POSITIONING:
WHO DOES YOUR CUSTOMER THINK YOU ARE?

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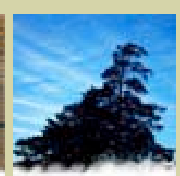
    

Positioning: Who Does Your Customer Think You Are?

Abstract

For many people, positioning is about the location of their building, or the spot their product takes on the shelves of the retailer. Both may be relevant to the discussion, but only to a minor extent. An organization's position is really about the image the customer has of that organization. A key role of an organization's marketing programs is to ensure that the organization's image matches the values and goals of the organization. In other words, it is vitally important that the image your customers have of you is the image you have of yourself. Above all, the positioning process is strategic, as it sets the context by which the relationship between the organization and its vendors and customers is built; and it establishes the basis upon which the organization attempts to compete. Whether you are a nonprofit fighting for funding or a for-profit competing for sales, how you position yourself in the marketplace is critical to future success.

Introduction

In a previous article[1] we suggested that the "Vision" of an organization is the most important aspect of a company's plan. Without an organizational vision the people of the organization are doomed to wander in the gloom of programmatic obscurity. Closely linked to the necessity of a vision is the organization's positioning strategy (see *Fundamentals of Marketing* – August '05). The organization's position is the image of the organization or its products in the eyes of the customer. So, to a certain extent, an organization's position is the customer's view of the organization's vision; especially the "who are we" component.

Although often attempted, the positioning strategy of the company itself and that of its products can rarely be different and be successful. One of the most famous examples of this is the case of Levi's. For nearly 100 years Levi's has had a reputation as an excellent manufacturer of durable, high quality jeans. In the late1970's management attempted to extend Levi's successful brand into a line of men's suits. Unfortunately their brand image as a producer of tough, reliable jeans did not translate into successful suit sales, where style and fashion are the key ingredients. After initial setbacks, the company tried to reposition themselves more broadly as a provider of casual clothing, which worked fairly well with shirts, but still did not translate into successful suit sales. The suit product line was generally considered a dismal failure for what was considered a very successful brand. It became an excellent lesson that the image of a company's products is interwoven with that of the company itself.

> *"…an organization's position is the customer's view of the organization's vision…"*

[1] Organizational Vision & Planning: *If you don't know where you're going, any path will get you there!* Dovetail Report, July 2005. Available at: http://www.dovetailinc.org/DovetailVision0705.html

Another rule of thumb is that an organization's position cannot be evaluated internally! Assessing an organization's position relies on information from the outside (customers, vendors, public at large) to provide feedback on how the organization is viewed. Unlike the vision, which is about building belief in a future within an organization, the company's belief in their position and image is irrelevant. All that matters is what the customers think.

A valuable question here is - what is the "customer's" view of the company's position and/or image? A more familiar question often asked of customers and used to gain insight as to how a company is viewed by its customers is: "what is your opinion of our company, its strengths and weaknesses, and what we stand for?" By the way, in responding to this question *your customer is never wrong*! They may not believe what you hoped they'd believe, but they aren't wrong. Whatever they tell you is the truth about what your image and position in the marketplace actually is. In this instance, as in many others, the customer is always right.

Fortunately, if your customer doesn't tell you what you hoped to hear, the process of clarifying your organization's position in your customer's eyes is the subject of extensive research, and lots of tools exist to help your marketing team address this critical element of your marketing plan. It is important to keep in mind that positioning needs to be an overriding strategy that is included in all marketing program areas, not an afterthought or minor add-on. In the following pages we introduce you to some of the tools that can be used and the process to develop clear strategies to guide your organization.

> *"All that matters is what the customers think."*

Developing an Overall Strategy

A positioning strategy is developed once your overall organizational vision is clear. Encountering challenges in defining the goals and/or parameters of this strategy may suggest that your vision isn't as complete as you thought it was. Thus there is a feedback loop between development of your positioning strategy and the organizational vision.

To put the strategy task in perspective, the formal definition of Positioning is: *the process of creating the mental image of the company and/or product in the eye of the customer.* To get started in imagining a potential strategy, it should be remembered that positioning is always done in relation to the competition; a company is always cheaper, higher quality, better located, or has greater variety…as compared to the competition.

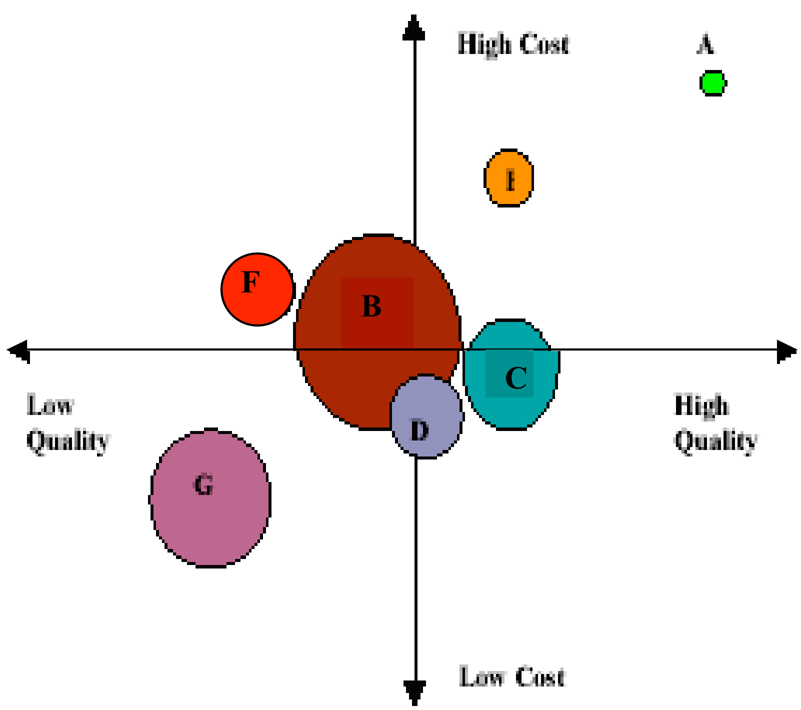
Strategic Positioning of a Product

As mentioned earlier, an organization's position cannot be evaluated internally. Position is based on what the customer thinks, and it is extremely important that companies have a realistic understanding of how their customers view their company or its products. As an example, it is not enough that your product manager thinks your product is the highest quality. What matters is what the customers think. A fairly simple way to find out what your customers think is to do three things.

1. Find out the approximate sales volume of your competitors for a particular product or product line (if you don't know this, your customers or the library might),
2. Ask your customers to rank the quality of your product and that of your competitors from very low to very high quality, and
3. Ask your customers to rank the relative price of your product and that of your competitors, from very low price to very high price.

From this you can map the relative price and quality relationship between you and your competitors. This provides you with the customer's perceived image (or position) of your company. This process is called perceptual mapping, and this particular image is called the *product-positioning map*. Below is an example of the results from this process (Figure 1). The size of the circle reflects the percent of the total market this competitor represents (their *market share*). To analyze this map, you can see company A is using a niche strategy, with very high price, but also very high quality. Company B is in danger from the competition because their price is significantly higher than company C's, but their quality is perceived to be similar. Company F is in big trouble because they have the third highest price and the second lowest perceived quality. The rest of the competitors may have positioned themselves appropriately, depending on their individual needs.

Figure 1. Product-Positioning Map



It should be noted that the same approach as outlined above can be used for an organization as a whole. In this case questions would focus on overall sales for the varying companies and on quality and price in general! (Note: IF customers say that the quality and price "depend" or vary based on your individual product line, then you have positioning conflict within your organization. Consistency is critical to accurate positioning and fulfillment of a vision!)

Determining where your company's products fit in a product-positioning map provides a lot of valuable information. The product-positioning map depicted above shows that there are no big companies trying to compete with a high quality product. This might represent an opportunity for a firm to attempt to do so. For example, improving product quality might allow company D to both raise prices and take greater market share. The firm just needs to figure out exactly what attributes the customer requires in order to perceive a product as high quality.

Marketing Tools for Positioning

An organization's promotional programs are the primary tools used to position an organization and its products. This includes both publicity and advertising programs. To understand how to use these tools it is valuable to understand how people process and arrive at a purchasing decision. Generally, people go through both a filtering and product adoption process.

People and Positioning

It is important to remember that purchases are voluntary exchange processes, through which people exchange something of value (e.g. money) for something of equal or greater personal value (e.g. product). It must be remembered that at all times this is a very personal internal evaluation process. However, even though each decision is made by an individual, there are great similarities across certain individual types. The process of segmenting these types into common groups and the ultimate target market is discussed more thoroughly in a previous Dovetail Report[2].

Product adoption process

The ultimate goal of most organizations is to strive for customers to consistently and continuously use their products or services. The goal of the positioning process is to ensure that customers are led through this process in a manner that reflects the company's values and leads to achievement of the vision of the organization. To attain the goal of continuous use the organization must recognize that customers go through an internal process of recognition through adoption. This series of phases is often called the product adoption process. In general, this process is divided into five phases: Awareness, Interest, Evaluation, Trial, and Adoption.

[2] Finding New Markets. Dovetail Report. January 2006. Available at: http://www.dovetailinc.org/DovetailNewMkts0106.html

Awareness – One of the greatest challenges to an organization is simply achieving the awareness of those they want to do business with. The primary challenge is that individuals have established a series of filters that are specifically designed to keep unwanted information at bay. The process of proceeding through these filters is often described as the *customer filtering process.*

Customer filtering process

In general, people are constantly going through a filtering process in order to handle the vast amount of information that is coming at them every day. These processes are often summarized as being:

- Selective exposure: the decision on which channel to watch or which store to go to.
- Selective attention: which advertisements does the customer actually watch or read?
- Selective comprehension: an understanding of how the customer interprets, or possibly distorts, the message. This answers the question "what did they really hear?"
- Selective retention: the degree to which the customer remembers the message and where they rank it (how important is it to them) in their memory.

Of course, all this is highly influenced by the personality of the individual. Advertising research focuses on these four areas of selectivity and how an organization gets its true message through a customer's filtering process.

Interest – Once an individual is aware of the company, its products or services, the goal is to attract their interest. The interest phase is the basic learning process. You can tell if you have an individual's interest if they begin asking questions such as "how much does it cost" or "how fast can it go?" It is during the Interest Phase that the basic sales approach of addressing features and benefits occurs. You will recall that a feature is an attribute of the product or service (such as it will go zero to sixty miles per hour in 3.7 seconds) and a benefit is the value of that attribute as perceived by the customer (which to a little old lady might be zero in the above example).

Evaluation – the third phase in the product adoption process is the evaluation phase. In this phase the individual begins to make comparisons such as new to old, new to new or a comparison in style, cost, design or other. Too often organizations try to lead their customer through comparisons before they have their actual interest, or before they have seen value in that product or service. Thus, continuing the above example, telling that little old lady that your car does zero to sixty miles per hour in 3.7 seconds while the competition's does it in 4.5 seconds is irrelevant if she doesn't see any value in that attribute. Helping a customer make comparisons is only valuable for those attributes the target customer has an interest in, cares about, and perceives benefit from.

Trial – the fourth phase of the product adoption process is the trial or test use phase. For commonly used products, such as soap, companies can short cut the product adoption process by making available free trial products. That is the reason behind the free soap samples in the mail. The goal in this phase is simply to get the customer to actually use the product or service in order to demonstrate the superior nature of the offering. Obviously it is critical that the trial experience is optimized in the eyes of the customer. That is another reason why shampoo, often a convenience product, is sent through the mail as a trial sample – to minimize the customer trial effort.

Adoption – the final phase of the process involves repetitive and continuous use of the company's products and/or services. This is the ultimate goal and the indicator of success. For many products a key role of marketing is the purchase reinforcement process, or those activities designed to ensure that post-purchase satisfaction is as high as possible. The goal of these activities is to ensure repetitive future purchases by better understanding the customer's reaction to the first purchase, and by providing information that positively supports the customer's purchase decision (e.g. Toyota might send you a notice thirty days after purchase notifying you that your model was selected car of the year).

Positioning describes the process by which an organization influences the circumstances under which a customer goes through the adoption process. To a certain extent it creates the context. In any event, all steps of the process must reflect the values and vision of the organization; correct positioning makes sure that happens.

"…a company's brand is the key manner in which a customer identifies a company and by which a company differentiates itself from the competition."

As mentioned earlier, the dominant way a company influences its position in the market is through its promotional activities, generally through its advertising programs. A key component of the process of creating an image in the eye of the customer is through the branding process. Many companies pay little attention to the development and maintenance of their brand. Yet a company's brand is the primary means by which a customer identifies a company and by which a company differentiates itself from the competition.

Branding

A company's branding process is a critical piece of its positioning strategy. Brands are the name, terms, signs, symbols and designs (or any combination) that are used for identification and differentiation of your company and/or product from that of competitors. There are three basic components to a brand.

Brand Name – is that part of the brand that can be vocalized. Interestingly, there is considerable research into the impact a name can have on customer expectations and image. For example, "Sluggo's Diamonds" has a very different connotation than "Imperial Diamonds" and creates a very different image in the eye of the customer. Interestingly, research has shown that even specific symbols (e.g. letters) have strong connotations even among those unfamiliar with the meaning of those symbols (e.g. can't read). Letters such as K and X create very different images than those of O and B. This doesn't mean you have to change the family name, but it does mean you should understand the potential interpretation by unfamiliar customers.

Brand Mark – is that part of the brand that encompasses signs, symbols or design. A key example of this is the organizational logo.

Trademark – is that part of the brand that can be legally protected. A company's trademark is a legal asset of the organization.

The key to a good brand name is one that is easily remembered, easily pronounced, has desirable connotations, can be legally protected, and is distinctive. Obviously this is a long list, and a brand that fulfills this expectation is not arrived at without some significant thought and effort. This doesn't mean that there aren't a lot of organizations out there with names like "Bob's Diner". It does mean that "Bob's Diner" might be a more successful brand name than "Bob's Diamonds."

There are basically five core branding strategies that are used to take advantage of the branding process, and these are also dependent on the positioning strategy of the organization.

1. *Individual Brand Name* – in developing a brand name for a product a company is focused on positioning its products rather than the company as a whole. Examples are names like Cheerios cereal or Cheer laundry detergent. The primary goal is to divide the overall risk between product lines and to limit this positioning risk to an individual product line. The disadvantage to branding individual products is that it reduces the economies of scale, as effort is devoted to promoting the individual line rather than using a broader approach that promotes the organization as a whole.

2. *Family Brand Name* – in this case the organization uses one name across all product lines. A famous example involves Campbell's soups. A key advantage is the economy of scale, as you advertise "Campbell" rather than "chicken noodle."

3. *Line Family Name* – is a way to limit the risk of product line mis-positioning or failure to a distinct product line, e.g. Kenmore, rather than the organization as a whole. Thus if Kenmore appliances are perceived as being lower performing than Sears tool sets, the tools don't suffer in comparison since they are promoted as a separate brand, and the company's overall image as a provider of quality products is less affected. In the case of a product line approach you still get some economies of scale.

4. *Company trade name and individual trade name combined* – this is another way to combine some of the benefits resulting from economies of scale while limiting the risks to a specific product. An example would be Kellogg's Rice Krispies,

where the cereal benefits from the overall Kellogg brand but the brand limits any risks of image to the specific cereal (e.g. if you don't like Rice Krispies it doesn't necessarily affect your opinion of the whole brand).

5. *Brand Extension Strategies* – the world's most famous example of this is Nike, which has taken the now famous "swoosh" and extended it well beyond sneakers to a vast line of clothing and other apparel. The idea in this case is to build on a successful brand. Disney has done the same moving from cartoons, to movies and to theme parks around the world. The basic goal is to apply the benefits generated by the image a brand represents to new products aimed at the same or similar target markets.

A sixth strategy often discussed is the concept of a multi-brand strategy, where a company aims more than one brand at the same market segment in order to get at a specific target market (e.g. those that tend to switch products) and to increase overall market share. A key piece of this strategy is that the second brand is generally trying to portray a similar image to a similar or the same target market, but may provide different features or attributes in that alternate product and brand. An example might be a second brand of expensive coffee that is aimed at the same target audience but has different features such as is usable in an automatic coffee maker rather than available as whole beans only – for the gourmet … on the go!

Conclusion

The process of creating an organization's image in the eye of the customer is called positioning. This can be done for both an organization as a whole and for a company's individual product lines or services. The KEY is that this process should be a proactive one, and not left to the whims of chance. It is also critical that the image created through the marketing process truly reflects the values and vision of an organization. The most critical aspect is the organization's ability and willingness to measure themselves through the eyes of their customers. It is this critical first step that is a leap toward the ultimate in customer satisfaction. Finally, a company implements its positioning strategy through all of its marketing activities, from the type of products they sell to the way they price those products, to the partners chosen to bring those products to end markets. Advertising is an important tool, but not the only one. A company's image is a valuable and critical component of its success – it is best not left to chance!

This report was prepared by

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Dovetail Partners is a 501(c)(3) nonprofit corporation that collaborates to develop unique concepts, systems, programs, and models to foster sustainable forestry and catalyze responsible trade and consumption.

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