ISB | Executive Education

ISB- Product Management

Week 4: Competitive Positioning and Its Role in Product Design

Video 1: Module Overview

Welcome to the module on competitive positioning and its role in product design. This module will cover the following topics: importance of positioning strategy, competitor mapping and analysis, types of positioning strategies, managing crisis, disruptive positioning, managing product position, introducing radical innovation to the consumer market and the challenges involved in that.

After completing this module, you will understand the importance of product positioning strategy in new product success. You will learn how to conduct a comparative analysis to know about the product within the same category. You will also understand the different types of positioning strategies and learn how to manage a crisis that can impact the position of your product. Next, you will learn in-depth about disruptive positioning strategies for market advantage. You will also learn about managing a product's position in the digital world. And finally, you will learn about the challenges when introducing radical innovations to consumer markets.

Video 2: Product Positioning and Its Importance

In this video, we will understand why product positioning is important. Let us start with a simple example of a positioning problem. Assume that you are highly innovative company that has invested in making very high-quality products. However, marketing research says that you are viewed as mid-quality company by the consumers. Is there an issue here? What is it? This is clearly a problem for you because consumers looking for high-quality products would not consider your product for purchase, since they view you as a mid-quality product provider.

In this example, you make high-quality products and want consumers to think that you are a high-quality product company so that you can charge premium prices and get the planned return on your investment in making high-quality products. But you are unable to do so. This example represents a positioning problem. You want consumers to think about your product in a certain manner, and they think about it in a different manner. Although it seems like a simple issue, it is not. It is a critical issue in product management. After all, you act based on how you think. In any purchase situation, how you think about the products you are considering for purchase, that is, products in your consideration set, will lead you to select one or more of them for purchase.

If we revisit the marketing management process, we will see that a firm first plans a position for its new product, and then uses the elements of the marketing mix commonly categorised into four categories of four Ps, to create and deliver the planned value proposition, to ultimately achieve the planned position in consumers' mind. In this process, the position achieved is the end result of a very carefully planned marketing strategy.

A wrong position achieved is clearly a sign that either something has gone wrong with the planning and implementation of the marketing strategy, or something has happened in the market that has derailed the marketing strategy. For example, an unexpected crisis may damage the position of a product. Since position of a product exists in the minds of the consumers, it is a delicate issue to handle. And the final outcome may have little or nothing to do with reality. I will go as far as to say, that there is really nothing called reality. Everything happens in the mind. I'm sure you're wondering about my radical statement here. Of course, there are various philosophical arguments for or against such statements.

Our focus here is purely in the area of positioning, and we will limit ourselves to that. Let me elaborate more on this issue. Here slide shows a picture of a regular glass for drinking water. What is the shape of the mouth of the glass? All of you would likely say it is a circle. But think more carefully. Why did all of you collectively say something incorrect instantly in the same manner without collaborating? Isn't it interesting? How many of you actually see the shape as a circle? No one. It is physically impossible to see it as a circle. It looks like an ellipse. Then why did you think it is a circle? Let us look at this issue logically. Assume that there are 10 qualities that define a person. And I rate bad on eight of them and good on two of them.

Overall, would you call me a bad person or a good person? You'd call me a bad person because the vast majority of my qualities are rated bad, right? Similarly, except from specific spots, if you see the mouth of the glass from any spot, it will look like an ellipse, only if you're watching it from any spot on its axis, which is a straight line perpendicular to the plane of the glass mouth and passing through its centre would you see the shape of the mouth as a circle? Therefore, even common-sense dictates that we call the shape of the mouth of an ellipse. However, we still call it a circle, why? We are social animals, and we need to communicate to survive as a species. Therefore, we need to develop a common understanding of things around us.

As a result, we have collectively decided that the shape of the mouth of the glass would be called a circle, irrespective of what we see it as. In short, we infer what it would look like from its axis and call it that irrespective of what we see. Therefore, your answer that the shape is a circle is a social construct. It may not be real. Ultimately, how we act is based on how we think, and positioning is about your mind. A positioning strategy aims to ensure that you think about my product the way I want you to, so that you act to purchase it. And the elements of the marketing mix, commonly the four Ps, steer my product to the right position in your mind.

Video 3: How to Position a Product for Market Advantage

In this video, we will look at different ways to position a product. Specifically, we will understand both the traditional methods of positioning and the newer methods of disruptive positioning. Companies commonly use perceptual maps to understand the positions of different products or brands or solutions in a market or a segment.

A perceptual map represents the positions of products in a category on a set of factors that are important drivers of customer purchases in the product category. It shows the strategic summary of product benefits on key attributes that drive purchases in the category. Traditionally, position of a product has been analysed with respect to other competitive products. Within its category. Let us consider the example of a perceptual map of pain relievers. Let us assume that only two factors drive purchases in this category; gentleness and effectiveness of pain relievers.

The position of different brands is shown in the perceptual map. As we can see, Tylenol is gentle and more effective than Anacin. Similarly, Anacin is more effective but less gentle than private label brands. The position of other brands is understood in a similar manner. Of course, if there is another key factor or attribute that drives purchases in this category, such as price, then it would either be represented as a third axis in a three-dimensional map or we can have a series of three maps, each being of two dimensions.

In the latter case, we will have two-dimensional maps of gentleness and effectiveness, gentleness and price, and effectiveness and price. In practice, it is common to have a single map of many dimensions. If price is the third key dimension in this case, then another type of map called the value map can be developed to visually show the value offered by each competing brand in the category. In a value map, the products are displayed in the map based on the value they offer per unit of price.

In our example, a value map can be developed by dividing the gentleness and effectiveness offered by each brand by the price of the brand to get gentleness per unit price and effectiveness per unit price and then plotted on the two-dimensional map, where one axis represents gentleness per unit price and the other axis represents effectiveness per unit price. The map is rescaled so that the lowest brand on each dimension defines the origin of the map.

Video 4: Positioning and Product Category

So far, we have discussed product positioning within a category. A natural question arises, What is a product category? In this video, we will discuss product category and its relationship with product positioning. From a positioning perspective, category is any grouping of products or brands that exists in the minds of the consumers. For example, if I ask you about good universities, some of you may think of a few universities that are good in your opinion. Others may think of another group of universities as good universities.

The category of good universities may vary across people. However, many universities may be part of most of the groups or all the groups. Similarly, when consumers group products in their mind as belonging to the same category, say good cars, some car brands may be common across the categories in most consumer's minds in a segment. If we have done our segmentation well, consumers in a segment are likely to think similarly along key attributes that driver a purchase in our product category. Too much variance across consumers in a segment would make offering a single solution to the segment difficult.

Now, who defines a category? Companies using elements of the marketing mix steer the product in the desired category in the minds of the targeted consumers, and then to the desired position within the category. In other words, just as in your home address, you have a colony and then your apartment. A category is like a colony, and the position is like the apartment number. In any category in a consumer's mind, different products have different positions.

Companies achieve desired categorisation using the elements of the marketing mix or 4Ps. Take on P, product design. Red Bull comes in a tall can prevent categorisation with soft drinks. Take the second P or distribution channel. If you visit a supermarket and see the dairy products section and find a new yellow box, won't you normally assume that the new product has something to do with milk? Just by placing a product in a specific section of retail outlet, a company can support the desired categorisation by consumers. Take the third P, promotion or communication. Gatorade is referred to as liquid fuel and not juice, because the company does not want consumers to categorise it as a Juice.

Finally, consider the fourth P, the price. Digital video recorders such as TiVo want consumers to subscribe to the services and pay monthly, because this pricing structure communicates that TiVo is selling a service rather than an electronic device. The process of steering the product to the right position is delicate and requires careful planning and implementation. It may become very difficult or even impossible to correct errors in positioning. You may recall that the position achieved is the end result of a carefully planned marketing strategy.

Consider the example of Tata Nano. Nano was planned to be an aspirational car for owners of two-wheelers who wanted to upgrade to a new car and feel proud of the ownership. However, before the marketing team could implement this strategy as planned, Ratan Tata and other company officials went across the world and presented Nano as a cheap car, a poor man's car and ₹1.1 lakh car. Although Tata won many accolades for the innovation, the product failed partly because when it was launched, the position of the Nano was already well entrenched in the minds of the consumers as a cheap
₹1 lakh car. This position was not the one the company had planned or desired. People do not want to upgrade from a scooter or motorcycle to a cheap ₹1lakh car. They wanted to upgrade to a real car. As a result, the car failed.

The company tried to reposition it later. You may recall the Nano advertisement where a group of young college going persons used Nano to go out as a group to have fun. The repositioning attempt failed. Ratan Tata admitted this positioning failure much later. This example demonstrates that even the best companies can make positioning errors, and such errors are difficult to rectify.

Video 5: Positioning: Handling Crisis at Wendy’s

In this video, I'll share an example of marketing crisis at Wendy's to understand how such crisis can impact positioning and how companies can handle them better. Wendy's is a fast-food company in the US like McDonald's but slightly more expensive. It sells a popular product called Chili. A bowl of chili is like a thick soup made up of beans, vegetables, and meat. It is eaten with a spoon.

I want to share a real issue that Wendy's faced. Years ago, a woman went to a Wendy's outlet and ordered a bowl of chili. She claimed that she found a human finger in the bowl. Obviously, she was extremely unhappy. Imagine you are the CEO of Wendy's, and your outlet manager calls you late in the evening and informs you about this issue that has just happened. What would you tell the manager to do? Please take three minutes to think. Before I share what happened and how you can deal with this crisis, let us understand some related issues.

Let us play a simple game. I will name a person, and you have to write down 3 to 4 words that come to your mind immediately. Ready? Rajiv Gandhi. What words immediately appeared in your mind. I can guess there would be Prime minister, assassination, nice person, computers, and so on. And typically, Bofors would also be part of the set. Ask yourself why? We don't know what happened in the Bofors case. However, there was no direct evidence of Rajiv Gandhi taking bribes. Yet his name is forever associated with Bofors.

Let us take another example. If I ask you, what were you doing on the second Thursday of April three years ago? It is highly unlikely anyone would remember. However, if I tell you about an important incident in your life that happened that day, such as the marriage of your cousin during the day, then suddenly you'll be able to recall many details of the day. To understand this issue further, let us consider a stream of research in marketing called information processing that looks into how we process, store, and retrieve information.

Based on research in this area, conceptually, we can think of the process of storing and retrieving information in the following manner. Each piece of information can be represented by a node, and information is stored in our mind as a network of interconnected nodes. The stronger the connection between two pieces of information in the outside world, the stronger is the connection between the respective nodes in your mind.

Over time, this network of nodes gets buried in your mind with new information and we forget it. However, if for some reason one node is recalled, the whole network of nodes is recalled, starting with the information most strongly connected with the recalled node. The whole network of nodes is pulled out of a memory like a carpet, and we remember many more details. In our examples when I mentioned Rajiv Gandhi, all the associated information was recalled immediately. Similarly, when I asked you about your day long ago, you could not recall, however, as soon as I mentioned your cousin's marriage, which is something that you remember all the associated pieces of information are also recalled.

This process of storing and retrieving information has important implications for positioning. In positioning our product, we want to strengthen the association of a product with the desired pieces of information by repeating the association through advertisements and other communication. Our aim is to form a network of nodes in consumers mind such that they can recall our product easily, and when they do so, they also recall other associated information that we want them to recall. For example, we may want to position our product as high quality, reliable, and with great customer service. Therefore, we want consumers to recall these associations when they think about our product. Therefore, we try to strengthen the association of a product with these words and phrases in our advertising and communication with consumers and at any other opportunity.

If for some reason our product gets associated with negative information, we want to flirt the minds of the consumers with positive associations so that the negative information gets de-emphasised and buried. After all, we cannot remove information from digital world today. However, we can manage what information is accessed by consumers easily. Now, that we have understood how information is stored and retrieved, let us reconsider our Wendy's example. It should be clear by now that if the news about Wendy's chili and human finger appears in the media prominently, then the information nodes representing human finger and Wendy's chili would get strongly connected in the minds of the consumers.

After this, if a consumer is hungry and visits a Wendy's outlet and wants a bowl of chili, as soon as she thinks of ordering chili, she would recall the human finger incident as well. And what will happen to her appetite? It will likely go down. And this is what happened in this crisis. Wendy's had an investigation conducted that found that the woman was responsible for putting the finger in her chili bowl.

The finger belongs to someone who had lost it during work with the machine, and she brought it to the outlet hoping to blackmail Wendy's for some money. She was a serial offender and was arrested for this crime. However, this news appeared in the media for a few weeks, and Wendy's lost millions of dollars of sales. What could Wendy's have done? One alternative could have been to settle with the woman under certain conditions. Hypothetically, let us say Wendy's had told the woman that they would pay her say half a million US dollars under written conditions that she would not talk to anyone about this incident ever, and that she would get the money only after proper investigation has been conducted involving legal authorities and Wendy's is found to be at fault, else she would get nothing, and the legal authorities would take their own actions.

On the other hand, she could take $1000 and Wendy's would not file a complaint against her, even if she is at fault. Knowing that she has committed a crime, what do you think she will choose? During any choice situation people choose based on perceived superior value. She knows that she will get nothing after an investigation and may even go to jail. On the other hand, she gets $1000. She will likely take the $1000. In this case, Wendy's is a victim and trying to save itself from becoming more of a victim. It is reasonable. It has nothing to do with ethics. By settling, Wendy's only trying to save itself from further losses without doing anything wrong.

It is important to understand that sometimes a company may not have a good solution. In such a case, the company may simply decide to let the wounds heal themselves over time. Our attempt here to improve the odds of success by doing the best possible in case of a crisis.

Video 6: Positioning: Handling Crisis at Taco Bell

Let us take the example of Taco Bell. Taco Bell has a product called Beef Taco in the US. It promotes it heavily, to strengthen the association between beef and Taco, because high beef content is the unique selling proposition of the product. Taco Bell claims that the beef content in a beef taco is around 90%. A class action lawsuit was filed against Taco Bell in California in 2011, claiming that Taco Bell's beef filling is only about 35%, and that the rest of the 65% filling consists of binders, preservatives, additives and other agents. Let us think about this issue from the basics. Even if it were possible for Taco Bell to hide this news, it may still have chosen to let it run in themedia. The logic is as follows;

If this news spreads through the media, what associations get strengthened in consumers' minds? Taco and beef on the one hand, and Taco Bell and lying on the other hand. The first association of taco and beef is something that Taco Bell wants. It has been spending millions of dollars to strengthen this association. Therefore, the news coming in the media is a good outcome for this association.

The second association of Taco Bell and lying is problematic. However, a carefully crafted positive campaign that emphasise how good and ethical Taco Bell is and backing it up with credible information would have served the purpose of burying any negative associations. Instead of keeping a low profile on this issue, Taco Bell spent about four million US dollars in advertising to counter the accusations. It took out full page ads, in at least nine major newspapers, and launched a television and online campaign claiming its tacos were 88% beef.

The lawsuit was later withdrawn, and Taco Bell's claims were accepted. The issue got significant publicity in the media, and the campaign of Taco Bell was quite successful. Both the cases of Taco Bell and Wendy's belong to the same category of products; that is fast food. However, the appropriate responses based on information processing theory discussed earlier in both the cases are different. In marketing, every situation is different, and we have to craft a solution from the basics to improve the odds of success. Copying another company's actions may not work in your case.

Video 7: Positioning: Handling Crisis at Nestle

In this video, I'll discuss the example of marketing crisis at Nestle India, popularly called the Maggi crisis. In 2014 food safety regulators, from the Barabanki District of Uttar Pradesh in India, reported high levels of MSG and more than permissible levels of lead content in Nestle's Maggi Instant Noodles. At that time, Nestle claimed that Maggi Noodles had no added MSG on Maggi packages. When samples of Maggi were tested by a state laboratory in Gorakhpur, the test found MSG in instant noodle packets.

A few months later, the samples were tested at the Central Food Laboratory, or CFL in Kolkata. In April 2015, the CFL confirmed the earlier findings from the Gorakhpur lab. It found that the lead content was more than 1,000 times of what Nestle had claimed. In its response, in the first official statement after the report, Nestle claimed that there was no order to recall Maggi Noodles being sold. It claimed that they were safe to eat. Later, the Food Safety and Standards Authority of India asked Nestle to recall Maggi Noodles.

As a result, Nestle recalled Maggi Noodles. In about three months, leading to September 2015, Nestle recalled and destroyed approximately 38,000 tons of Maggi Noodles. Maggi's market share in India came down to zero from about 80% before the crisis erupted. Under court direction, subsequent tests showed that Maggi was fit for consumption.

Maggi Noodles returned to stores in November 2015. However, some states continue to ban Maggi. The product took about a year to return to stores across the country. At that time, the company considered this crisis as the worst crisis it had faced in its more than a century old history in the country. The company had handled the crisis poorly. During the first two weeks when the crisis erupted, the company ignored it. In fact, it came out with just one press release in two weeks. It ignored the issue and failed to show its side of the story.

As a result, the Nestle India MD at that time, Etienne Benet was removed and transferred back to Switzerland. Let us assume that you are handing the crisis. What would you do differently? Please take three minutes to think. Before we answer the question, let us again build our answer from the basics. Ask yourself who eats Maggi in India and why. There are primarily two groups of consumers who eat Maggi Instant Noodles. The first group consists of older teens and college going adults, and the second group consists of young children.

Do you think the crisis has an impact on the first segment of older consumers? All college going persons know that cigarettes and alcohol are bad for health, yet they consume these in large quantities. In fact, they hold contests of how much one can smoke or drink. If this segment knows about that Maggi is bad for health, it would likely not be impacted much. On a lighter note, some among this group may even start contests to see who can eat more Maggi. It is the other segment of young children that is problematic. Think deeply, why do these children eat Maggi?

In India, children eat Maggi because primarily their mothers give them Maggi. Of course, the issue of taste is there, but it comes later after a mother has decided that Maggi is good enough for her children. I am pointing out the reality here and not discussing exceptions. Also, I'm not making any statement about what ought to be, I'm simply stating what is. In most households in India, mothers decide what food children consume. And it is a very difficult decision.

Despite all the discussions about gender equality and moves toward the same, the Indian women have the worst of both traditional and modern context during this transition towards a modern and liberal society. In a traditional family context, a woman took care of the family, and the husband did outside work. And marriages were meant for life due to social pressure. Now, as we are becoming more liberal and progressive, divorces are becoming common, and security of marriage cannot be taken for granted by a person from either gender. Therefore, women also work to support their financialindependence.

Yet, when it comes to supporting children at home, mothers remain primarily responsible. In this context, where a female is under pressure to work outside as well as take care of her home, she looks for solutions, and Maggi helps. It was easy and quick to cook. And most importantly, it was perceived as healthy for the child. Have no doubts, if Maggi was perceived as unhealthy or even questionable, no mother would feed it to her child. The child's health is paramount for a mother.

Nestle has spent hundreds of millions of dollars over many decades building a relationship of trust with consumers. Its success is evident in the fact that mothers were comfortable in replacing their own home cooked food with Maggi. This level of trust is not easy to achieve. And this trust in the brand was the most precious asset of Nestle in India. When the crisis erupted in the context described so far, who do you think is impacted and how? Children do not care; it impacted the mother.

It impacted her sense of motherhood. Imagine the fear in a mother's heart when she realised that she may have been feeding something harmful to her child. This is a very sensitive issue and Nestle should have been extremely careful in dealing with it and Nestle was not careful. The MD was removed later because he did not understand the consumers in the largest segment of its most popular product. And therefore he did not manage the crisis well. There is no excuse for not understanding your customers. Instead of how he responded, imagine the following alternative response.

As soon as he had realised that the crisis was escalating and that Nestle may have to recall the product, had he come to the media and said that the product is fine and there is no issue, however, the company would stop selling Maggi until a transparent investigation shows that the product is fine. Further, for the company, health of its consumers is the most important factor, and any issue concerning the health of its consumers with respect to its products is unacceptable to it. And therefore, it would stop selling Maggi until consumers are satisfied with the investigations. Which of these two responses, in your opinion, would have strengthened the relationship of consumers with the brand? The second alternative response would have strengthened the trust of consumers in the Nestle brand.

Trust is very hard to establish and once broken is difficult to mend. Nestle's global CEO Paul Bulcke flew down to India to handle this issue, but it was too late by then. He reassured the consumers and said that Nestle maintains the same standards for its products across the world and that the lead content in Maggi was well below the prescribed limit. He said, and I quote, "We decided to take the noodles off shells as there was confusion about safety.

The safety of our consumers is paramount. We are working with the authorities to clear up this confusion." He added, and I quote again, "Our studies showed no lead or MSG In 1,035 tests. We have been carrying out tests on multiple batches and all results indicate Maggi Noodles are safe for consumption." In summary, during a marketing crisis, the company must think about consumers and protecting the brand. It can do so effectively through a deep understanding of customer needs and behaviour and how brand position is achieved and maintained in the minds of the consumers.

Video 8: Understanding Product Category

In this video, we will discuss about the evolution of a product category over time, and how it impacts competition in some categories. You may recall that a product category exists in the minds of the consumers. It means how consumers group products together. Let me ask you a question, is a product category dynamic or static?

A product category is dynamic. It may evolve slowly or may change abruptly. Take the example of sports shoes. Long ago in India, when I was a child, we only had one type of sports shoes, white canvas shoes with maybe a coloured line along the bottom. Then came Gola shoes. All my friends had them. I had them. And all of us were proud to have the first major innovation in this category in India. All Gola shoes were made in the same design using the same brown leather material.

If you go to a store to purchase sports shoes now, you'll find so many types that you may get confused. There are running shoes, walking shoes, tennis shoes, hiking shoes, basketball shoes, and so on. The category has evolved slowly over the years. A category may change abruptly. Consider the watch category. Long ago watches were considered heirlooms. Brands such as Rolex, Omega, Titan were bought and kept in the family for generations. In case of any issue, people got them repaired. Then came Timex, that positioned itself as a tool. As a result, the watch category changed abruptly.

Watches also became tools to be bought cheap and used and thrown away if they went bad. Then came Swatch positioned by the company as a fashion accessory. As a result, the watch category again evolved abruptly, and watches became fashion accessory as well. In consumer's minds, the watch category now had three dimensions. Watches could be heirlooms, tools and fashion accessory.

Now product categories have two broad characteristics. The first is category structure, and the second is category identity. Category structure considers how competition is organised within the category. Competition can be organised within a category in two ways: hierarchy and cluster. For example, the hotel category has a hierarchical structure with clustering at each level of the hierarchy. We have high-end luxury hotels, mid-level hotels, and then low-end economy hotels.

The breakfast cereal categories organised as a cluster. There is no clear overall hierarchy in the category. Similarly, the food category is organised as a cluster. The product category identity is also of two types: category conventions and category image. Category conventions include what is expected of products in the category by the consumer. Consider the example of a hotel category. Since category convention leads consumers to expect many attributes in a hotel room irrespective of the brand of the hotel, product differentiation becomes a challenge.

Let us say that your hotel decides to offer free Wi-Fi services to differentiate from the competition. What happens in the next time period? All other competing hotels start offering free Wi-Fi. Now, to differentiate yourself again, you offer free pick-up and drop-off at the airport. What happens in the next time period?

All competitors also offer the same. Your expectation regarding what should be in the hotel room are based on category conventions. And these have important implications for product design. In fact, there are categories of places to stay where no bed is provided, and there is no bathroom attached to a room; there are only common bathrooms. I'm talking about the category of the Dharamshala in India. It is a large category focused on the segment of low-income consumers who travel for religious reasons.

Let us now consider the category image. Imagine you have gone to an automobile dealership to buy a car. If the salesperson quotes you a price for the car that you want to buy, would you negotiate or simply accept that price as the final price? All of us will negotiate. After all, how can you trust a salesperson when he's trying to sell you something? Now imagine you have gone to a doctor for some treatment, and the doctor asks you some questions that are personal in nature. Would you hide information or tell the doctor the answers honestly?

Most people would give honest answers to the doctor. It is possible that the doctor is a crook, and the salesperson is an honest person. However, the image of the category makes us adopt a stance towards all members of the category. This translates to lack of trust in salespersons and complete trust in doctors. Having understood the characteristics of a product category, let us examine some issues in traditional positioning. In traditional positioning strategy, we position our product in relation to the competing products or brands. Among other things, we differentiate our product from existing competition, and then emphasise in our communication how we are different and better than each of the competing brands.

Consider the example of a hotel category. Since category convention leads consumers to expect many attributes in a hotel room, irrespective of the brand of the hotel, product differentiation becomes a challenge. Let us say that your hotel decides to offer free Wi-Fi services to differentiate from the competition. What happens in the next time period? All other competing hotels start offering free Wi-Fi. Now, to differentiate yourself again, you offer free pick-up and drop-off at the airport. What happens in the next time period? All competitors also offer the same. When you can differentiate yourself in the short-run, long-run differentiation becomes a challenge.

Every competitor becomes more and more similar over time. If you conduct marketing research to understand consumers preferences, they will respond based on what you have trained them to expect. In the hotel category, while earlier they would have responded saying that they expect a hotel room to have a bed, toilet, chair, table, and so on. Now they will respond saying they expect to have all these things and free Wi-Fi and free pick-up and drop-off at the airport as well.

Over time, the expected value proposition increases, in other words, what consumers expect from all products in the category increases. And this in turn cements new and expanded category convention. This is a self-reinforcing, competitive and consumption pattern. For hotel companies in this situation, the segmentation and targeting decisions become easy based on the marketing research. However, competition in the category intensifies over time, and all the companies transfer more and more value to the consumers over time, and differentiation becomes harder. There seems to be no easy way out of this situation.

One way to differentiate yourselves and get away from this situation is to do significant innovation. If a company does this, then it is expected to achieve a clear differentiation. However, in cases where significant innovation is not possible, a company can still differentiate itself from the competition using new positioning strategies that we call disruptive positioning.

Video 9: Understanding Disruptive Positioning Part-1

In this video, we will discuss Disruptive Positioning with examples. You may recall, in a Traditional Positioning Strategy, a company differentiates its product from other products in the same category. It positions its product in the category and highlights the points of differentiation with other products. In a Disruptive Positioning Strategy, a company does not differentiate its product from other products. Rather, it differentiates itself from the entire category. In other words, it positions itself against the entire category.

If successful, the company disrupts the way consumers think about the category. And hence, the name Disruptive Positioning. There is no real product innovation in Disruptive Positioning. Rather, the product is simply a reconfiguration of existing attributes and positioned accordingly. There are three types of Disruptive Positioning Strategies. They are: Reverse Positioning, Breakaway Positioning, and Stealth Positioning. We will discuss them in sequence, starting with, Reverse Positioning.

In Reverse Positioning, a company defies category conventions by stripping away what is expected by consumers in the category, and then provide some higher end features. In essence, if the category is evolving in the direction where more is better, and we have a clear hierarchy on the price quality dimension, such as in the hotel category, the company keeps only the essential features in the expected value proposition to satisfy the core needs; removes all other expected features and replaces them with some higher end features.

Basically, it acts in the opposite direction of the evolution of the category and creates something new in the category. Let us consider some examples of Reverse Positioning Strategy. Consider Ginger hotels in India. Before Ginger, business travelers had to stay either at low quality hotels, at lower price, or high-quality hotels at much higher price. Ginger Hotel, was positioned as a No-frills hotel, providing adequate hotel room and facilities that were clean and secure for a reasonable price, and at premium locations. It was targeted at business travelers.

Over time, however, the company has faced issues in maintaining its services and therefore its position. One can see it slipping into a low to medium price and low-quality hotel. Planning a position is one part. Executing the positioning strategy to maintain the planned position is another issue. All elements of the marketing mix must unambiguously convey the same planned position, and Ginger is failing to do so. Let us consider another example of IKEA. Before IKEA, furniture sales happened in the same way across all outlets that competed with each other. And outlets were organised around a hierarchy of price-quality dimension. Typically, furniture was laid out for display. The larger the store, the better. When a customer revisited a store, she was shown around by a salesperson.

If the customer wanted to buy something, financing, warranty, delivery and assembly services were typically provided, and furniture was supposed to last for a very long time. Overall, furniture sales process was a high-pressure sales environment. When IKEA started selling furniture, it completely changed the way furniture was bought and sold in the category. It defied the category conventions.

First, no salesperson helped a customer in an IKEA store. Therefore, there was no pressure for sales. A customer had to make efforts to find some help if she needed it in the store.

Second, there was no delivery, financing, or assembly services at the store. One had to purchase pre-packaged, unassembled furniture, and carried to her vehicle to take home. The customer assembled the furniture herself at home before using.

Third, there was no guarantee that the furniture would last long. In fact, many items were made of particleboard and were easily damaged if any liquid was spilled over them.

On the other hand, IKEA provided furniture with beautiful space saving designs. It offered very nice and lively shopping environment with bright colours, gourmet food and high quality and secure babysitting services within the store. Finally, it also sold high quality products for the home, with beautiful designs and reasonable prices. Overall, the IKEA value proposition for the consumer was very different from the entire furniture category, and IKEA became the largest furniture company in the world. There are many other examples. Service categories typically provide opportunities for Reverse Positioning. As services evolve and become more complex,

As services evolve and become more complex, sometimes customer confusion increases. A company can simplify its offerings and create a different solution that may appeal more to consumers. An example is telecom services category.

Video 10: Understanding Disruptive Positioning Part-2

In this video, we will continue our discussion of disruptive positioning and talk about the remaining two types of disruptive positioning strategies: that is Breakaway and Stealth positioning. In a breakaway positioning strategy, a company associates its product with a category that is different from the category it naturally belongs to. If successful, breakaway positioning stretches the boundary of the original category and thus disrupts it. Consider Swatch as an example again. There is no doubt that it is a watch.

However, the company associated it with the category of fashion accessories, something not done by any watch company before Swatch. All elements of the marketing mix, that is all the 4Ps conveyed the position of a fashion accessory. Swatch watches came in many colours and eye-catching designs. Swatch was priced at around $100. The company could have priced the watches higher. However, it chose not to do so because it wanted consumers to think it as a fashion accessory and on several watches to match their clothes, mood, activity and so on.

The designs of its retail outlets also reflected the theme of a fashion accessory and so did its communication. Swatch was highly successful and disrupted the watch category. Consider another example of Heinz EZ Squirt ketchup. Before Heinz launched this product, the ketchup category was stale and grew at a low single digit growth rate. Heinz offered this Ketchup product in various colours and associated it with the category of kids' arts and craft products. At its peak, the product achieved a growth rate of around 14%, a very significant jump in such a mature category.

Let us take a final example of Curad bandages. Curad bandages competed with Band-Aid. To differentiate, it positioned itself as a fashion oriented temporary tattoo and achieved significant growth. There are many other examples. Consumer packaged goods categories offer many opportunities for breakaway positioning, because change in category is less confusing, and products can be easily tried. For example, offering a cereal as a healthy snack bar. The last type of disruptive positioning strategy is called stealth positioning. In this case, you know what your product is, however, for some reason you believe that your product will not be adopted easily in the marketplace, if consumers are aware of what it is. Therefore, you position your product in an entirely different category.

Consumers see your product as belonging to the category where you have positioned it stealthily. Hence the name stealth positioning. This positioning strategy is quite common in electronics and pharmaceutical products. Take the example of game consoles, Xbox and PlayStation. When the first high-definition versions were launched, these were home entertainment hubs that addressed the latent need at the time, and consumers did not realise the need. Also, the technology wasn't fully ready. Therefore, the products were positioned as high-end game consoles. Once a consumer adopted one of these consoles, she started using it for other entertainment purpose as well, such as music and movies, due to ease of access. Consider another example from the pharma industry. Prozac is a well-known drug used for curing depression. When Eli Lilly got FDA approval for its use for PMDD, the company changed the shape and colour of the pill and named it Sarafem. It positions Sarafem for PMDD, an entirely different category. This was necessary because a female patient suffering from PMDD would not like to take a known depression drug for PMDD.

This potential resistance to adoption made Eli Lily use stealth positioning. In summary, disruptive positioning is done with respect to the entire category. This positioning strategy exploits category weaknesses manifested in category characteristics, that is category structure and identity. Categories that have a well-defined structure, have few competitive clusters and are homogenous, stable and predictable are easy to disrupt. For implementing disruptive positioning, first analyse the category conventions and image and find out if consumers are dissatisfied with these. If the answer is yes, then proceed. Ask yourself, can you create an alternative position that would defy category conventions and address reasons for dissatisfaction? If the answer is yes, then proceed. Ask yourself, does your firm have enough operations in marketing competencies, financial resources and managerial commitment to execute a disruptive positioning strategy? If yes, then go ahead with disruptive positioning. It is important to understand that a company can have many options when it is planning a position for its new product. These include both traditional and disruptive positions.

A perceptual map shows how consumers think about brands at any point in time. It says very little about what consumers prefer. Therefore, before the company decides which position to select, it must do preference analysis, such as conjoint analysis, that you'll learn about later in the course. Preference analysis of each positioning strategy would reveal which position is best able to attract the highest share among the targeted consumers, and that position should be adopted, provided it is consistent with the wider corporate strategy. So far, we have discussed about the importance of positioning and the various types of positioning strategies.

Clearly, the position achieved by a product in the minds of consumers is critical for its success. Long ago, before we had social media, firms controlled the position of the products through control of communication. Consumers had few options to learn about products. This dominance of firms in the customer-firm relationship has shifted radically in favour of consumers now. A firm has one voice among many that reach the consumer, and consumers may trust other voices more.

Due to this, the possibility that the position achieved by a product would be different from that planned by the company is much higher today than before. As a result, a critical part of product management has gone outside the firm's control. So, what can the company do to manage the position of its products today? First, it must set up a team to monitor the online conversation about its product It must set up mechanisms to continuously get useful market intelligence.

Getting information about any potential issues early and managing them proactively is required. Second, if you don't brand yourselves, others will. Therefore, the company must actively engage with customers. If there is any issue, the company must solve the issue transparently and compensate the customer fairly. If it has made an error, then it must apologise sincerely and handle the issue transparently to the satisfaction of the customer. Third, the company must adopt a genuine customer centric approach. This means creating good solutions that customers need and offering and delivering the promised value proposition honestly.

No company can hire enough employees to deal with crises that can reach millions of people in a matter of hours and damage the company's brand significantly. If a company follows the guidelines presented, it will build a strong reputation and develop a relationship of trust with consumers. And in case any crisis happens, its customers would act as a shield and defend it.

Video 11: Introducing Radical Innovation to the Consumer Market: Challenges

In this video, I will discuss some important challenges in introducing radical innovations into consumer markets. Typically, first-generation technology has many flaws, and it is very challenging to build a market around it. Consumers go through a learning curve, such as in mastering a new interface. The product may require them to change behaviour in order to assimilate the new technology in their lives. The consumers may reject the breakthrough product or accept it but use it in manners unanticipated by the firm. These issues create significant uncertainty from a firm's perspective.

If you're Nike and produce a new pair of running shoes, you know that consumers understand what it is. You also know how consumers will use the shoes. You also know that the shoes will work when they are used by the consumers. Your biggest concern is whether consumers will like them. In case of radical innovations, a company does not know if consumers would understand it well. It does not know whether the product will work, and it does not know how consumers will use it and interact with it. And it does not know if consumers will like it.

Clearly, introducing radical technologies is very challenging. In case of radical technologies, new technologies, on the one hand, the company is under pressure to release the product into the market, even when the product is faulty, so that the market feedback can be used to guide the product development process. And on the other hand, the fact that the product is flawed increases the chances of failure in the market if released early. One solution to the problem is to develop the product in-house and launch it only when you feel it is ready.

In this case, the adoption may take a long time, even decades, such as in the case of wire telephone. And the strategy is risky. It is possible that consumers use the product in unanticipated manner, and issues are created that cannot be solved easily with the current technology architecture, leading to major redesign. The other alternative is to take a niche marketing approach, where you design and launch the product for a niche market, and then, as you understand consumers better, you expand into other segments. The third option is positioning. Consider the example of Sony Aibo. What do you think it is? Aibo was first launched years ago and priced at a few $1000. Copycat toys appeared very soon and were priced around $50 to $100 each. When Sony executives were asked, what does Aibo do? They said, it does nothing. Each executive responded in the same manner. It is an electronic pet, an electronic companion. The company consistently maintained this position, until they withdrew the product from the market a few years later. What do you think Aibo is? Why was it priced so high?

Aibo was basically a first-generation home robotics technology, that Sony wanted to test among consumers to get feedback. Had consumers known about this, they would not have bought it. Therefore, Sony positioned the product as a high-tech electronic dog. Now consider consumer behaviour. When a customer bought Aibo, she made efforts to interact with the dog. After all, if you buy something so expensive, you don't throw it away, if it does not work well. A cheap toy can easily be thrown away after some time, but not a few $1000 electronic pets. Further, when people bought Aibo, they looked for other buyers like themselves to share experiences.

Sony facilitated this information sharing through its online community for Aibo owners. Let us imagine an Aibo owner who called her dog every day in the evening after coming home from office, and the dog happily responded each time. Now, one day, if the dog does not respond, the owner would go to the online community and share with their friends that her dog was sad today and did not respond. Sony would harvest the online community data and make note of the issues to be solved in the next release.

In her case, Sony engineers would note that Aibo software was buggy. By positioning of faulty first-generation home robotics technology as an electronic pet, Sony was able to manage the resistance to adoption among consumers and get valuable feedback from them. Its brilliant strength positioning strategy converted the weakness in the technology to be perceived as strength by consumers. Consumers considered the faults in technology as manifestation of the unique character of their pets. When Sony had learned enough, it withdrew Aibo to be relaunched years later.

Video 12: Summary

In this module, we learned about the importance of positioning strategy, competitor mapping and analysis using perceptual maps, and two broad types of positioning strategies; traditional and disruptive. We also learned about marketing crisis that can impact a product's position and how to respond to each such crisis.

We learned about disruptive positioning strategies in detail and discussed the current positioning challenges in our digitally interconnected world. Finally, we learned about the challenges in introducing radical innovations to the consumer market, and how positioning can help in dealing with them.