or attribute. Companies pursue double benefit positioning usually intend to find a special niche within the target market.

In some other occasion, companies may go for pursuing triple-benefit positioning strategy. Some toothpaste manufacturers are found to pursue this strategy by claiming that their products are able to serve three purposes. They try to convince market of the claimed benefits by

developing toothpaste that squeeze out of the tube in three color stripe.

Positioning Errors That a Company Should Avoid

If a company emphasizes on more attributes while positioning its brand it may put itself in trouble. Emphasizing on too many attributes, or claiming to be best in many aspects create confusion in the minds of buyers resulting in distrust. This leads to a situation called a 'loss of clear positioning' by the marketing experts. By avoiding following four major positioning errors, a company can ensure clear positioning of its product:

- ***Under-Positioning:*** If buyers sense ambiguity about a company's claim, or if they are unable to differentiate the product from those of competing brands, we call this under-positioning. In such a situation a brand of a product is considered same as some other brand.
- ***Over-Positioning:*** If buyers develop a very focus or insular/narrow image toward the brand, the brand is said to be over-positioned. Buyers here cannot believe the product having certain attributes or options.
- ***Confused Positioning:*** If buyers are found to be confused about the image either due to too many claims made by the seller or frequent changes brought in the positioning of the brand it is known as confused positioning.
- ***Doubtful Positioning:*** If buyers are found to be suspicious about the claims of the sellers it is called a doubtful positioning. It is due to the lack of conformance between the claims and the physical features of the product, price, or the manufacturer's image.

Positioning, thus, focuses on buyers' perceptions and preferences about the place a product occupies in a specified market. A positioning strategy is basically the design of a marketing program consisting of marketing mix decisions.

The Concept of Perceptual Map

Perceptual mapping can help a company select its position and decide on the positioning strategy to be pursued. 'Perceptual mapping includes several techniques which generate a graphic representation of customers' perceptions of the characteristics of products or brands comprising a previously defined product market'⁴. Such a map provides a picture of how a sample of people perceives competing products relative to each other or compared to an ideal product using two or more factors for comparison. A product possesses many characteristics. Out of these characteristics, only a few are considered important by the consumers in their decision making process. These are the attributes considered critical, and, used by the customers to differentiate among competitive offerings. Other characteristics are often related to basic performance and are

⁴ *Strategic Marketing, Cravens D. W., Richard D. Irwin, Inc., Homewood, Illinois, USA, 1982, p., 150*

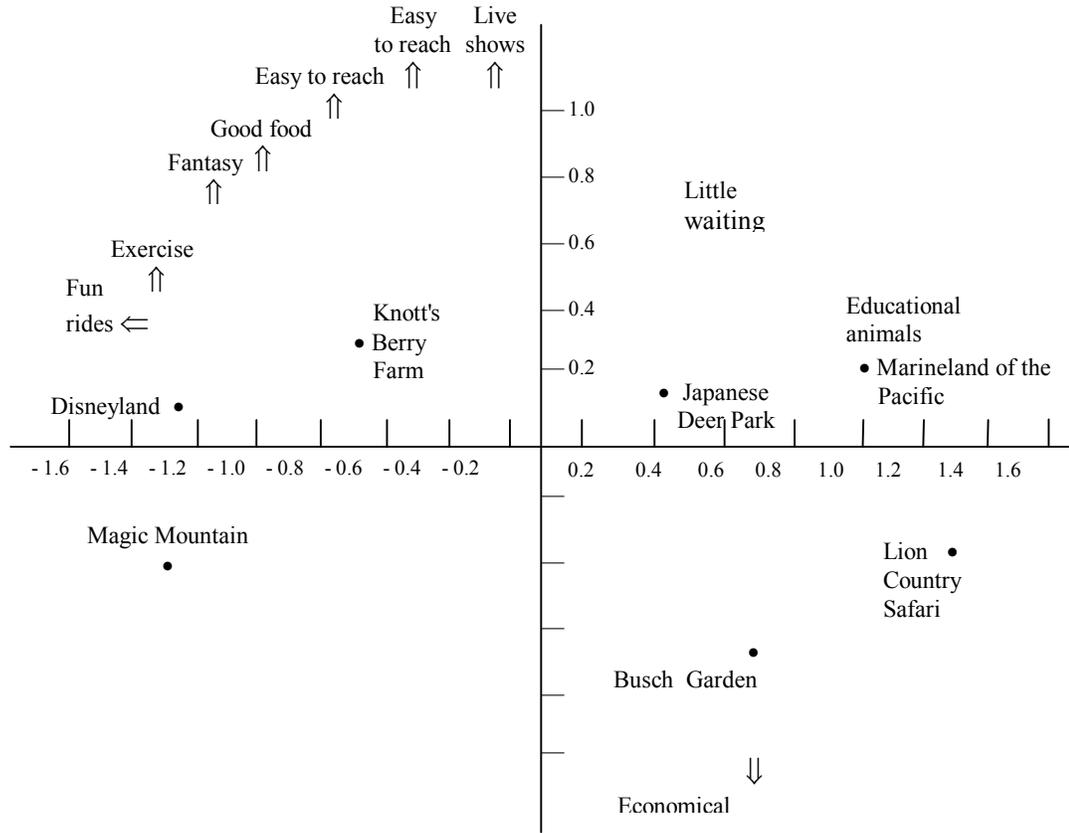
presumed to be equal among all brands. The basic function of a refrigerator for example, is to preserve food, but in brand choice customers do not consider it important. Customers may consider, rather, features as an automatic icemaker, and decorator color panels very important in their brand choice.

You know that every market has a structure that can be expressed in terms of the crucial characteristics mentioned above. The locations of brands are determined by the strengths of the attributes they are perceived to possess by customers. If two brands are found closer in this space, they are likely to be perceived similar by the customers. These multidimensional configurations are known as perceptual maps.

Perceptual maps can be built using multidimensional scaling techniques. The procedures involve algorithms that start with some measure of similarity between pairs of products and work backward to find a geometric representation of the product category. These techniques position products that are perceived as similar close to one another while dissimilar products are placed far apart from each other. Figure on the next page is an example of a perceptual map showing the relationship among seven Southern California, USA, tourist attractions. Respondents were presented with series of triads. For each triad (e.g., Disneyland, Marineland, Knott's Berry Farm), the respondent had to choose the two attractions that were

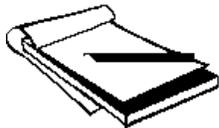
Perceptual maps can be built using multidimensional scaling techniques.

Figure - 5.2 Perceptual Space for Major Tourist Attractions



Source: Kotler Philip, *Marketing Management, Analysis, Planning, Implementation, and Control. Millennium edition. p. 301.*

economically most similar and then the two that were least similar. The perceptual map constructed from these data is shown in the above figure. Dots in the map represent seven tourist attractions. The satisfactions that people look for in tourist attractions are represented by the nine arrows. The map helps explain why Magic-Mountain, newest attraction, had been experiencing lower-than-expected attendance. Customers viewed Magic - Mountain simply as an imitation of the long-established and successful Disneyland attraction.



Activity:

Develop a perceptual map for a soft drink manufacturer and analyze his position in the map.

Alternative Positioning Strategies Available to a Firm

Perceptual map can help a company identify different positioning strategies available and select the appropriate one. A company can pursue one of the following positioning strategies:

- **Attribute Positioning:** If a company positions itself in terms of

certain attribute such as years of experience it has, its size or so on, it is called attribute positioning.

- **Benefit Positioning:** In the benefit positioning the company tries to establish its brand as offering best benefit in one or more areas.
- **Use/Application Positioning:** If the product is positioned as best in certain use or application, it is called use/application positioning.
- **User Positioning:** User positioning is that where product is positioned as best for certain user group/segment.
- **Competitor Positioning:** In competitor positioning, a producer tries to establish his product as superior than his competitor/s.
- **Product Category Positioning:** In the product category positioning, a product is positioned as best/leader in particular product category.
- **Quality/price Positioning:** In quality positioning, the seller tries to, give market the idea that his product offers best value to consumers money.

Deciding on the Differences to Promote

How do you decide now, which difference (s) you should promote to position your product in consumers' frame of reference? To decide on this you should, **first** of all, identify alternative positioning platforms. **Second**, you should compare your relative standing on each of them with your major competitor. **Third**, you should find out the importance of improving standing on each of the platform. **Fourth**, you should calculate whether you are in a position to afford improvements and also how fast you can do that. Next, you assess your major competitor's ability to improve standing on each of the previously identified platform. Based on the above analysis, you decide which difference (s) you should promote - whether technology, or, quality, or service, or any other. After you arrive at positioning decision, you should undertake measures to communicate that to your target market. How do you do that? Obviously, you communicate your position through marketing mix elements. For example, you have decided to position your product as a quality one. You can communicate this by exploiting one of the elements of marketing mix - the price. By charging high price you can give market an idea that your product is of superior quality, since there is a price-quality relationship. Customers perceive higher priced brand as quality product.

Final words on positioning decision : During the process of taking decision on positioning strategy, you should ask yourself a number of questions. Your final move should be absolutely based on the answers to these following questions :

Question-1 : What position, if any, do we already own in the prospect's mind?

Question-2 : What position do we want to own?

Question-3 : What companies must be out-gunned if we are to establish that position?

Question-4 : Do we have enough marketing money to occupy and hold the position?

Question-5 : Do we have the guts to stick with one consistent positioning concept?

Question-6 : Does our creative approach match our positioning strategy?.

The name of the marketing game in many industries is “positioning”. In such a game you can survive only if you are a better player.

Questions for Review

1. Which of the following is a criterion a company should meet to be successful in differentiation?
 - a. Affordable
 - b. Profitable
 - c. Communicable
 - d. All of the above.

2. A positioning strategy may be used to –
 - a. Differentiate a firm from its competitors in a mass-product market
 - b. Position a firm to serve target customers in one or more product-market niches.
 - c. Both a & b
 - d. None of the above.

3. Positioning is a strategy of –
 - a. Establishing a position for a product in the consumer's frame of reference
 - b. Differentiating the product from others in the same category
 - c. Both a &
 - d. None of the above.

4. Which of the following decision consists a positioning strategy?
 - a. The product or service offering
 - b. How distribution will be accomplished
 - c. Choice of a pricing strategy, and
 - d. All of the above.

5. The essence of a good positioning strategy is –
 - a. One that will deliver customer satisfaction to the firm's target market
 - b. One that meets corporate and marketing objectives
 - c. International competition
 - d. Both a & c.

6. Head-to-head positioning may be appropriate when –
 - a. The price is higher
 - b. The product's performance characteristics are superior
 - c. Both a & b are correct
 - d. None of the above.

7. Positioning to avoid competition may be best –
 - a. When the product's performance characteristics are not significantly different from competing brands.
 - b. When the brand has unique characteristics that are important to buyers
 - c. Both a & b
 - d. None of the above.
8. The term USP stands for –
 - a. Unique selling proposition
 - b. Union security police
 - c. Universal statutory provisions
 - d. Undistributed sample of product.
9. Which of the following is a positioning error that a company should avoid?
 - a. Extra-positioning
 - b. Under-positioning
 - c. Ultra-positioning
 - d. Positive positioning.
10. If buyers are found to be suspicious about the claims of the sellers it is called -
 - a. Doubtful positioning.
 - b. Over-positioning
 - c. Under-positioning
 - d. None of the above.
11. Define product positioning. Narrate the product positioning strategy.
12. What are the different types of differences that a company can promote? Discuss the positioning errors that a company should avoid.

Answers

1. d, 2. c, 3. c, 4. d, 5. d, 6. c, 7. c, 8. a, 9. b, 10. a.

