

A Note on Positioning

Positioning is arguably one of the most important decisions a firm makes as it develops a go to market plan. This note outlines (1) what is a positioning statement, (2) what are the benefits of having a clear positioning, (3) what are the challenges in coming up with one, and (4) what are the key strategic steps in arriving at good positioning.¹

Positioning Statement: The essence of positioning is summarized in a positioning statement. A typical positioning statement consists of three key components:

1. Target Segment (s): Indicating which segment or segments the firm plans to target.
2. Point (s) of Difference: Highlighting why those in the target segment prefer the firm's product over alternatives. While this is not necessarily always desirable, some companies do believe that one should highlight only one point of difference in a positioning statement. In any case, it is important to recognize what is the most important point of difference. Also, it is important to focus on points of difference that are truly meaningful. It is often useful to include a "reason to believe" in a positioning statement when the point of difference being emphasized is not obvious. For example, a new pharmaceutical drug might highlight the mechanism of action to justify why the point of difference being claimed will indeed materialize.
3. Frame of Reference: The third important component of a positioning statement is a clear definition of the competitive set; i.e., whom do we plan to steal business from. Often this is referred to as "choosing the right pond." In some cases, a new pharmaceutical drug could choose to be considered a first line therapy or a second line therapy.

It is important to make each of these choices explicitly and carefully.

Positioning Statement Templates:

To customers who are (target market); our product (brand name) offers (point of difference(s)) relative to (frame of reference) because (reasons to believe).

Our product (brand name) provides (single most important benefit) to (target segment) among all (frame of reference) because (reason to believe)

¹ One of the objectives in positioning is arrive at how a firm can potentially differentiate its offerings from those offered by competitors in order to improve returns on the resources being deployed. Broadly speaking there are two kinds of differentiation strategies; vertical and horizontal. An example of vertical differentiation would be BMW 700, 500, and 300 series. Most would agree that if offered at the same price, BMW 700 is superior to 500, which in turn is superior to 300. On the other hand, to illustrate horizontal positioning, one might ask is one consulting company superior to another? The answer to that is probably, some clients value a particular capability or expertise area more than another, and different firms offer have different strengths. Much of what is discussed in this note pertains to horizontal differentiation.

What are the benefits of a clear Positioning Statement?

Once arrived at and agreed upon, a positioning statement becomes a compass, or a guide to managerial decision-making and resource allocation. It directs our media efforts but more importantly it also guides our product development efforts. Companies that are truly market oriented start with a positioning statement and then build to it as opposed to the other way around. In a hypercompetitive marketplace, successful companies must *make what they can sell* as opposed to *sell what they can make*. In order to implement this, positioning must guide product/service development.

Why is it challenging to come up with a clear Positioning Statement?

Good positioning requires a sound understanding of the customer. What do our customers value? It requires a deep understanding of differences across customers and the firm's ability to segment these customers. Good positioning also requires a very sound understanding of competing alternatives to identify what benefits the firm can emphasize that others do not offer. Positioning also forces firms to candidly think about its own strengths, capabilities and weaknesses to make sure it can deliver the value it intends.

However, what makes positioning truly challenging is that the process of coming up with a positioning statement forces a firm to make choices. When a firm decides to target a particular segment, it simultaneously decides not to target others. It is this aspect – choosing – that makes positioning challenging. However, when done well, positioning results in a superior allocation of a firm's limited resources.

Strategic Steps in the Positioning Process

The positioning process consists of three strategic steps; (1) segmentation, (2) targeting, and (3) positioning. This is often referred to as STP analysis.

Segmentation

This is probably the most critical step in the process. Segmentation involves finding groups of customers who are homogeneous within segments, but heterogeneous across segments. Customers buy products and services because of the benefits these provide. Customers value benefits differently. Recognizing what the key benefits are, and identifying differences in the importance customers assign to these benefits, forms the foundation of any sound segmentation strategy. This is often referred to as *benefit based segmentation*. Benefits may be functional or symbolic.

Targeting

The next step is to decide which segment (s) one should target. Targeting decisions require balancing the *attractiveness of segments* being targeted with the *firm's capability to address the segment's needs*.

An additional aspect that needs to be kept in mind is the ability to identify segments. Some oncologists may prefer a less efficacious treatment that has many years of proven data and others may be more influenced by efficacy based on recent head to head test results. But if we are not able to identify which doctor cares more about one benefit or the other, such a scheme is wonderful as a concept but not implementable. Marketers therefore attempt to link differences in benefits sought to psychographic and demographic characteristics. The mapping is however not perfect.

Positioning

The next step in the process is to identify benefits that should be emphasized, or the points of difference. Clearly, the points of difference being emphasized need to be relevant to the target segment. The ability of the firm to deliver on these benefits better than competitors is also necessary. It is further advised that instead of emphasizing a long list of benefits, firms must choose a very small subset and own these benefits in the marketplace. Some firms believe that **only one benefit** should be emphasized. However, this is a debatable strategy.

Urbany and Davis (2007) propose an interesting approach in Figure 1 to identifying what benefits (points of difference) could potentially be emphasized.

