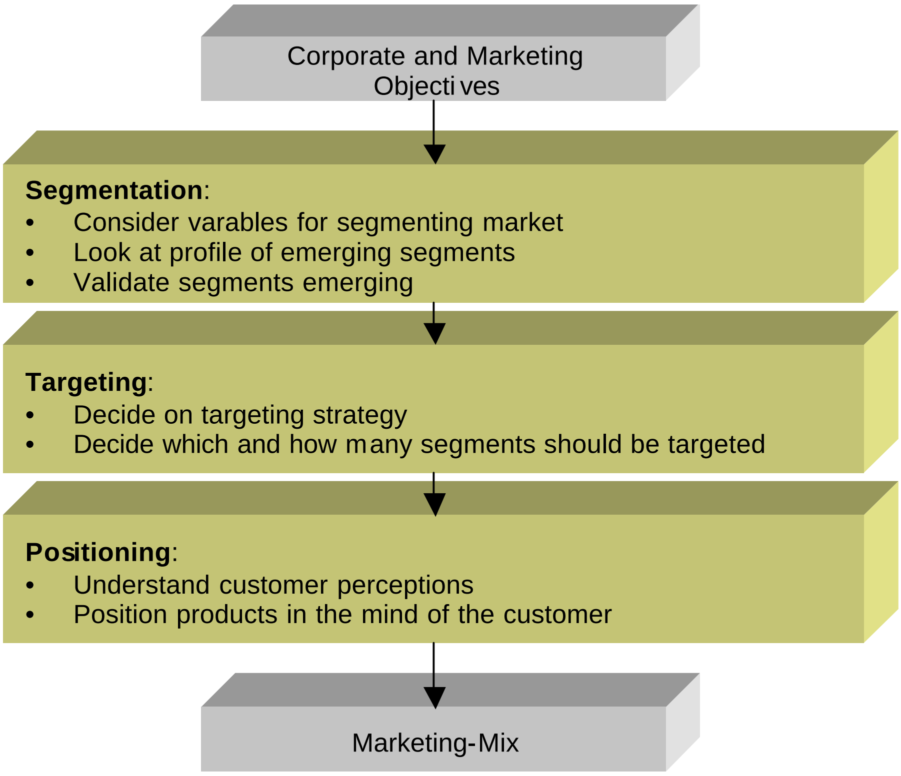
Positioning as a Strategic Marketing Decision

> The position of a product is the sum of those attributes normally ascribed to it by the consumers – its standing, its quality, the type of people who use it, its strengths, its weaknesses, any other unusual or memorable characteristics it may possess, its price and the value it represents.
>
> *T. Harrison in „A Handbook of Advertising Techniques"*

What is Positioning?

The concept of positioning is often used together with the terms *segmentation* and *targeting*. Those three elements work together closely when determining which way to offer a product or a service[1] in which markets to which target group. They relate to each other as follows:



Adapted from Dibb et al *Marketing – Concepts and Strategies*

[1] Throughout this paper, I will use the term *product* for reasons of clarity. Actually, all statements about positioning products can be applied to services, brands, organizations, institutions and all other types of offers. Often the positioning of an umbrella brand is of much higher strategic importance than the positioning of a particular individual product or service.

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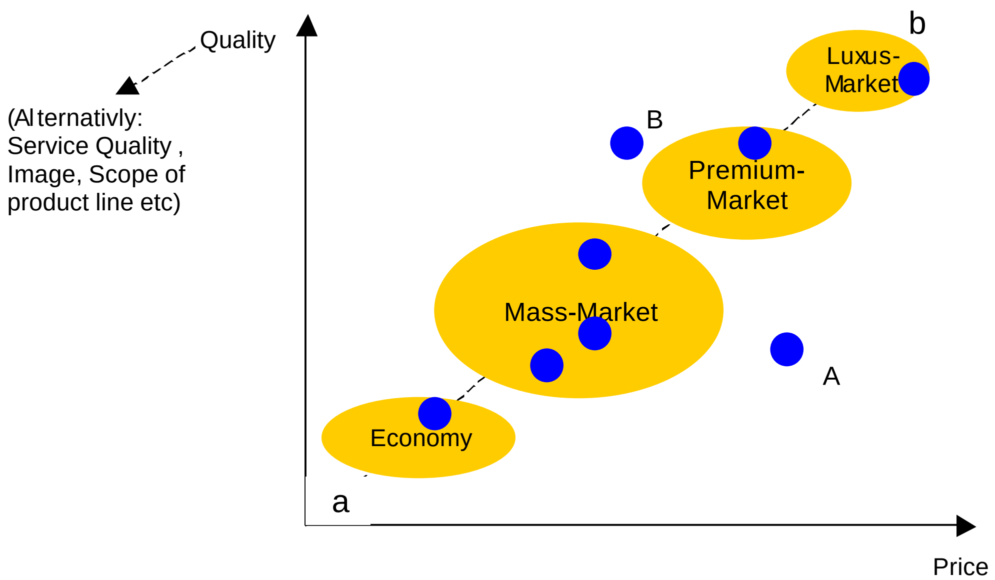
Once the organization has decided which customer groups within which market segments to target, it has to determine how to present the product to this target audience. This allows to exactly addressing the needs and expectations of the target groups with a tangible marketing mix that consists of product characteristics, price, promotional activities and places to present the product.

These statements about the relation to other elements of the marketing plan already point to an important element of positioning: customers' perception. Dibb et al define positioning as *the process of creating an image for a product in the minds of target customers*. Any offer has to have particular characteristics that set it apart from competition in the eyes of the customers.
Since positioning is based on customers' perceptions, it is only partly within the control of marketers. External developments could change the way customers think about a product. This can be so diverse things like for instance changes in price or characteristics of competing products and substitutes, tests by independent magazines and institutions, new legal requirements, or changes in customers' preferences.

What you Should Keep in Mind when Planning Positioning

Positions are described by variables and within parameters that are important to the customers. Common examples are price, supporting services, quality, reliability, and value for money. Often, customers position a product in relation to a brand or product that is especially visible to them. This could be the market leader or any other offer with a high media exposure and an above average marketing budget. Therefore, it is advisable to use in-depth market research to determine relevant parameters in order to understand how customers rate different products and marketing variables.
The number of relevant parameters is normally low. Most often, they can be described with a two- or three-dimensional matrix. This tool to visually depict customers' perceptions of a product and its position is called perceptual mapping.

Example: Position in Relation to Price and Quality



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Normally, most suppliers in a market or in a market segment will be positioned along the diagonal. This diagonal is called the Value-Equivalence-Line (VEL), since value and price are balanced there. In our example, product A is positioned unfavourably. It is too expensive for the mass market and its quality is not good enough for the premium segment. In general, there are the following strategies for repositioning; however, their feasibility will depend on the particular situation.

- Change the relation of price and quality for the existing brand; e.g. product relaunch with improved characteristics
- Change the relation of price and quality by introducing a new brand; e.g. introduction of clone under a ‘cheap’ brand or a retailers own brand
- Alter believes about the brand; e.g. image campaign, creation of a ‘hype’
- Alter believes about competitive brands; e.g. comparing advertisements
- Alter customers’ rankings of important factors; e.g. focus on additional features and characteristics (example: car manufacturers focus on very different product characteristics in their commercials, for instance security, fuel consumption, image, luxury interior, fun)
- Introduction of new or neglected attributes; e.g. product relaunch with new features that are new for the whole market segment.

When planning such activities it is critical to think about possible reactions of competitors. A shift of a product into a more favourable position in the price-quality-map above the diagonal (e.g. into position B) will normally lead to in shift of market shares in favour of this product. Competitors could react with a reduction of general price level, thus moving the VEL to the left. Product B would lose its superior position.

Moreover, it is advisable to keep in mind that customers and their individual preferences of a price-quality-combination are not distributed equally along the VEL. Neglecting the distribution of customers could lead to the following problems:

- Positioning in a segment with very few potential customers (e.g. positioning in a middle-segment in a market where customers prefer either the budget-product or the premium product)
- Positioning in a too low or too high price-value-combination (segments a and b in our example). This product does not appeal to a large proportion of the market, since customers either expect a higher quality (a) or are not willing to pay that high prices (b)

Steps for Positioning a Product

Dibb et al recommend the following steps for determining and implementing the positioning of a product. Although they focus on new product development, these steps are applicable to a relaunch with new features or for a repositioning of an existing product too.

1. Define the segments in a particular market.
2. Decide which segments to target.
3. Understand what the target consumers expect and believe to be the most important considerations when deciding on the purchase.
4. Develop a product (or products) that caters specifically for these needs and expectations.
5. Evaluate the positioning and images, as perceived by the target customers, of competing products in the selected market segments.
6. Select an image that sets the product apart from the competing products, thus ensuring that the chosen image matches the aspirations of the target customers.
7. Inform target customers about the product (promotion).

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Literature Recommendation:

Dibb, Simkin, Pride and Farrell: *Marketing – Concepts and Strategies*
Ralf Leszinski and Michael v. Marn: *Setting value, not price*. In The McKinsey Quarterly, 1997 (1), pp. 98–115

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