Chapter 7: Positioning Services in Competitive Markets
Overview of Chapter 7

- Focus Underlies the Search for Competitive Advantage
- Market Segmentation Forms the Basis for Focused Strategies
- Service Attributes and Levels
- Positioning Distinguishes a Brand from Its Competitors
- Internal, Market, and Competitor Analyses
- Using Positioning Maps to Plot Competitive Strategy
- Changing Competitive Positioning
Focus Underlies the Search for Competitive Advantage

- Intensifying competition makes it important to differentiate products
- In mature market, only way to grow may be to take a share from competitors
- Must be selective in targeting customers
- Rather than compete in an entire market, firm must focus efforts on customers it can serve best
- Emphasize competitive advantage on those attributes that will be valued by customers in target segment(s)
A business must set itself apart from its competition. To be successful it must identify and promote itself as the best provider of attributes that are important to target customers.

George S. Day
Basic Focus Strategies for Services (Fig 7.1)

BREADTH OF SERVICE OFFERINGS

<table>
<thead>
<tr>
<th>Number of Markets Served</th>
<th>Narrow</th>
<th>Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>Many</td>
<td>Service Focused</td>
<td>Unfocused (Everything for everyone)</td>
</tr>
<tr>
<td>Few</td>
<td>Fully Focused (Service and market focused)</td>
<td>Market Focused</td>
</tr>
</tbody>
</table>

Risks and Opportunities of a Fully Focused Strategy

**Opportunities**
- Developing recognized expertise in a well-defined niche may provide protection against would-be competitors
- Allows firms to charge premium prices

**Risks**
- Market may be too small to generate needed volume of business
- Demand for a service may be displaced by generic competition from alternative products
- Purchasers in chosen segment may be susceptible to economic downturn
Market Segmentation Forms the Basis for Focused Strategies
Market Segmentation

- Firms vary widely in ability to serve different types of customers
  - Adopt strategy of market segmentation, identifying those parts of market that can be served best
  - A market segment is composed of a group of buyers sharing common:
    - Characteristics
    - Needs
    - Purchasing behavior
    - Consumption patterns

- Market and Micro Segmentation
  - Creation of customer databases and sophisticated analytical software enable firms to adopt:
    - Micro segmentation strategies target small groups of customers sharing certain relevant characteristics at a specific point in time
    - e.g., Royal Bank of Canada (Best Practices 7.1)
Identifying and Selecting Target Segments

- A target segment is one that a firm has selected from among those in the broader market and may be defined on the basis of multiple variables.

- Must analyze market to determine which segments offer better opportunities.

- Target segments should be selected with reference to:
  - Firm’s ability to match or exceed competing offerings directed at the same segment.
  - Not just profit potential.

- Some “underserved” segments can be huge, especially poor consumers in emerging economies.
  - For example: Banco Azteca in Mexico (Service Perspectives 7.2)
Service Attributes and Levels
Developing Right Service Concept for a Specific Segment

- Use research to identify and prioritize which attributes of a given service are important to specific market segments.

- Individuals may set different priorities according to:
  - Purpose of using the service
  - Who makes decision
  - Timing of use
  - Whether service is used alone or with a group
  - Composition of that group
Important versus Determinant Attributes

- Consumers usually choose between alternative service offerings based on perceived differences between them.

- Attributes that distinguish competing services from one another are not necessarily the most important ones.

- Determinant attributes determine buyers’ choices between competing alternatives:
  - Service characteristics that are important to purchasers
  - Customers see significant differences between competing alternatives on these attributes
Establishing Service Levels and Tiers

- Need to make decisions on service levels—level of performance firm plans to offer on each attribute
  - Easily quantified attributes are easier to understand and generalizable—e.g., vehicle speed, physical dimensions
  - Qualitative attributes are ambiguous and subject to individual interpretation—e.g., physical comfort, noise levels

- Can often segment customers according to willingness to trade off price versus service level

- Service tiering: Positioning strategy based on offering several price-based classes of service concept
  - Packaging a distinctive level of service across many attributes
  - Common in hotels, airlines, car rentals, computer hardware, and software support etc.
## Examples of Service Tiering in Different Industries (Table 7.1)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Tiers</th>
<th>Key Service Attributes and Physical Elements Used in Tiering</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lodging</td>
<td>Star or diamond ratings (5 to 1)</td>
<td>Architecture; landscaping; room size; furnishings and décor; restaurant facilities and menus; room service hours; array of services and physical amenities; staffing levels; caliber and attitudes of employees</td>
</tr>
<tr>
<td>Airline</td>
<td>Classes (intercontinental): first, business, premium economy, economy</td>
<td>Seat pitch; seat width and reclining capability; meal and beverage service; staffing ratios; check-in speed; departure and arrival lounges; baggage retrieval speed</td>
</tr>
<tr>
<td>Car Rental</td>
<td>Class of vehicle</td>
<td>Vehicle size (from subcompact to full size); degree of luxury; special vehicle types (minivan, SUV, convertible)</td>
</tr>
</tbody>
</table>
Positioning Distinguishes a Brand from Its Competitors
Four Principles of Positioning Strategy

- Must establish position for firm or product in minds of customers
- Position should be distinctive, providing one simple, consistent message
- Position must set firm/product apart from competitors
- A company cannot be all things to all people—must focus its efforts

Jack Trout
Principles of Positioning

- What does our firm currently stand for in the minds of current and prospective customers?
- What customers do we serve now, and which ones would we like to target in the future?
- What is value proposition and target segment for each of our current service offerings?
- How do our service offerings differ from competitor’s?
- What changes must we make to our offerings to strengthen our competitive position?

Avoid trap of investing too heavily in points of differences that are easily copied
Product Positioning versus Copy Positioning

- Positioning often associated with communication mix, notably advertising, promotion, PR

- Copy Positioning—use of advertising to create images and associations for broadly similar branded products to sharpen distinctions in customer's mind
  - Use of imagery to differentiate and add glamour to services
  - Some slogans promise a specific benefit to make company stand out from competitors

- Growing number of firms engage in co-branding, for example:
  - Jointly offered credit card by American Airlines, Citibank, and Visa
  - Citizen Bank branches in Stop & Shop supermarket chain

- Positioning guides firm to marketing strategy development
“A Passion For the Business of Accounting”
at Grant Thornton

- “Highest Performance Among Audit Firms Serving Companies with up to $12 billion in Annual Revenue” award

- Links passion for accounting to high client satisfaction with its auditing services

- “Find out how it feels to work with people who love what they do!”

*Source: Grant Thornton, LLP.*
Slogans Used by Companies

“Invest with confidence”
*T. Rowe Price*

“Shopping online beats standing in line”
*Lands’ End*

“We never stop working for you”
*Verizon*

“Relax, It’s FedEx”
*FedEx Ground*
Positioning as a Diagnostic Tool (1)
Table 7.2

- Positioning links market analysis and competitive analysis to internal corporate analysis

- Understand relationships between products and markets
  - Compare to competition on specific attributes
  - Evaluate product’s ability to meet consumer needs/expectations
  - Predict demand at specific prices/performance levels
Positioning as a Diagnostic Tool (2)

Table 7.2

- **Identify market opportunities**
  - Introduce new products
  - Redesign existing products
  - Eliminate non-performing products

- **Make marketing mix decisions, respond to competition**
  - Distribution/service delivery
  - Pricing
  - Communication
Role of Positioning in Marketing Strategy

- Positioning links market analysis and competitive analysis to internal corporate analysis.

- Positioning strategy can take place at different levels:
  - Multi-site, multi-product business: Position may be established for entire organization, given service outlet or specific service outlet.
  - Consistency among services offered at same location because the image of one may spill over to others.

- Help prospective customers get mental “fix” on what to expect.

- Failure to select desired position in marketplace and develop a marketing action plan to hold this position may result in:
  - Head-on competition from a stronger competitor.
  - Being pushed into a position that nobody else wants.
  - Organization’s position being so blurred that nobody knows what its distinctive competence really is.
Market, Internal, and Competitor Analysis
(Fig 7.3)

MARKET ANALYSIS
- Size
- Composition
- Location
- Trends

INTERNAL ANALYSIS
- Resources
- Reputation
- Constraints
- Values

COMPETITOR ANALYSIS
- Strengths
- Weaknesses
- Current Positioning

Define, Analyze Market Segments
Select Target Segments To Serve
Articulate Desired Position in Market
Select Benefits to Emphasize to Customers
Analyze Possibilities for Differentiation

Marketing Action Plan

Source: Developed from an earlier schematic by Michael R. Pearce
Anticipating Competitive Response

- Competitors might pursue same market position
  - Independently do same positioning analysis and arrive at similar conclusions
  - Threatened by new strategy, take steps to reposition own service
  - New entrant plays “follow the leader” and offer higher service level, more attributes, and/or a lower price

- Get inside competitors’ heads—conduct internal corporate analysis for all current/potential challengers to get sense of how they might act

- Analyze possible effects of alternative competitive moves
  - Impact of price cut on demand, market share, and profits
  - Responses of different segments to changes in service attributes
Positioning Maps
Using Positioning Maps to Plot Competitive Strategy

- Useful way to represent consumer perceptions of alternative products in visual format
- Typically confined to two attributes, but 3-D models can be used to portray positions on three attributes simultaneously
- Information about a product can be obtained from market data, derived from ratings by representative consumers, or both.
- If consumer perceptions of service characteristics differ sharply from "reality" as defined by management, then marketing efforts may be needed to change these perceptions
- Also known as perceptual maps
Positioning of Hotels in Belleville: Price versus Service Level (Fig 7.4)
Positioning of Hotels in Belleville: Location versus Physical Luxury (Fig 7.5)

- **High Luxury**: Grand, Shangri-La, Sheraton
- **Moderate Luxury**: Castle, Alexander IV, Atlantic, Italia
- **Inner Suburbs**: Regency
- **Financial District**: PALACE
- **Shopping District and Convention Center**: Plaza
Positioning after New Construction: Price versus Service Level (Fig 7.6)

- **Expensive**
  - Mandarin
  - Heritage
  - Marriott
  - Continental

- **Moderate Service**
  - Regency
  - Shangri-La
  - Sheraton
  - Italia
  - Atlantic
  - Castle
  - Alexander IV
  - Airport Plaza

- **High Service**
  - New Grand

- **Less Expensive**
  - PALACE
  - Action?
  - No action?
Positioning After New Construction: Location versus Physical Luxury (Fig 7.7)

High Luxury
- Mandarin
- Continental
- New Grand
- Heritage
- Marriott
- Shangri-La
- Regency
- Sheraton
- Italia
- Airport Plaza

Moderate Luxury
- Castle
- Alexander IV
- Atlantic

Financial District
- Action?

Shopping District and Convention Center
- No action?

Inner Suburbs
Positioning Maps Help Managers to Visualize Strategy

- Positioning maps display relative performance of competing firms on key attributes.

- Research provides inputs to development of positioning maps—challenge is to ensure that:
  - Attributes employed in maps are important to target segments.
  - Performance of individual firms on each attribute accurately reflects perceptions of customers in target segments.

- Predictions can be made of how positions may change in light of future developments.

- Simple graphic representations are often easier for managers to grasp than tables of data or paragraphs of prose.

- Charts and maps can facilitate “visual awakening” to threats and opportunities, suggest alternative strategic directions.
Changing Competitive Positioning
Repositioning

- Positions evolve in response to changing market structures, technology, competitive activity, and the nature of firm itself.

- Firm may have to make significant change in existing position:
  - Revising service characteristics; redefining target market segments; abandoning certain products; withdrawing from certain market segments.

- Improving negative brand perceptions may require extensive redesign of core product:
  - Weaknesses may be perceptual rather than real—e.g., Long Island Trust.

- Repositioning introduces new dimensions into positioning equation that other firms cannot immediately match.
Changing Perceptions through Advertising: Long Island Trust

- Increased competition among banks in New York state after change in banking laws led to opening of new branches.

- Long Island Trust rated below other banks on branch availability, full range of offerings, service quality etc., but #1 on helping residents and economy of Long Island (suburban New York City).

- Advertising played to perceived strengths rather than trying to improve perceptions of attributes rated less favorably.
  
  - “Why send your money to a city if you live on the Island? It makes sense to keep your money to close to home…we concentrate on developing Long Island.”
  
  - “The city is a great place to visit, but would you want to bank there?”
  
  - Perceived strength of being a Long Island bank for Long Islanders had a positive “halo” effect on other attributes.
Focus underlies search for competitive advantage

Four focus strategies:
- Service focused
- Fully focused
- Market focused
- Unfocused

Market segmentation forms the basis for focused strategies

Service attributes that are determinant attributes are often the ones most important to customers

Service positioning requires service tiering
Summary for Chapter 7: Positioning Services in Competitive Markets (2)

- Positioning distinguishes a brand from its competitors
  - Product positioning
  - Copy positioning

- Service positioning can be used as a diagnostic tool

- Positioning distinguishes a brand from its competitors

- Positioning links market analysis and competitive analysis to internal corporate analysis

- To develop a marketing positioning strategy, we need:
  - Market analysis
  - Internal analysis
  - Competitor analysis
Positioning maps are useful for plotting competitive strategy

- Mapping future scenarios help identify potential competitive responses
- Positioning charts help visualization of strategy

Changing competitive positioning can be achieved through advertising and innovation