



## CHAPTER 3

# **Positioning *Services in* Competitive Markets**



# Overview of Chapter 3



- **Achieve Competitive Advantage through Focus**
- **Market Segmentation Forms the Basis for Focused Strategies**
- **Service Attributes and Levels**
- **Developing an Effective Positioning Strategy**
- **Using Positioning Maps to Analyze Competitive Strategy**



# ***Achieve Competitive Advantage Through Focus***

# Focus Underlies the Search for Competitive Advantage



- **Intensifying competition makes it important to differentiate products**
- **In mature markets, only way to grow may be to take a share from competitors**
- **Brand positioning helps create awareness, generate interest and desire among potential customers and increase adoption of service products**
- **Emphasize competitive advantage on those attributes that will be valued by customers in target segment(s)**

# Standing Apart from the Competition



***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

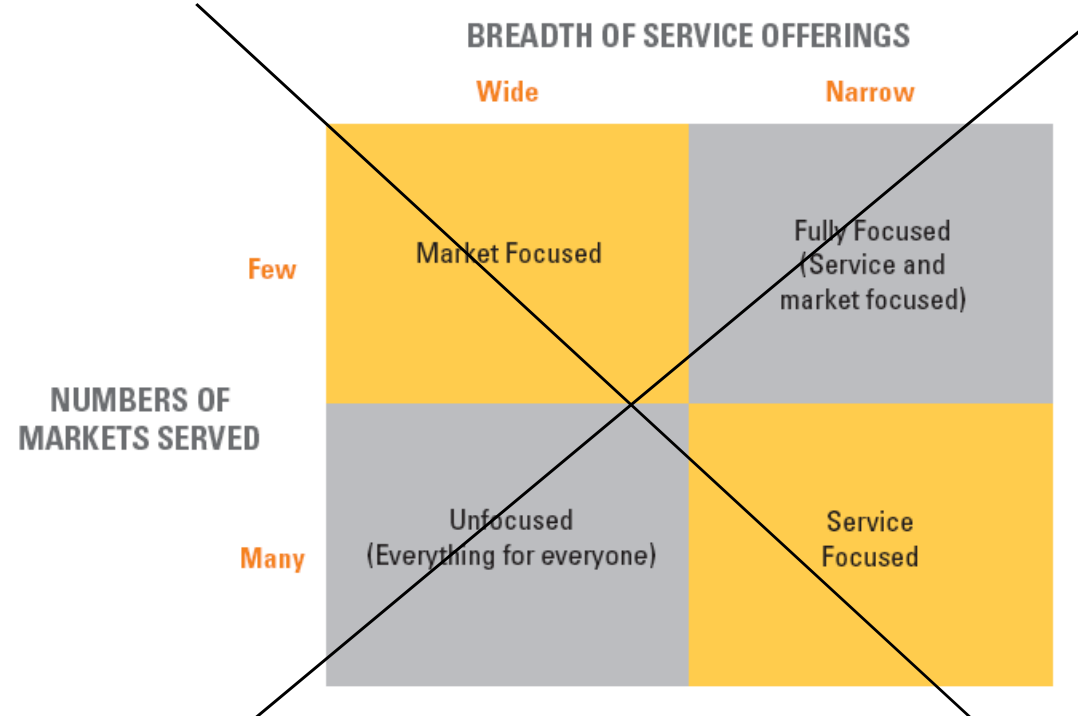
(Fig. 3.2)



As I mentioned in class, I'm not entirely comfortable with this "Achieving Focus Matrix"

Please rely on the more tried-and-true strategies to develop Competitive advantage: Cost/Product Service Differentiation/Niche

I have included some slide on that to refresh your memory.



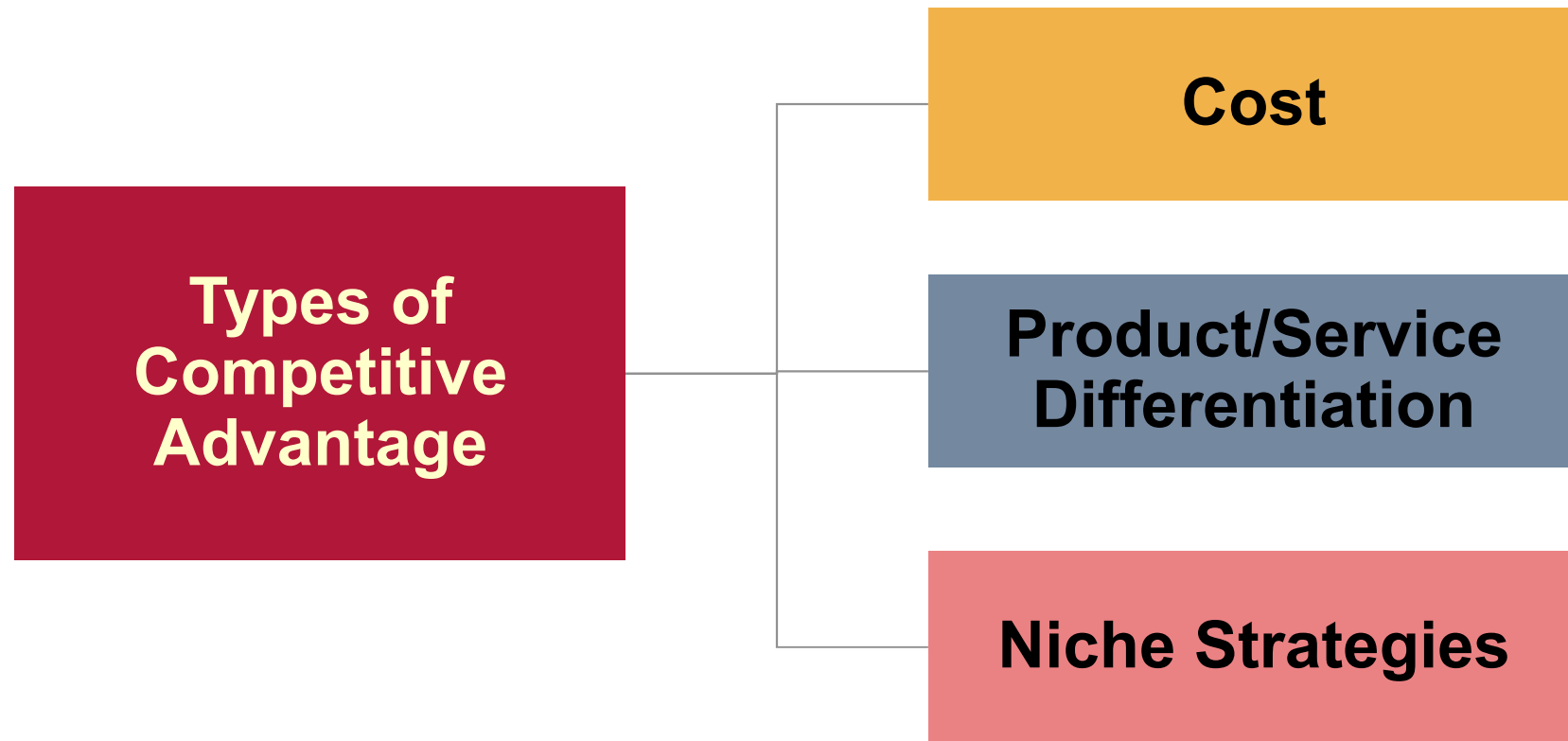
**SOURCE**  
Johnston, R. (1996). Achieving focus in service organizations. *The Service Industries Journal*, 16 (January), pp.10-20.



## Competitive Advantage

The set of unique features of a company and its products that are perceived by the target market as significant and superior to the competition.







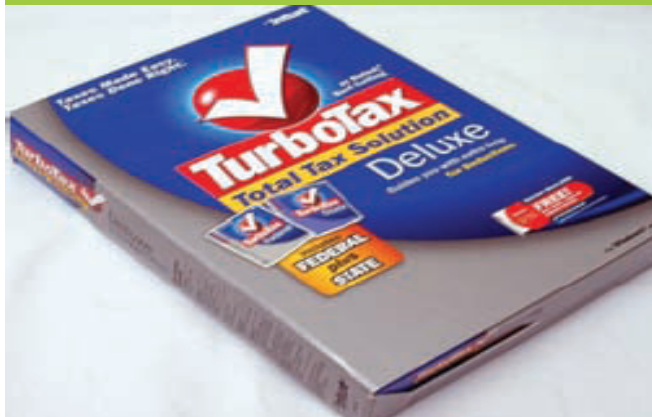
# Cost Competitive Advantage

LO 5



## Cost Competitive Advantage

Being the low-cost competitor in an industry while maintaining satisfactory profit margins.



# Cost Competitive Advantage

LO<sup>5</sup>



- ◆ Obtain inexpensive raw materials
- ◆ Create efficient plant operations
- ◆ Design products for ease of manufacture
- ◆ Control overhead costs
- ◆ Avoid marginal customers



# Sources of Cost Reduction

LO<sup>5</sup>



**Experience Curves**

**Efficient Labor**

**No-frills Products**

**Government Subsidies**

**Product Design**

**Reengineering**

**Production Innovations**

**New Service  
Delivery Methods**



## Product/Service Differentiation Competitive Advantage



The provision of something that is unique and valuable to buyers beyond simply offering a lower price than the competition's.

# Examples of Product/Service Differentiation



- ◆ **Brand names**
- ◆ **Strong dealer network**
- ◆ **Product reliability**
- ◆ **Image**
- ◆ **Service**





## Niche Competitive Advantage



The advantage achieved when a firm seeks to target and effectively serve a small segment of the market.

# Highly Competitive Markets



- **What do you do when your service is very similar (or identical) to your competitors?**
- **What do you do when your PRICING is also very similar (or identical) to your competitors?**
- **How do you differentiate (or position) your company?**
- **Insurance Providers:**

# Insurance Providers



**Allstate**<sup>®</sup>  
You're in good hands.



**GEICO**<sup>®</sup>

[http://www.google.com/imgres?imgurl=http://i.ytimg.com/vi/q9eqj7xRzk0/0.jpg&imgrefurl=http://www.trendhunter.com/trends/allstate-mayhem&usg=\\_\\_aNvWheq-azerNDY4kZ0PugUVsal=&h=360&w=480&sz=11&hl=en&start=17&zoom=1&itbs=1&tbnid=CpHv4OCi3gDa0M:&tbnh=97&tbnw=129&prev=/images%3Fq%3Dallstate%2Bmayhem%26hl%3Den%26safe%3Doff%26gbv%3D2%26tbs%3Disch:1&ei=BXBVTY7pGYzCsAPyw-SvBQ](http://www.google.com/imgres?imgurl=http://i.ytimg.com/vi/q9eqj7xRzk0/0.jpg&imgrefurl=http://www.trendhunter.com/trends/allstate-mayhem&usg=__aNvWheq-azerNDY4kZ0PugUVsal=&h=360&w=480&sz=11&hl=en&start=17&zoom=1&itbs=1&tbnid=CpHv4OCi3gDa0M:&tbnh=97&tbnw=129&prev=/images%3Fq%3Dallstate%2Bmayhem%26hl%3Den%26safe%3Doff%26gbv%3D2%26tbs%3Disch:1&ei=BXBVTY7pGYzCsAPyw-SvBQ)

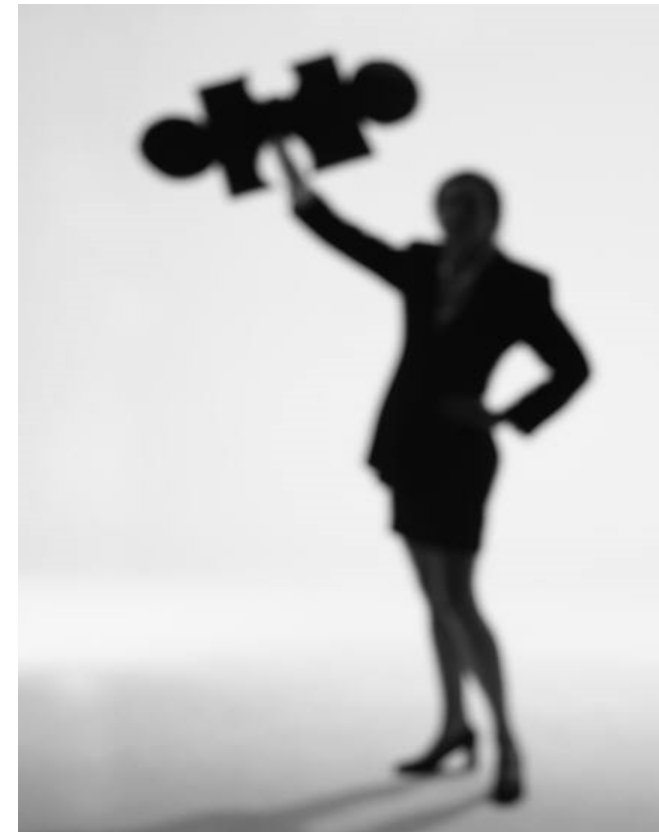


# Niche Competitive Advantage

LO<sup>3</sup>



- ◆ **Used by small companies with limited resources**
- ◆ **May be used in a limited geographic market**
- ◆ **Product line may be focused on a specific product category**



# Considerations for Using the Focus Strategies (1)



- **Fully focused**

- Limited range of services to narrow and specific market

- **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

# Considerations for Using the Focus Strategies (2)



- **Market focused**

- **Narrow market segment with wide range of services**

- **Need to make sure firms have operational capability to do and deliver each of the different services selected**

- **Need to understand customer purchasing practices and preferences**

- **Service focused**

- **Narrow range of services to fairly broad market**

- **As new segments are added, firm needs to develop knowledge and skills in serving each segment**

# Considerations for Using the Focus Strategies (3)



- **Unfocused**

- **Broad markets with wide range of services**

- **Many service providers fall into this category**

- **Danger – become a “jack of all trades and master of none”**





***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 can serve best**
  - **A market segment is composed of a group of buyers sharing common:**
    - **Characteristics**
    - **Needs**
    - **Purchasing behavior**
    - **Consumption patterns**
  - **Within segments, they are as similar as possible. Between segments, they are as dissimilar as possible**

# 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, e.g. low-income group in Philippines



# ***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 vs. 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**

# Disc Golf Retailers



- [www.wrightlife.com](http://www.wrightlife.com)
- [www.discgolfcenter.com](http://www.discgolfcenter.com)



**Determinant Attributes?**  
**Competitive Advantage?**  
**Focus Strategies?**

# Web Search Companies



- [www.google.com](http://www.google.com)
- [www.bing.com](http://www.bing.com)

Google™

bing™

**Determinant Attributes?**  
**Competitive Advantage?**  
**Focus Strategies?**

# Establishing Service Levels



- **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 give up some level of service for a lower price**
  - **Price-insensitive customers willing to pay relatively high price for high levels of service on each important attribute**
  - **Price-sensitive customers look for inexpensive service with relatively low performance on many key attributes (e.g., Services Insights 3.2 Capsule Hotels)**



# ***Developing an Effective Positioning Strategy***

# Four Principles of Positioning Strategy



- **Must establish position for firm or product in minds of target customers**
- **Position should provide 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*

# Six Questions for Effective Positioning Strategy



- **What does our firm currently stand for in the minds of current and potential customers?**
- **What customers do we serve now, and which ones would we like to target in future?**
- **What is value proposition for each of our current service products, and what market segments is each one targeted at?**
- **How does each of our service products differ from competitors'?**
- **How well do customers in chosen target segments perceive our service products as meeting their needs?**
- **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**



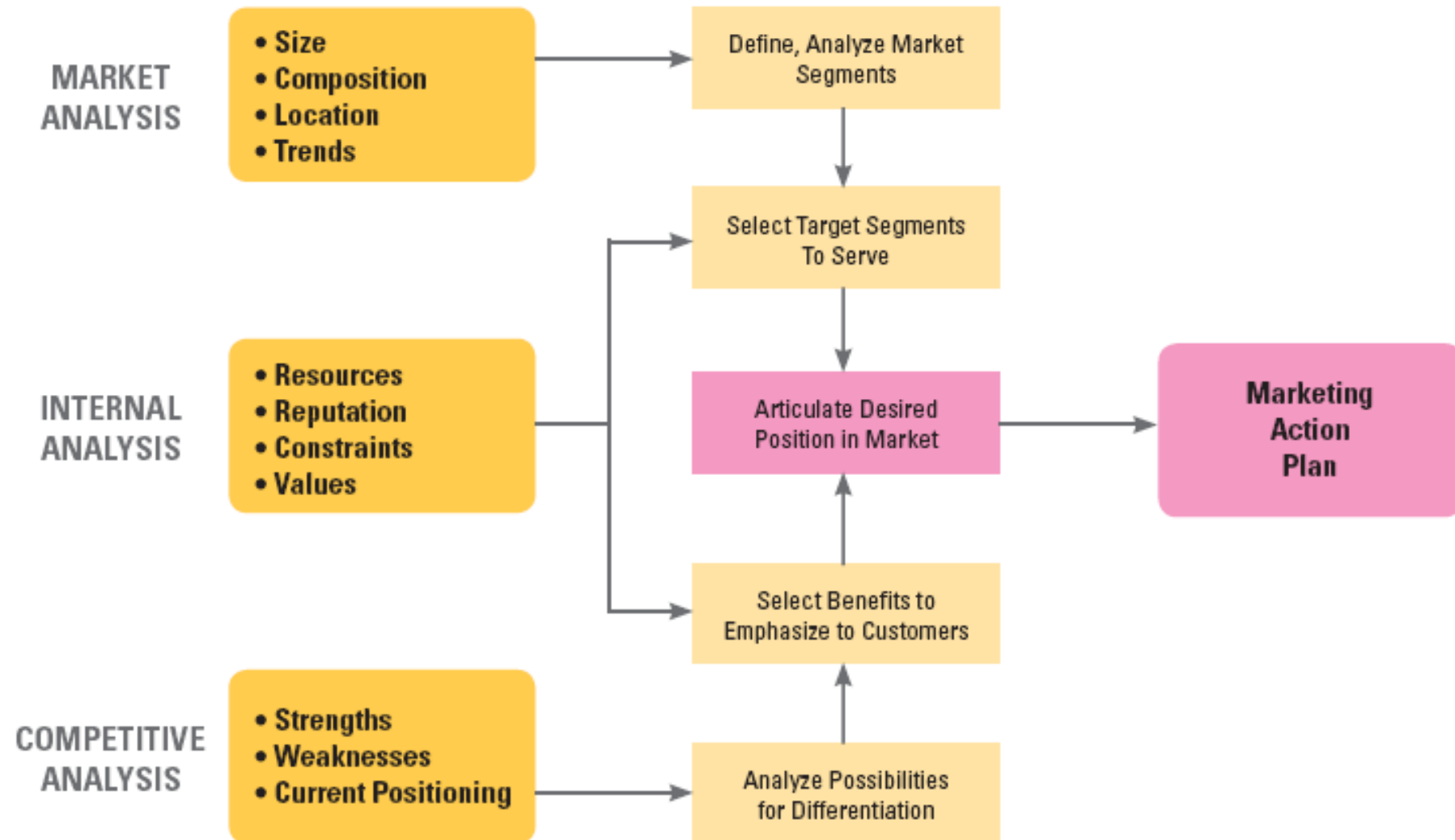
# Developing an Effective Positioning Strategy



- **Positioning links market analysis and competitive analysis to internal corporate analysis**
- **Market Analysis**
  - Focus on overall level and trend of demand and geographic locations of demand
  - Look into size and potential of different market segments
  - Understand customer needs and preferences and how they perceive the competition
- **Internal Corporate Analysis**
  - Identify organization's resources, limitations, goals, and values
  - Select limited number of target segments to serve
- **Competitor Analysis**
  - Understand competitors' strengths and weaknesses
  - Anticipate responses to potential positioning strategies

# Market, Internal and Competitive Analyses

(Fig. 3.11)





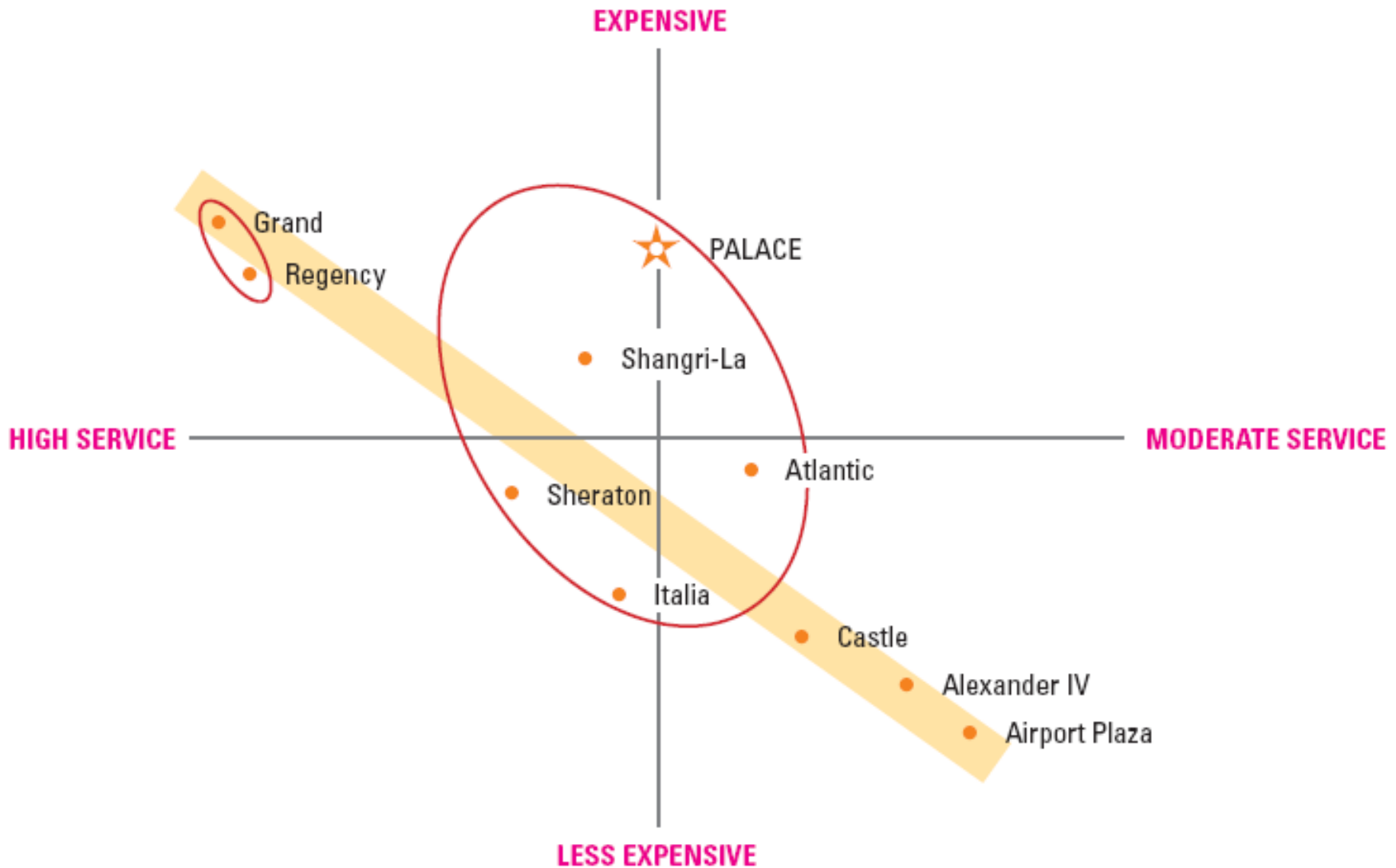
***Using Positioning Maps  
to Analyze  
Competitive Strategy***

# Using Positioning Maps to Analyze Competitive Strategy

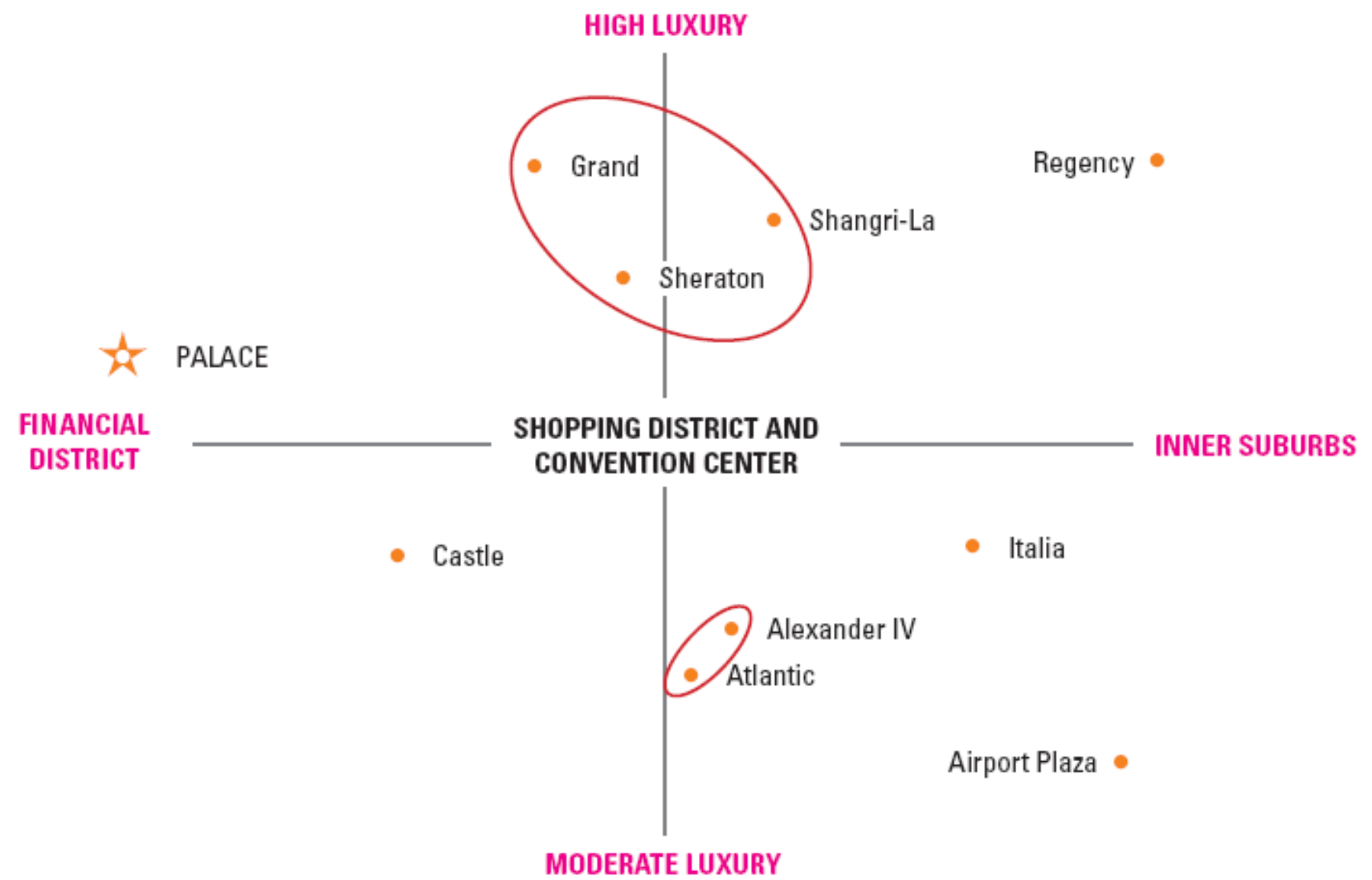


- **Great tool to visualize competitive positioning and map developments of time**
- **Useful way to represent consumer perceptions of alternative products graphically**
- **Typically confined to two attributes, but 3-D models can be used to portray positions on three attributes simultaneously**
- **Also known as perceptual maps**
- **Information about a product can be obtained from market data, derived from ratings by representative consumers, or both**

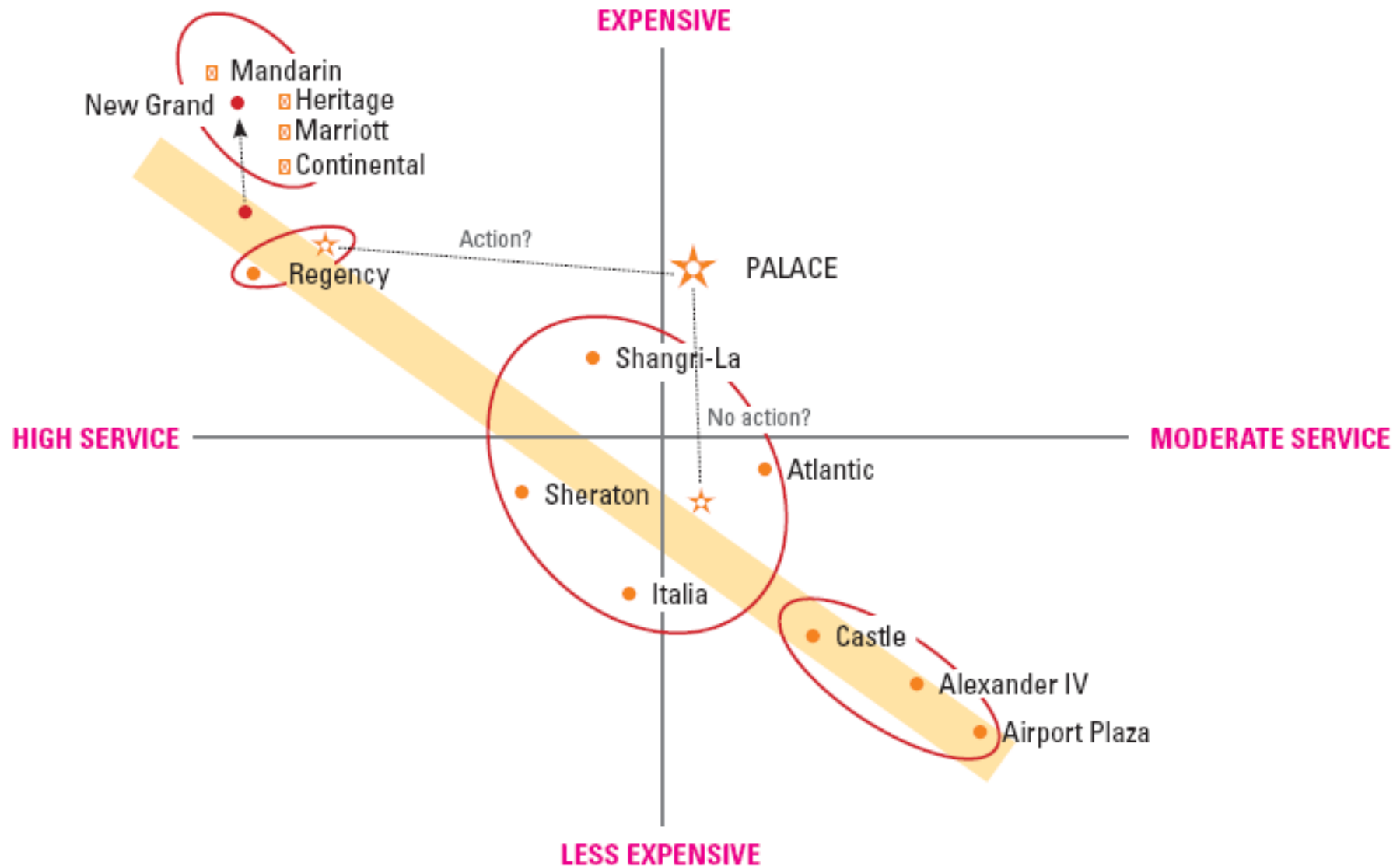
# Positioning of Belleville Hotels: Service Level vs. Price (Fig. 3.15)



# Positioning of Belleville Hotels: Location vs. Physical Luxury (Fig. 3.16)



# Future Positioning of Belleville Hotels: Service Level vs. Price (Fig. 3.18)



# Future Positioning of Belleville Hotels: Location vs. Physical Luxury (Fig. 3.19)





# 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

# Summary for Chapter 3: Positioning Services In Competitive Markets (1)



- 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

# Summary for Chapter 3: Positioning Services In Competitive Markets (2)

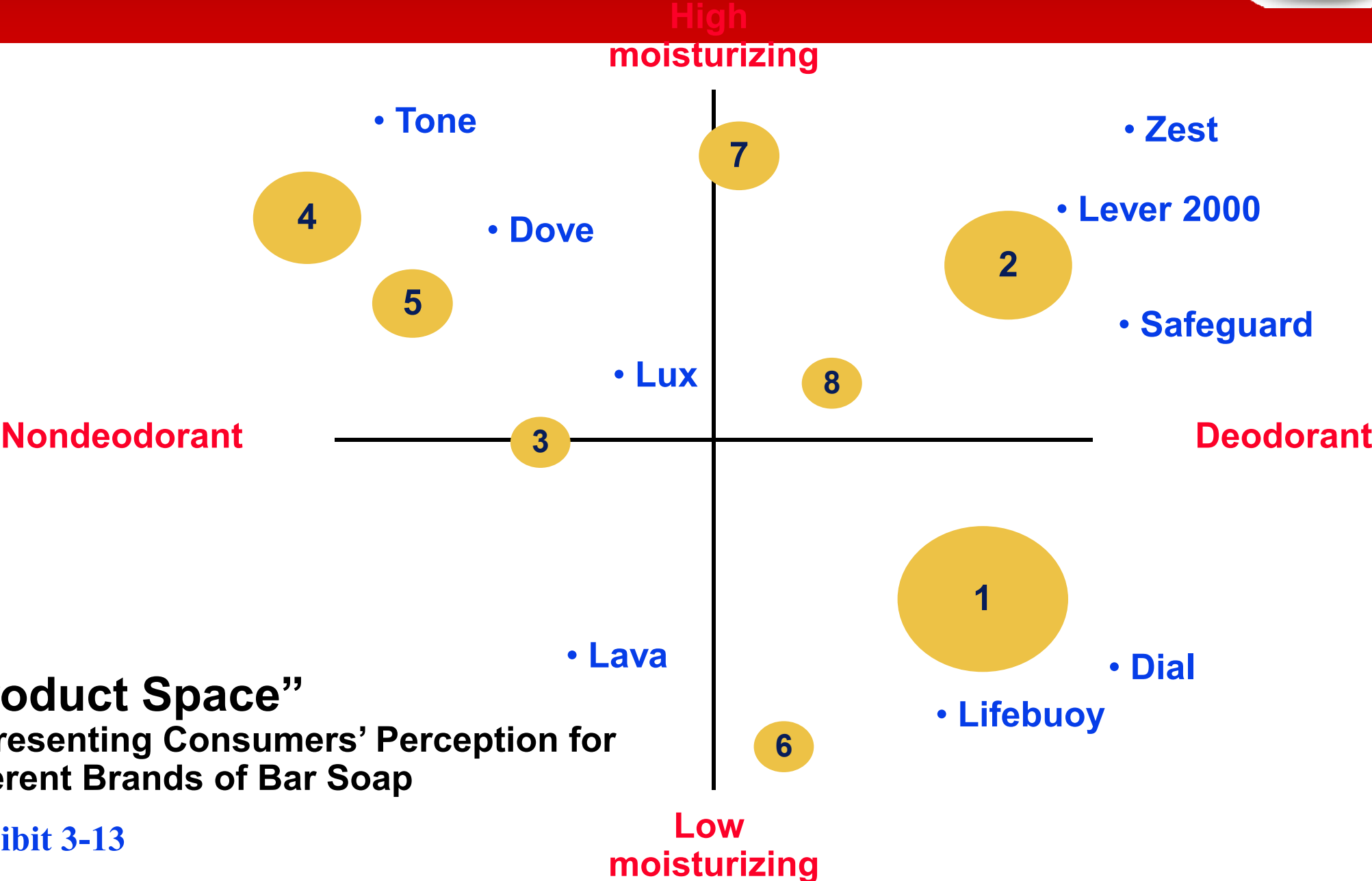


- **Positioning distinguishes a brand from its competitors**
- **Positioning links market analysis and competitive analysis to internal corporate analysis**
- **To develop a marketing positioning strategy, we need**
  - **Market analysis**
  - **Internal analysis**
  - **Competitor analysis**
- **Positioning maps are useful for plotting competitive strategy**
  - **Mapping future scenarios help identify potential competitive responses**
  - **Positioning charts help visualization of strategy**

# Other Perceptual Maps shown in class

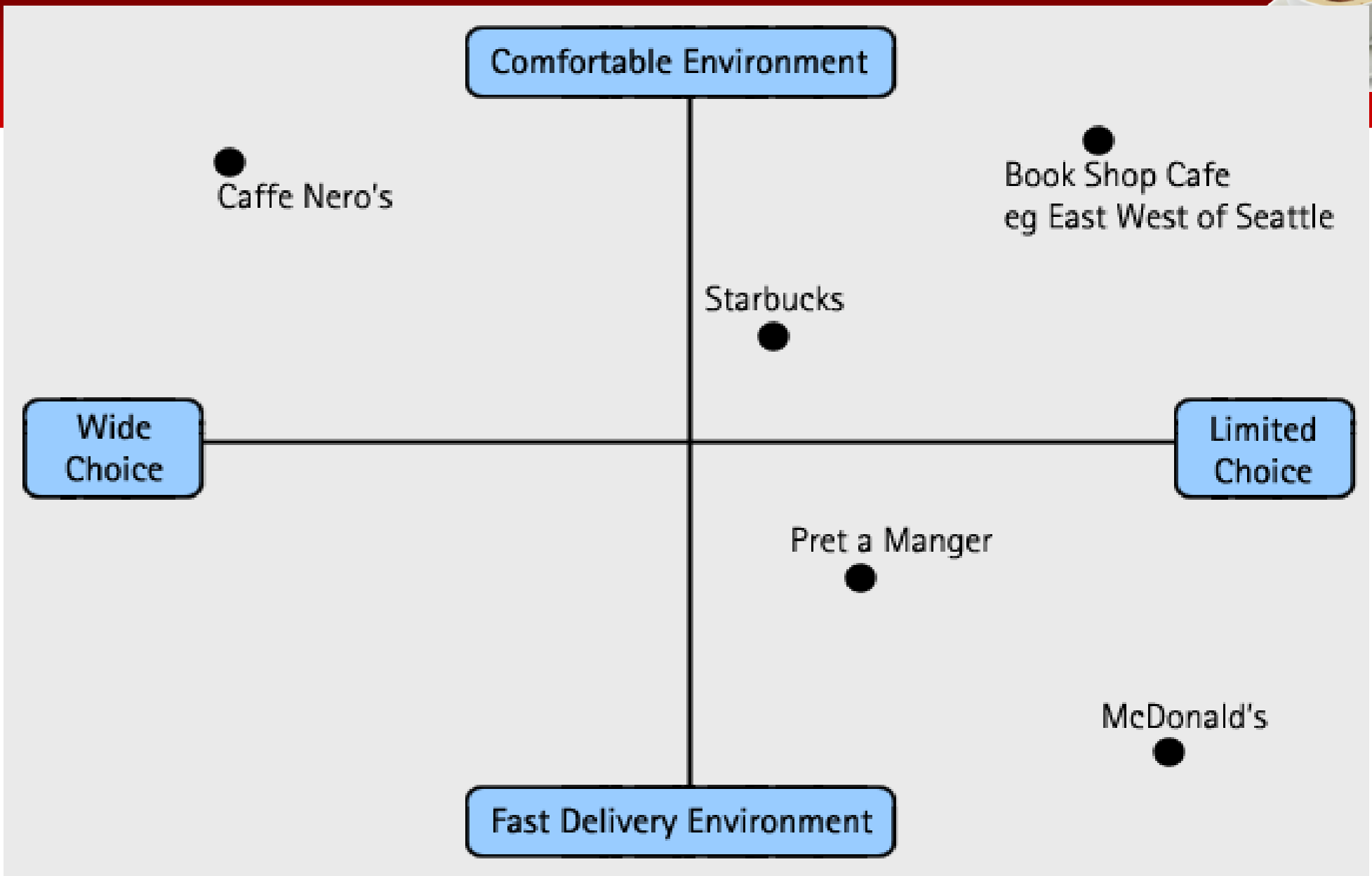


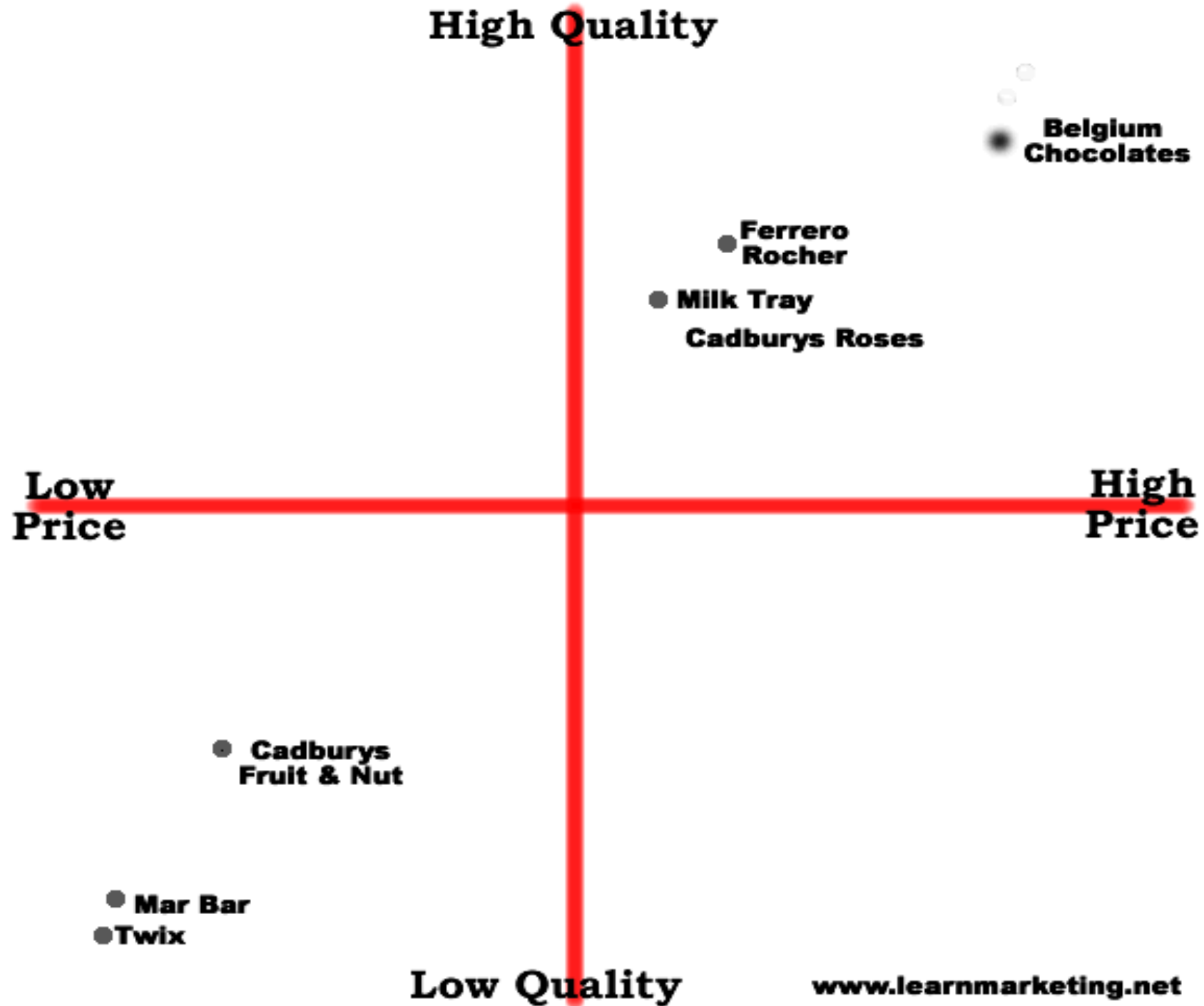
# Positioning of Different Bar Soaps



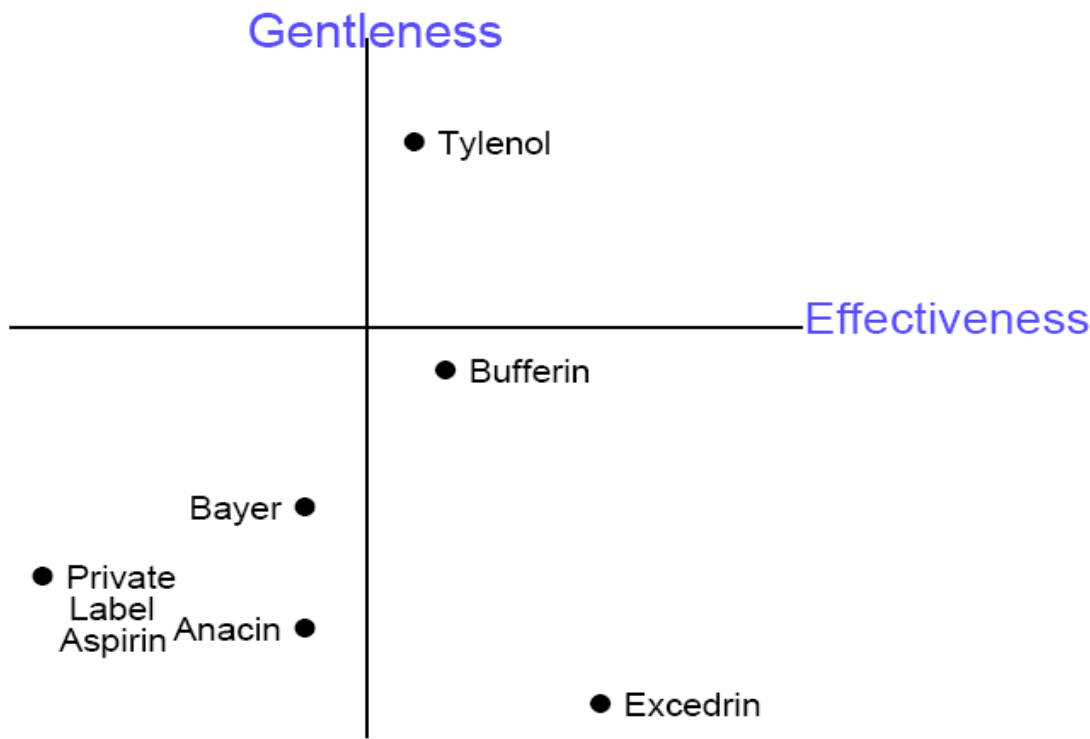
**“Product Space”**  
Representing Consumers’ Perception for  
Different Brands of Bar Soap

Exhibit 3-13





# Example: Pain Reliever Market



**Effectiveness:**  
perceptions on the ability to make headache pain go away fast

**Gentleness:**  
perceptions that the product would not upset one's stomach or cause heartburn

