

BUSINESS MARKETING / 05

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Based on Dr. W.G. Biemans' Business marketing management, Prof. Ph. Kotler's Principles of marketing / Strategic marketing management and miscellaneous designer's lecturing materials



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POSITIONING

Core strategy and differentiation

- **Identifying customer groups & positioning**

- **Core strategy:** the identification of a group of customers for whom the organization has a differential advantage, and then positioning itself in that market.

Core strategy is the hub of marketing: where the organization's strengths meet market opportunities.

"What are we capable of doing / what should we do, in order to get customers to start buying our products or services?"

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POSITIONING

Core strategy and differentiation

- **Identifying customer groups & positioning**

- **Positioning:** an organization's intentional endeavor at establishing a certain relative position in the market, of the organization, a division, a brand or a product, in the perception of customers, with regard to similar competitors.

- The key to winning and keeping customers is, of course, to understand their needs and buying processes *better than competitors do*, and to deliver more value.

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POSITIONING

Core strategy and differentiation

- **Identifying customer groups & positioning**
 - **Competitive advantage:** happens when an organization can position itself as providing superior value to selected target markets, either by offering lower prices, or by providing more benefits to justify higher prices.
 - **Positioning** begins with **differentiating** the organization's marketing offer, so it will give customers more value than competitors offers do.

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POSITIONING

Core strategy and differentiation

- **BCG matrix & competitive advantages**
 - Not all organizations are able to find many opportunities for differentiating their offers and gaining competitive advantages. This may depend on what type of industry is involved.

The **Boston Consulting Group advantage matrix** (not to be confused with the BCG growth-share matrix) explains several types of industry based on the number of competitive advantages and the size of those advantages.

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POSITIONING

Core strategy and differentiation

- **BCG matrix & competitive advantages**

BOSTON CONSULTING GROUP ANALYSIS

number of competitive advantages	Many	fragmented industry <i>services, fast-food</i>	specialized industry <i>pharma, nutra</i>
	Few	stalemate (=checkmate) industry <i>steel</i>	volume industry <i>Unilever, Hitachi</i>
		Small	Large
		Size of the advantage	

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POSITIONING

Core strategy and differentiation

- **BCG matrix & competitive advantages**
 - The **4 industry types** according to BCG:
 - **Volume industry**: an industry characterized by few opportunities to create competitive advantages, however, each advantage is huge and gives a high pay-off (Hitachi, Unilever).
 - **Fragmented industry**: an industry characterized by many opportunities to create competitive advantages, however, each advantage is relatively small (services, fast-food restaurants)

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POSITIONING

Core strategy and differentiation

- **BCG matrix & competitive advantages**
 - The **4 industry types** according to BCG:
 - **Specialized industry**: an industry where there are many opportunities for organizations to create competitive advantages that are huge or give a high pay-off (pharmaceuticals, nutraceuticals).
 - **Stalemate industry**: an industry that produces commodities and is characterized by a few opportunities to create competitive advantages, with each advantage being small (steel, bulk chemicals).

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POSITIONING

Core strategy and differentiation

- **BCG matrix & competitive advantages**
 - **More differentiation opportunities**:
 - Differentiation may seem to be harder in some industries than others, but creative organizations have shown that **any market can be differentiated**.
 - The solution for organizations facing loss of their advantages is to **keep identifying new potential advantages** and to introduce them **one by one** to keep competitors off balance (Sony, Apple, Intel, Microsoft, Gillette).

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POSITIONING

Differentiating markets

- **Products, services, personnel, image**
 - **Differentiation possibilities:**

A company or market offer can be differentiated along the lines of product, services, personnel or image.

 - **Product differentiation:** although some firms offer highly standardized products that allow little variation (steel, aspirin), often meaningful differentiation is possible, for instance, based on product features (cars, computers) or product performance (all kinds of industrial machinery).

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POSITIONING

Differentiating markets

- **Products, services, personnel, image** (cont'd)
 - **Differentiation possibilities:**
 - **Services differentiation** can be established through, for instance, reliable delivery, installation of machinery or equipment, customer training, consulting services, etc.
 - **Personnel differentiation:** organizations can gain a strong competitive advantage through hiring and training better people than their competitors do.

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POSITIONING

Differentiating markets

- **Products, services, personnel, image** (cont'd)
 - **Differentiation possibilities:**
 - **Image differentiation:** although competing offers may often look the same, buyers may perceive **differences based on company or brand images**. A company or brand image should convey a singular and distinctive message that communicates the product's main benefits and positioning. Symbols can provide strong company or brand recognition and image differentiation (Mercedes star, the Michelin man, GE-logo).

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POSITIONING

Differentiating markets

- **Value positioning**
- **Other differentiation possibilities:**
 - **Value positioning:** involves a range of positioning alternatives based on the value an offering delivers and its price. As buyers typically choose products and services that give them the greatest value, marketers will want to position their brands on the key benefits that they offer relative to competing brands, thus trying to answer the buyer's question: "Why should I buy your product or brand?"

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POSITIONING

Differentiating markets

- **Value positioning** (cont'd)
- **5 winning value propositions companies can use to position their products:**
 - **More for more:** involves providing the most upscale product or service and charging a higher price to cover higher costs (Ritz-Carlton Hotels, Mercedes-Benz, etc.).
 - **More for the same:** companies can attack a competitor's 'more for more' positioning by introducing a brand that offers comparable quality, but at a lower price (introduction of Toyota's Lexus as Mercedes's competitor).

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POSITIONING

Differentiating markets

- **Value positioning** (cont'd)
- **5 winning value propositions companies can use to position their products:**
 - **The same for less:** involves selling a certain product for a lower price (Amazon.com's books in comparison with regular retail).
 - **Less for much less:** involves meeting consumers' lower performance or quality requirements at a much lower price. For instance, the various low-cost airlines.

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POSITIONING

Differentiating markets

- **Value positioning** (cont'd)
 - **5 winning value propositions companies can use to position their products:**
 - **More for less:** as -successfully- being done by companies such as Dell computers. This may seem the winning value proposition, however, most companies will have great difficulty sustaining such a best-of-both proposition. Offering more usually costs more, making it difficult to deliver on the 'for less' promise. Companies that try to deliver both may eventually lose out to more focused competitors.

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POSITIONING

Product positioning

- **Product position**
 - A **product's position** is the way the product is defined by buyers on important attributes: the place the product occupies in the buyers' minds relative to competing products.
 - And yet, many buyers are overloaded with information about products and services. To simplify buying decision making, buyers -and consumers in particular- organize products into categories: they 'position' products, services and companies in their minds.

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POSITIONING

Product positioning

- **Product position**
 - As such, consumers tend to remember brands in the form of a product ladder, such as: **McDonald's** -> **Burger King** -> **Wendy's**
In such a ladder, the second firm often has half of the business of the first firm, and the third firm obtains approx. half the business of the second firm. Above all, the top firm is remembered best, hence the reason why companies fight for the number 1 position.

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POSITIONING

Product positioning

- **Product position**
 - Apparently, consumers tend to remember #1 positions best, and have great difficulty in remembering other positions. According to marketing-guru's **Al Ries** and **Jack Trout** the 'biggest' marketing position can be held by only one brand (example: McDonalds hamburgers, Apple smartphones, etc.). So, what counts is to **achieve a #1 position along some valued product attribute**: Burger King 'flame grilled' hamburgers, Panasonic's affordable audio, etc.

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POSITIONING

Perceptual mapping

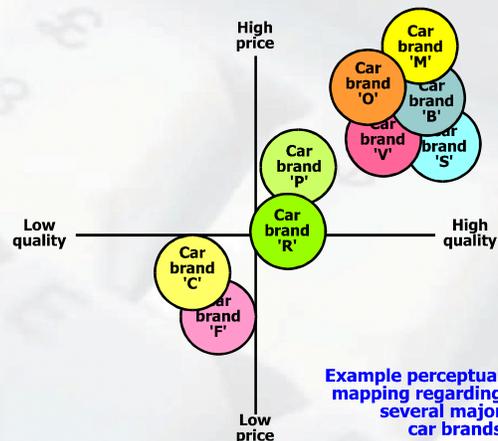
- **Perceptual maps**
 - **Perceptual map**: a product positioning tool that uses **multidimensional scaling (MDS)** of buyer's perceptions and preferences to portray the psychological distance between products and segments. **Multidimensional scaling (MDS)** provides a visual representation of the pattern of, for example, perceived similarities between various car brands, as gathered through market research among buyers.

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POSITIONING

Perceptual mapping



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POSITIONING

Positioning strategies

- **Selecting the right competitive advantages**
 - How many differences should be promoted?: Advertising executive **Rosser Reeves** stated many years ago that companies should develop a **unique selling proposition (USP)** for each brand and stick to it.
 - **Unique selling proposition:** the unique product benefit that a company aggressively promotes in a consistent manner to its target market, usually focusing on best quality, best services, lowest prices, most advanced technologies, etc.

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POSITIONING

Positioning strategies

- **Selecting the right competitive advantages**
 - Even though there is not a lot of literature regarding branding in business markets, more and more business marketers increasingly use branding as essential part of their USP. **DuPont Chemicals**, for instance, use their **Kevlar** trademark for various fibre products; **W. Gore's** use their **GoreTex** trademark for a variety of textile products that have to be water resistant; **AkzoNobel** that uses dozens of industrial brands, such as **International Paint**; etc.

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