The theory and practice of marketing positioning strategy.

The Anatomy of Marketing Positioning Strategy

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Introduction

Research into the differences between higher and lower performing UK companies in terms of their marketing practices (e.g. Brooksbank, 1990) has served to confirm the central principle of textbook marketing strategy; that to be successful over the long term a firm's products and services must be well "positioned" in the marketplace. At the same time, however, it has also revealed that many marketing managers are unfamiliar with either the term, or the concept, of marketing positioning strategy. Consequently, this article aims to de-mystify the concept by outlining the basic decision components, or "anatomy", of positioning strategy formulation and isolating the key ingredients thought to be critical to success. In order to put some "flesh on the bones" the article proceeds to examine how the theory translates into practice. This is achieved by explaining how a small UK-based company put these principles successfully to work in the retail computer market. The article concludes with a six- point checklist for developing a winning marketing positioning strategy.

A Definition of Positioning Strategy

In the words of Doyle (1983):

> Positioning strategy refers to the choice of target market segment which describes the customers a business will seek to serve and the choice of differential advantage which defines *how* it will compete with rivals in the segment.

This definition shows that a positioning strategy only applies at the level of a particular product and/or service operating within a particular market, and that it should not be confused with the broader concept of "corporate" strategy, or with the more specific concepts of strategy as it relates to each individual element of the marketing mix, such as a "promotional" or "pricing" strategy.

The above definition also shows that a positioning strategy may be broken down into three interrelated sub-components:

(1) customer targets;

(2) competitor targets; and

(3) competitive advantage.

In addition this process of positioning strategy formulation demands the ability to build-up a picture of the marketplace and think creatively about the interrelationships between these three sub-components. The idea is to go for a segment of the market where, by virtue of the company's distinctive strengths, it is able to satisfy customer needs better than (or at least as well as) its competitors. This necessitates a thorough understanding of the strengths, weaknesses, opportunities, and threats profile (SWOTS) facing the firm – something which can only be achieved by a dedicated internal (company), competitor, and customer/ market analysis.

Once a positioning plan has been finalized it is translated into action by assembling an appropriate marketing mix. The popular four P's definition of the marketing mix is: Product, Price, Promotion and Place (distribution), with each "P" comprising a set of decision elements which together defines the firm's offer to its target market. The mix should be tailored so that target customers regard it as being superior to those offered by competitors – by reflecting the firm's choice of competitive advantage. Figure 1 provides a diagrammatic representation of how the three sub-components of the positioning strategy decision interrelate with each other, the SWOT analysis, and the marketing mix. Table I shows the main elements of the mix which, when properly coordinated, provide the means to activate the plan.

The article now goes on to look in more detail at each of the three sub-components of positioning strategy fomulation. In so doing however, it should be remembered that this is a theoretical exercise, since, as emphasized earlier, in practice they cannot be considered independently of each other.

Figure 1. *The Key Components of Marketing Positioning Strategy Formulation*

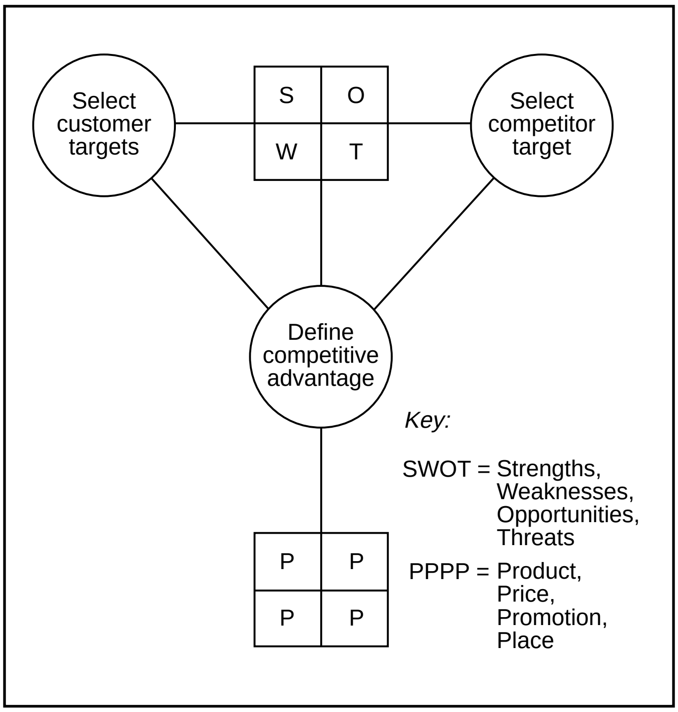

Table I. *The Main Elements of the Marketing Mix*

Product	Price	Promotion	Place
Quality	List price	Advertising	Distributors
Features	Discounts	Personal selling	Retailers
Name	Allowances	Sales promotion	Locations
Packaging	Credit	Public relations	Inventory
Services	Specials	Direct mail	Transport
Guarantees		Company literature	

Selecting Customer Targets

The selection of customer targets highlights the critical role of market segmentation in the marketing process. Segmentation involves the sub-division of a larger market into distinct subsets of customers with similar needs and wants and/or responsiveness to marketing offerings, and is a concept based on the following propositions:-

- Customers usually differ in some respect.
- They can be grouped into relatively homogeneous segments in terms of some relevant aspect of their behaviour.
- Segmentation thereby enables the firm to isolate and target specific markets.

This business logic is concisely described by Hanson (1972):

> If you can divide a larger market into smaller segments with different preferences and subsequently adjust your product (or service) to the preferences in the different segments, then you reduce the overall distance between what you are offering to the market and what the market requires. By doing so the marketeer improves their competitive position.

Thus, since most markets contain customers which are either too numerous, widely scattered, or heterogeneous in their buying requirements to be effectively served by one company (Kotler, 1980), the firm should aim to identify the segment(s) of the market which is most attractive. These choices reflect the company's customer targets.

In attempting to segment the market there are many possible criteria which could be chosen. Common examples include *Geographics*, i.e. where customers are e.g. local, regional, etc.; *Demographics,* i.e. who customers are (e.g. age, sex, etc.); *Psychographics*, i.e. what customers think (e.g. behaviour, attitudes, etc.). However, it should be remembered that there is no single "correct" approach and that it is in the company's interest continually to seek new and creative ways of defining their market in order to gain new insights and thereby a potential competitive advantage (Hooley and Saunders, 1993). Indeed, any variable can be used as a basis for segmentation, so long as the resultant target market segment(s) satisfies the four key requirements for effective segmentation.

(1) *Homogeneity within segments*. Customers within segments have similar needs and wants/ responsiveness to marketing offerings.

(2) *Heterogeneity between segments*. Customers between segments have significantly different needs and wants/responsiveness to marketing offerings.

(3) *Targetability via marketing mix.* Segments can be easily reached and served.

(4) V*iability in commercial terms*. Segments are large/ profitable enough to justify being targetted.

Research has shown that the most successful companies are those which specialize and concentrate on a well-defined market with a thorough understanding of customer needs – since it is this knowledge which drives all subsequent decisions (e.g. Cavanagh and Clifford, 1986; Chaganti and Chaganti, 1983). The route to success in target market selection is to focus the firm's (limited) resources (time, effort, money) onto a relatively small group of customers whose needs the firm can meet most effectively.

Selecting Competitor Targets

Successful marketing is all about aiming to satisfy customer needs and wants better than the competition, so it is imperative that the firm identifies and selects customer targets in such a way as to enable the firm to exploit some competitive edge in its markets. This necessitates a careful analysis of the competition. Clearly, the selection of competitor targets should hinge around the evaluation of competitors in the light of the company's relative strengths and weaknesses and ability to compete, i.e. superior skills/resources. Research shows that the most successful companies are those which, as far as possible, avoid head-on competition altogether by offering something different (e.g. Brooksbank, 1990).

Defining Competitive Advantage

The marketing strategist must also develop a competitive advantage which will distinguish the company's offer from those of its competitors in the segment. In other words, he or she must decide *how* the business is going to compete in the marketplace. The aim is to make the offer as unique as possible to customers, so they will be less likely to switch to competitors for minor price advantages. When developing a competitive advantage, the essential factors are:

- it must always be based on something of value to the customer (e.g. superior service) and not price alone; and
- it must be "sustainable".

In other words it should exploit a skill of the company that competitors will find hard to copy. A competitive advantage can be created out of any of the company's strengths or "distinctive competencies" relative to the competition. Managers of successful companies always have a crystal clear understanding of their competitive advantage, and use it as a blueprint for all marketing mix decision making.

Positioning Strategy in Action: Task Systems (UK) Ltd

Background

Task Systems (UK) Ltd was an established small company with seven staff, which had experienced rapid growth during the early 1980s supplying specialized computer software (developed by themselves) to retail outlets providing a video film "lending library" service. The program was sold as part of a total package which included both hardware (a PC and printer), and an annually renewable service contract covering both hardware maintenance (sub-contracted); a software "helpline" service; and installation and training. In addition, the company sold computer consumables on an "as required" basis, which included special pre-printed stationery only available from Task. As the market became saturated, however, sales gradually flattened out, and the company realized that if it were to prosper, it would have to launch another product – but what?

Research and Analysis

The company assessed its core strengths as follows. First, it understood the needs of retailers and knew how to sell to them. Second, it had a large client base and a good reputation in the market. Third, it had excellent computer programming skills and was experienced in providing training and fast-response software support services. Its major weakness was typical of most small businesses – limited resources.

The next step was to explore the retail sector for new opportunities. The search led to the idea of providing labour-saving, efficiency-boosting news delivery computer systems for retail newsagents with account customers to whom they delivered newspapers and magazines. With the assistance of local university students they then researched the market in full detail. This included a mailed questionnaire survey to newsagents, personal interviews with newsagents, industry experts, and existing news computer suppliers, and "desk research" in the business information section of the local city library.

Following much discussion, argument, and painstaking analysis, the company gradually built up a picture of the UK marketplace comprising three distinct segments, as detailed in Table II.

Positioning Strategy

The company decided that despite obvious difficulties, it would target the "traditional independents" in Segment 3. It was less competitive, was by far the biggest market in terms of size and under-tapped potential and, because increasing numbers were going out of business, it was felt there was a greater need for computerization (and a more business-like approach in general) with scope to "grow with them" as they modernized their businesses. The company would also enjoy the advantage of some overlap with its existing business (i.e. a few existing clients were newsagents with whom it had a good reputation for service) and it was already geared up to provide fast-response service. In addition, it knew how to sell to independent retailers, and had the programming skills and knowledge in what was a very similar area of computer application, with a similar kind of client. It was felt it did not have either the necessary resources (to handle volume sales) or the industry experience and know-how to compete effectively in Segment 1 and, that in Segment 2, the company had already "missed the boat" since existing suppliers would be difficult to substitute in a re-buy situation. Therefore it was decided the firm would compete in Segment 3 on the basis of offering the most user-friendly basic-function system on the market,

Table II. *The 1988 News Computer Market According to Task Systems (UK) Ltd*

Characteristics	Segment 1 Large multiples (over ten shops)	Segment 2 Modern independents (one to ten shops)	Segment 3 Traditional independents (one shop only)
Total no. of outlets	12,000	8,000	25,000
No. of customers	100	5,000	25,000
Description	Large modern outlets Run by professional managers Prime locations Fully diversified convenience stores	Medium-sized modern outlets Run by staff Shopping parade locations Some product diversification	Small, old-fashioned outlets Run by family Corner shop locations Confectioners, tobacconists and newsagents only
Customer profile	Corporate executives Middle-aged/professional Bureaucratic Sophisticated computer users Growth orientated	Entrepreneurs Young/dynamic Innovative Computer literate Profit oriented	Shopkeepers Older/traditionalist Risk averse Little computer knowledge Survival oriented
Customer needs	Customized multifunctional software Ongoing upgrades Networked among branches	Off-the-shelf multifunctional software Latest technology	Basic functions only Full service back-up Foolproof software Training and installation
Competition	Two well-established suppliers Becoming more competitive	Intensively competitive Lots of re-buys	Slow uptake and patchy
Current usage of computers	35 per cent of market	50 per cent of market	20 per cent of market
Market forecast (no. of outlets)	Rapid growth, mainly by acquisition	Remaining fairly constant	Slow decline (under pressure from large multiples)
Estimated stage in product/market lifecycle	Fast growth	Reaching maturity	Steady growth

with a fully comprehensive, back-up support "insurance" package aimed exclusively at meeting the needs of the "traditional independents".

Marketing Mix

Product. Software uses modern programming language to enhance ease of use, including "help" facilities etc. Comes with "jargon-free", high-quality instruction manual. Back-up "insurance plan" includes seven-days per week "helpline", unlimited training, set-up and installation, subscription to user-club magazine, and consumables starter-pack, plus free business consultancy. Also full hardware maintenance. "Add-on" software available (e.g. Stock Control) as and when required.

Price. High to reflect quality, but with special easy-payment schemes.

Promotion. All messages based on the slogan "More Newser Friendly" and the theme of the "Independent's Friend". Relies heavily on personal recommendation and customer networking using video. Promotional material features "live" testimonials, and stresses ease of use, training, "helpline" services, and customer care. Offer includes unconditional full money back guarantee by personal promise of MD.

Distribution. Available across the UK through selected customers (actual newsagents) acting as local sales agents/distributors. Sales demonstrations take place in "live" shop settings. For service, customers deal direct with Task Ltd.

Conclusion

Trying to put together all the various elements of the marketing mix without reference to a positioning strategy is rather like trying to make sense of a 100-piece jigsaw puzzle without the benefit of the picture on the box! Only once you have built-up a picture of the marketplace and know precisely how you are going to compete, can the marketing mix be put to work to your best advantage. Equally however, coming up with the “right” positioning strategy is not something that “just happens”. Typically, positioning strategy formulation is an extremely time-consuming and difficult task. First, because it demands a good deal of marketing research and analysis in order to understand the marketplace fully, and second because there are no rules; no right ways or wrong ways to interpret it. The way you decide to view the marketplace is the way it is! The essence of the challenge is summed up by Ries and Trout (1986):

> Marketing is a totally intellectual war in which you try to outmanoeuvre your competitors on a battleground that no one has ever seen .... it can only be imagined in the mind.

There are, however, a few commonsense principles to bear in mind, and the purpose of this article has been to filter them out, and show how they can be applied. These are summarized in the form of a six-point checklist:

(1) Is it based on a comprehensive situation analysis – of yourselves, your competitors and your market?

(2) Is it, as far as possible, built around your company’s particular strengths?

(3) Does it precisely define your customer targets – with a thorough understanding of their requirements?

(4) Does it precisely define your competitor targets, reflecting a coherent competitive strategy?

(5) Does it precisely define a sustainable competitive advantage?

(6) Is it actionable – does it translate into a distinctive marketing mix?

One final point. As we have seen, formulating a marketing positioning strategy demands a lot from the strategist, such as analytical ability, patience, creativity, imagination and sheer instinct – but above all it demands wisdom. The wisdom to know that sometimes the best positioning strategy of all is not to enter the market at all!

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