The Concept of Positioning

Both product diffefentiation and market segmentation result in a perceived position for the company or organization. From the intelligent marketing organization, there should be an attempt to create the desired position, rather than wait for it to be created by customers, the public, or even competitors. *Positioning* is defined as the act of designing the company's offering and image to occupy a distinctive place in the target market's mind. The end result of positioning is the successful creation of a market-focused value proposition, a cogent reason why the target market should buy the product.

Since positioning is a strategy that starts with the product, we expand our discussion of positioning in the Product Chapter.

The Future of the Marketplace

As the spread of the global marketplace continues, aided by satellites, the World Wide Web, and univeral problems, it will also become increasingly difficult to effectively assess the market. In fact, there is solid evidence that the market will often consist of a single person or company. Customized product design, relationship marketing, and one-on-one marketing suggests that mark.eting has gone full circle. Like the first half of the twentieth century, when the comer grocer knew all of his customers personally, marketing in the rest of the twenty-first century may look very similar.

MARKETING CAPSULE

Bases of segmentation

a. Ultimate Consumers
   1. Geographic
   2. Demographics
   3. Usage
   4. Psychological

b. Organizations
   1. Type of customer
   2. End uses
   3. Common buying factors
   4. Size and geography

c. Single-base versus multi-base

d. Qualify people into segments
   1. Clarity of identification
   2. Actual or potential need
   3. Effective demand
   4. Economic accessibility
   5. Positive response

e. Segmentation process

the product will be returned by only a few people. Extensive research should support this decision.

4. *Delivery, installation, training, and service.* Products that tend to be physically cumbersome or located far from the customer might consider delivery (free or a small charge) to be an integral part of the new product. Very few major appliance stores, lumberyards, or furniture stores could survive without provisions for this service. Similarly, there are products that are quite complicated and/or very technical, and whose average consumer could neither learn how to instal! or use it wiLhout assistance from the manufacturer. Both professional and home computer companies have been forced to provide such services. The slow development of v;deo products or product types that have a history of breakdown and extensive maintenance must offer this service to the customer. In addition, it must be provided quickly and effectively. Although product service and maintenance has been provided to industrial customers for several years, this service is stiP new to many customer product manufacturers.

Product Mix Strategies As more brands enter the market place and lock into a particular share of the market, it becomes more difficult to win and hold buyers. Other changes that occur are: (1) changes in consumer tastes and in particular, the size and characteristics of particular market segments, (2) changes in availability or cost of raw materials and other production or marketing components; and (3) the proliferation of small-share brands that reduce efficiencies in production, marketing, and servicing for existing brands. Because of factors such as these, a decision is made either to identify ways of changing the product to further distinguish it from otners, or to design a strategy that will eliminate the product and make way for new products. The specific s,rategy to accomplish these aims may be in several general categor'es.

Product modification: It is normal for a product to be changed several times during its life. Certainly, a product should be equal or superior to those of principal competitors If a change can provide superior satisfaction and win more initial buyers and switchers from other brands, then a change is probably warranted.

'let the decision should not be approached in a haphazard manner. There are definite risks. For example, a dramatic increase in product quality might price the existing target consumer out of the market, or it might cause him/her to perceive the product as being too good. Similarly, the removal of a particular ?roduct feature might be the one characteristic of the product considered most important by a market segment. A key question the marketer must answer before modifying the product is what particular attributes of the product and competing products are perceived as most important by the consumer. Factors such as quality, fu'1ctions, price, services, design, packaging, and warranty may all be determ:nants.

This evaluative process requires the product manager to arrange for marketing research studies to learn of improvements buyers might want, evaluate the market reception given to the competitors' improvements, and evaluate improvements that have been developed within the company. Also required is a relationship with the product research and development (R&D) department. Ideally, R&D should be able to respond quickly to the marketing department's request for product upgrading and should maintain ongoing programs of product improvement and cost reduction. Even suppliers and distributors should be encouraged to submit suggestions.

Product positioning is a strategic management decision that determines the place a product should occupy in a given market-its market niche. Given this context, the word "positioning" includes several of the common meanings of position: a place (what place does the product occupy in its market?), a rank (how does the product fare against its competitors in various evaluative dimensions?), a mental attitude (what are consumer attitudes?), and a strategic process (what activities must be attempted in order to create the optimal product position?). Thus, positioning is both a concept and a process. The positioning process produces a position for the product, just as the segmentation process produces alternative market segments. Positioning can be applied to any type of product at any stage of the lifecycle. Approaches to positioning range from gathering sophisticated market research information on consumers' preferences and perceptions of brands to the intuition of the product manager or a member of his staff.

Aaker and Shansby suggest several positioning strategies employed by marketers. A product or idea can be positioned[8]

1. By attributes- Crest is a cavity fighter
2. By price-Sears is the "value" store
3. By competitors-Avis positions itself against Hertz
4. By application--Gatorade is for after exercising
5. By product user- Miller is for the blue-collar, heavy beer drinker
6. By product class- Carnation Instant Breakfast is a breakfast food
7. By services provided-Circuit City backs up all its products

Products and brands are constantly being repositioned as a result of changes in competitive and market situations. *Repositioning* involves changing the market's perceptions of a product or brand so that the product or brand can compete more effectively in its present market or in other market segments. Changing market perceptions may require changes in the tangible product or in its selling price. Often, however, the new differentiation is accomplished through a change in the promotional message. To evaluate the position and to generate diagnostic information about the future positioning strategies, it is necessary to monitor the position over time. A product position, like sports heroes, may change readily; keeping track and making necessary adjustments is very important.

Product Line Decisions A product line can contain one product or hundreds. The number of products in a product line refer to its *depth,* while the number of separate product lines owned by a company is the product line *width.* Several decisions are related to the product line.

There are two basic strategies that deal with whether the company will attempt to carry every conceivable product needed and wanted by the consumer or whether they will carry selected items. The former is *a full-line* strategy while the latter is called a *limited-line* strategy. Few full-line manufacturers attempt to provide items for every conceivable market niche. And few limited-line manufacturers would refuse to add an item if the demand were great enough. Each strategy has its advantages and disadvantages.

Line extensions strategies involve adding goods related to the initial product, whose purchase or use is keyed to the product. For example, a computer company may provide an extensive selection of software to be used with its primary hardware. This strategy not only increases sales volume, it also strengthens the manufacturer's name association with the owner of the basic equipment, and offers dealers a broader line. These added items tend to be similar to existing brands with no innovations. They also have certain risks. Often the company may not have a high level of expeltise either producing or marketing these related products. Excessive costs, inferior products, and the loss of goodwill with distributors and customers are all possible deleterious outcomes. There is also a strong possibility that such

Packaging Provides protection, containment, communication, and utility for the product.

Product lifecycle A product planning tool that parallels the stages of the human lifecycle.

Brand Identifies thC product and distinguishes it from competitors.

Position A strategic management decision that determines the place a product should occupy in a given market.

DISCUSSION QUESTIONS

1. What overriding objectives should be kept in mind when designing a product strategy?
2. How do the strategies of market extension and market segmentation differ?
3. Identify the steps a product manager should take in deciding how to position a product.
4. In what kind of market situation will a strategy of product differentiation be most effective?
5. What are the four product mix strategies discussed in the chapter? Name three reasons why a company might decide to alter its product mix.
6. What factors would impact a marketing manager's decision to engage in a temporary or permanent price change for a mature product?
7. How would you define the term "product"? Differentiate between the points of view of the manufacturer and the customer.
8. Distinguish between convenience goods, shopping goods. and specialty goods. Can you think of examples that belong in each category, other than those discussed in the chapter?
9. Compare and contrast the consumer's view and the firm's view of a new product.
10. Describe the steps in the new product development process. Are all these steps necessary?

PROJECT

Identify a product that you feel is in the maturity or decline stage. Determine the characteristics of this product in light of the discussion throughout this chapter. Write a 3-5 page analysis.

CASE APPLICATION

HERSHEY CHOCOLATE MILK

Hershey Foods Corp. is making an unusual move in using national TV advertising for its chocolate milk, a product that historically hasn't received much ad support. The national TV commercial, which first aired in June 1983, was shot in 12 weeks in London by Clearwater Productions. Doyle Dane Bernbach in New York develuped the commercial, which has been shown nationally on a children's network and in the early fringe time period.

"The commercial's creative, it's aggressive. It breaks one cardinal rule by not mentioning this new product until 75% into the commercial. But the commercial works. We think its unique," says Bob Jeffery, DDB VP account supervisor. He admits that the Hershey packaging also has had an important consumer impact. "The carton practically screams chocolaie."