



# **PM: Product Management and Development**

## **Week 4 – Competitive Positioning and Its Role in Product Design**

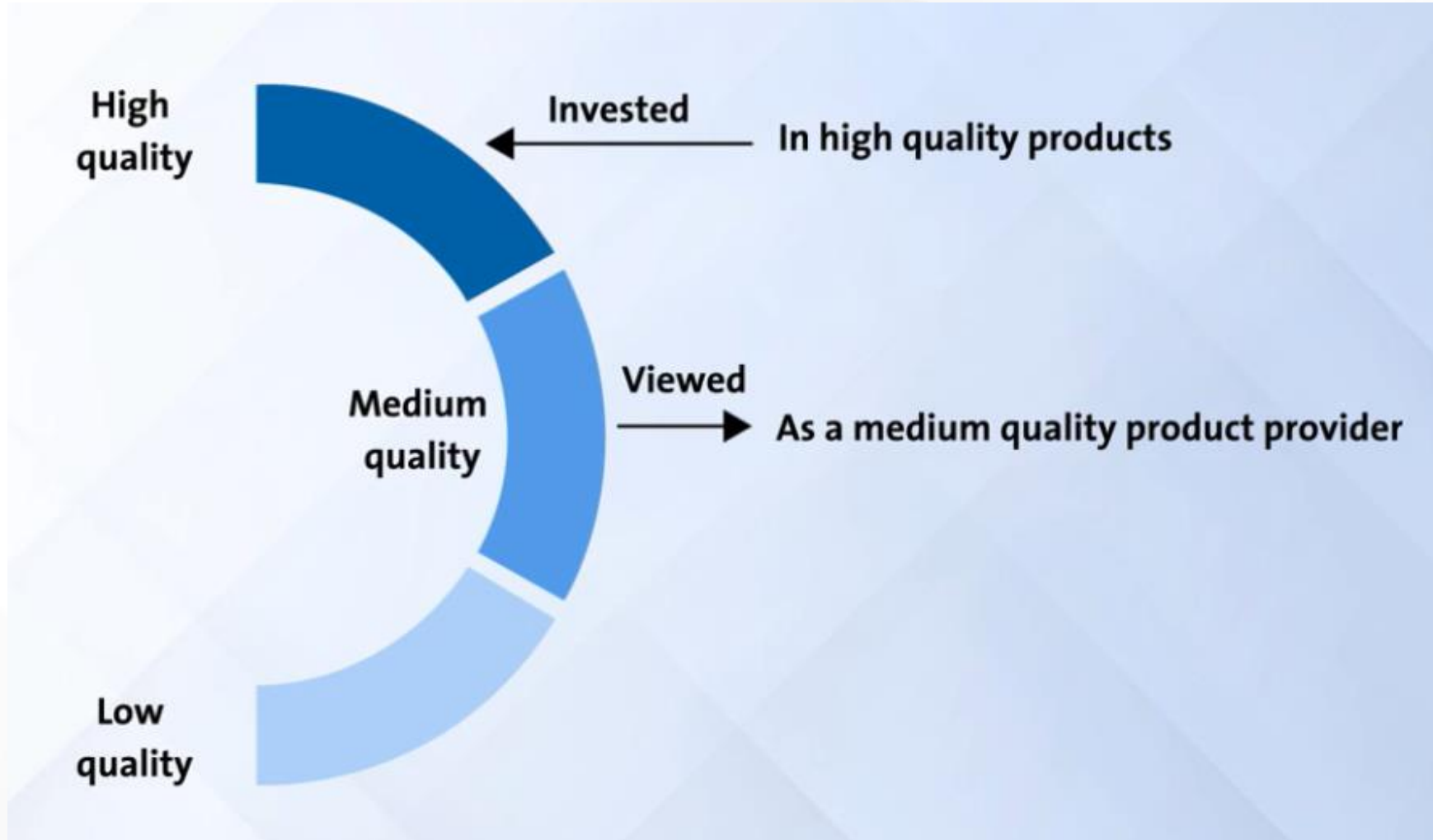
# Module Overview

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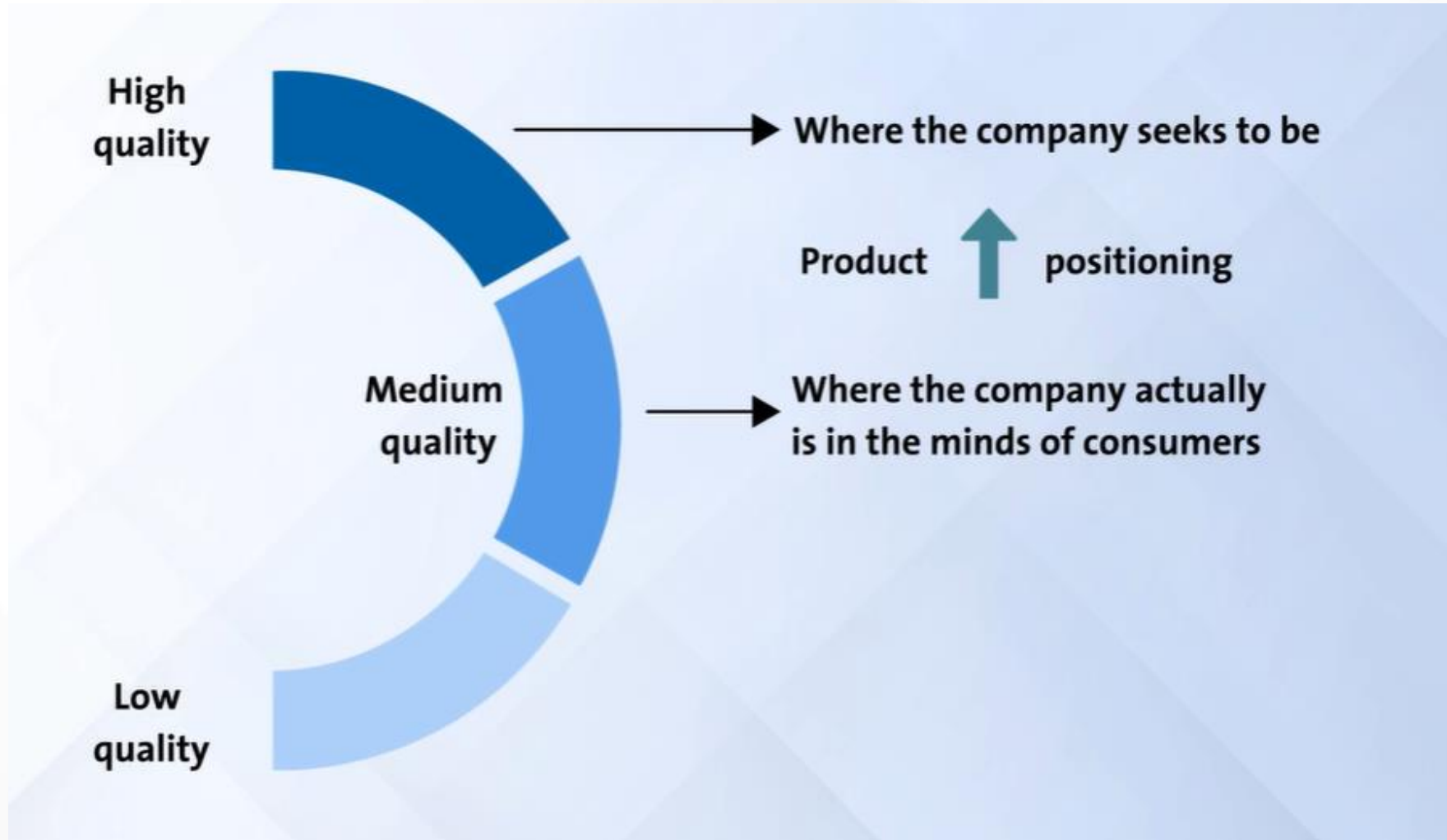


# Product Positioning and its Importance

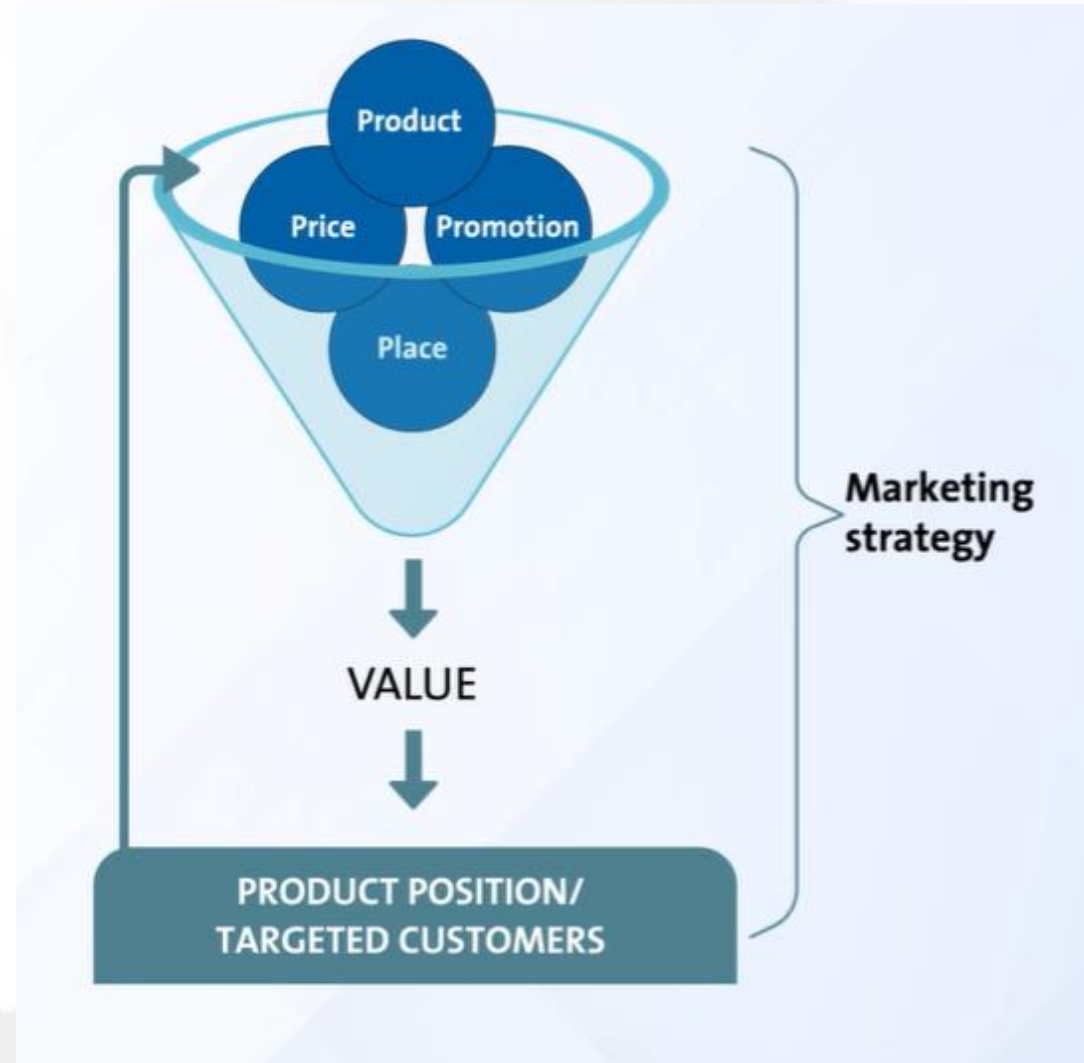
# Product Positioning



# Product Positioning: Problem

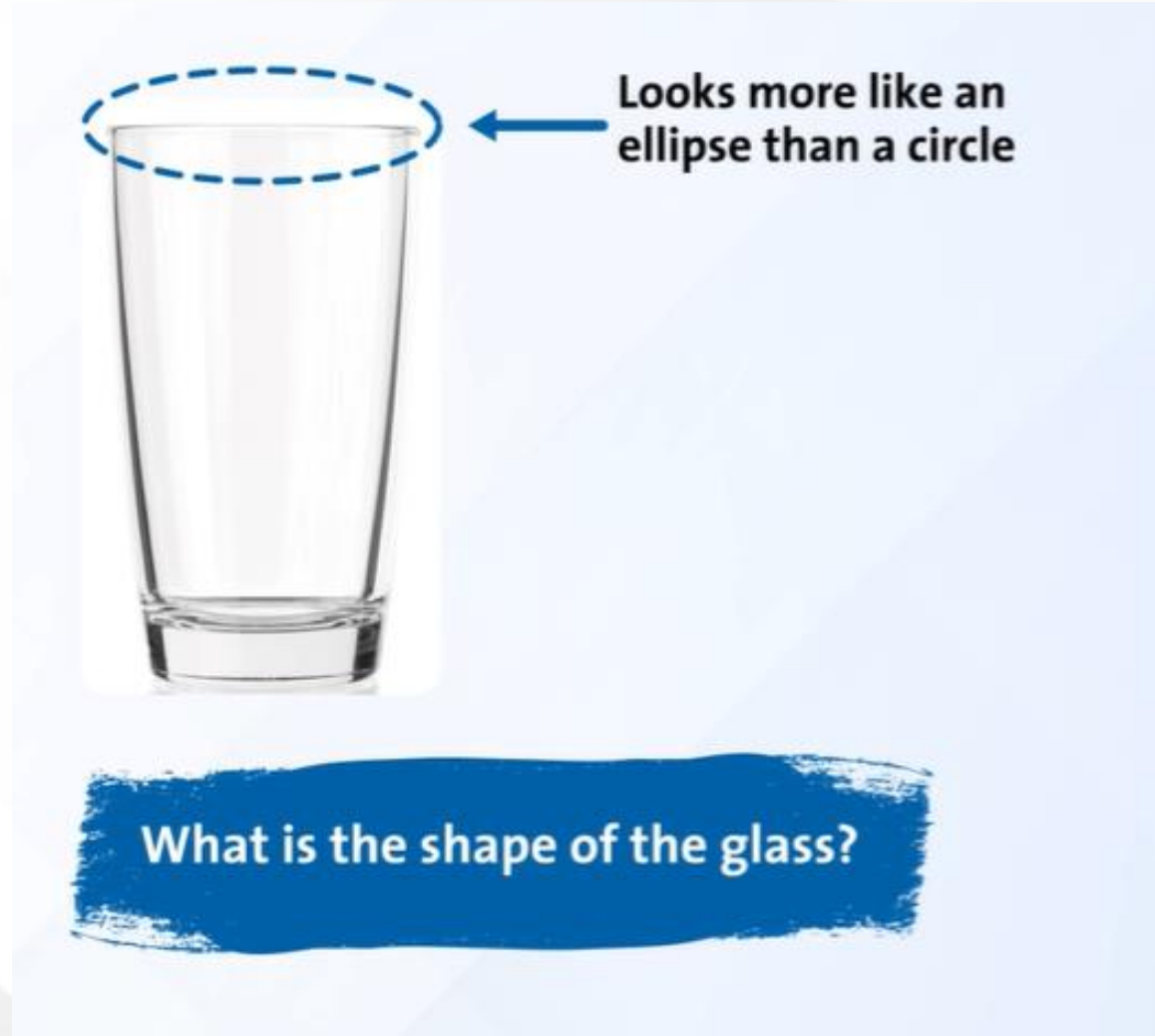


# Marketing Management in Product Positioning





# It's all in the Mind: Example 1





# It's all in the Mind: Example 2



Would this person be referred to as good or bad?

# It's all in the Mind



Is this an ellipse or a circle?

# Product Positioning



**Positioning strategy aims to ensure that a product is perceived such that a consumer wants to purchase it.**

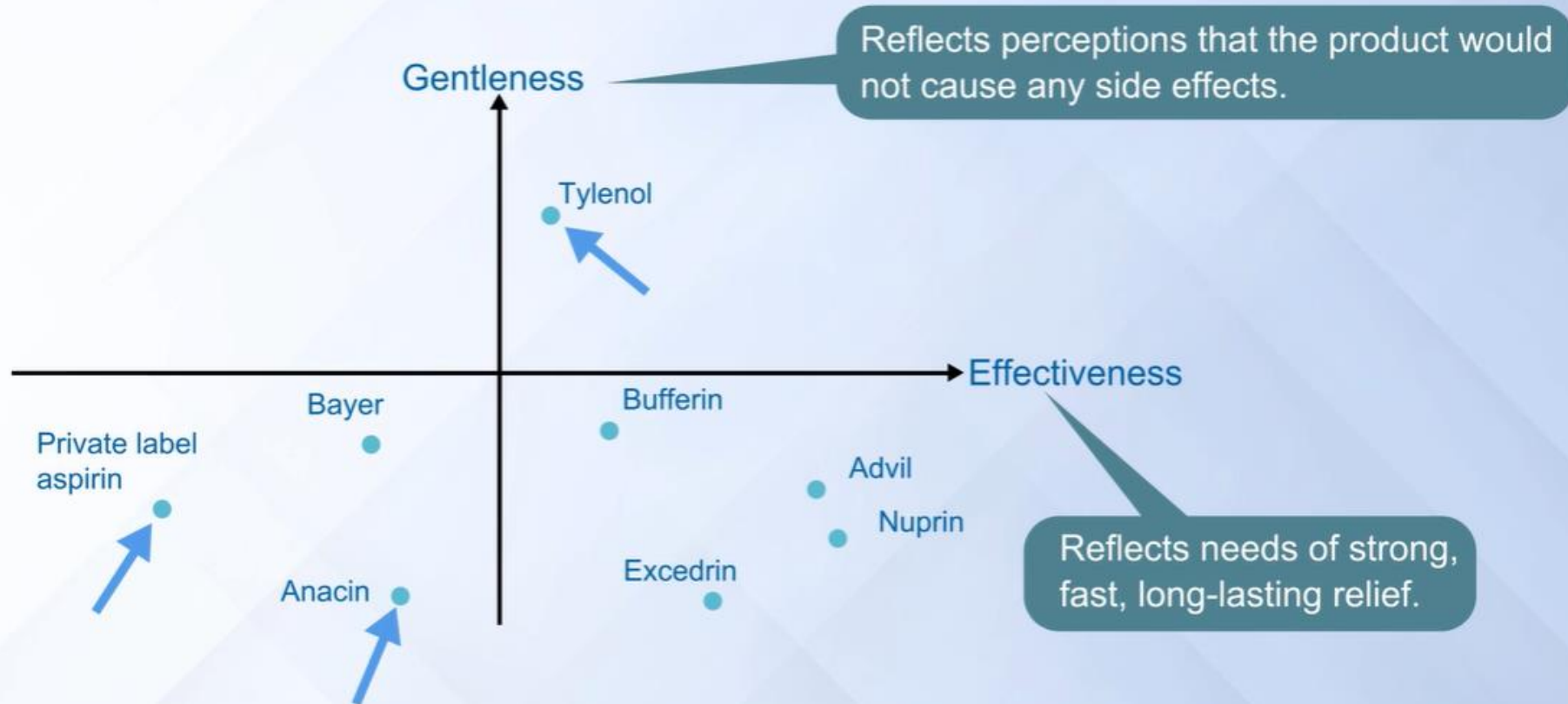
# How to Position a Product for Market Advantage

# Perceptual Map



Product's position is analysed with respect to other competitive products within its category.

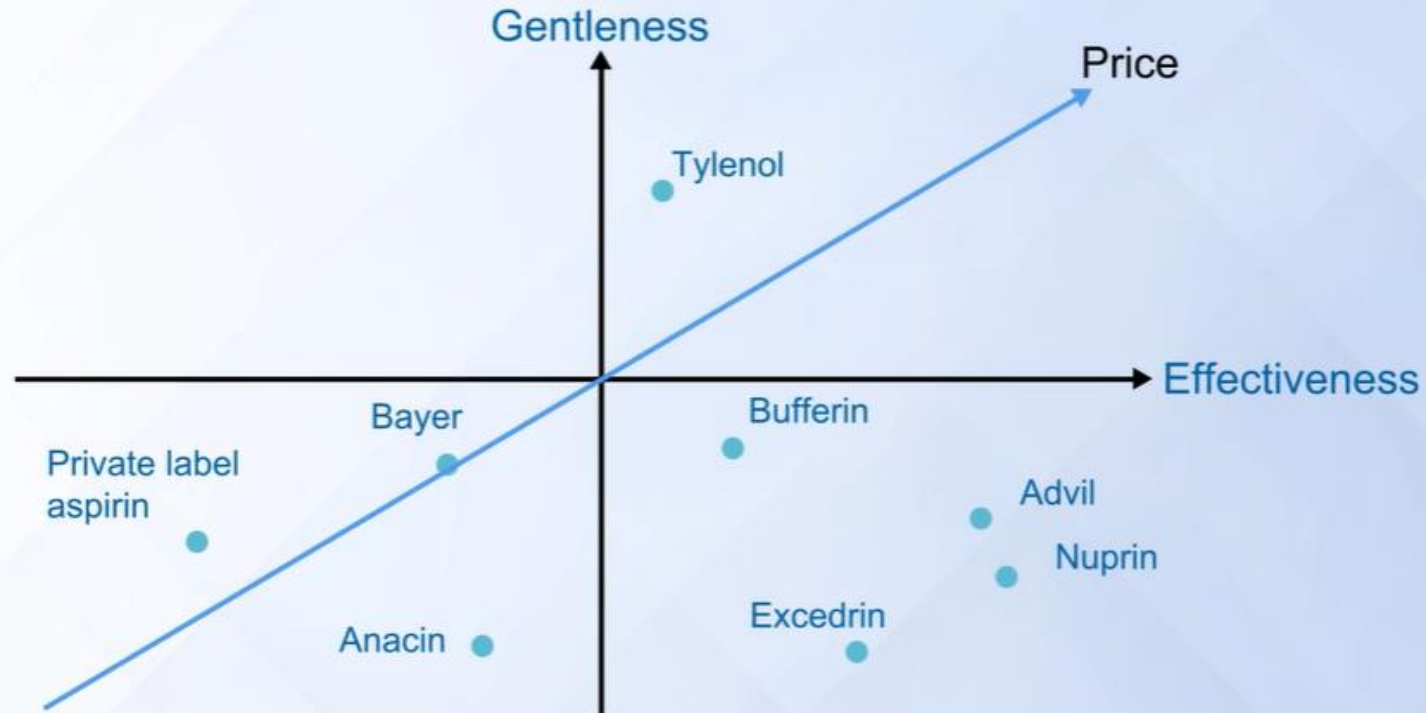
# Perceptual Map of Pain Relievers



Source: Design and Marketing of New Products by Urban and Hauser, MIT press.

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# Three – dimensional Perceptual Map



Source: Design and Marketing of New Products by Urban and Hauser, MIT press.

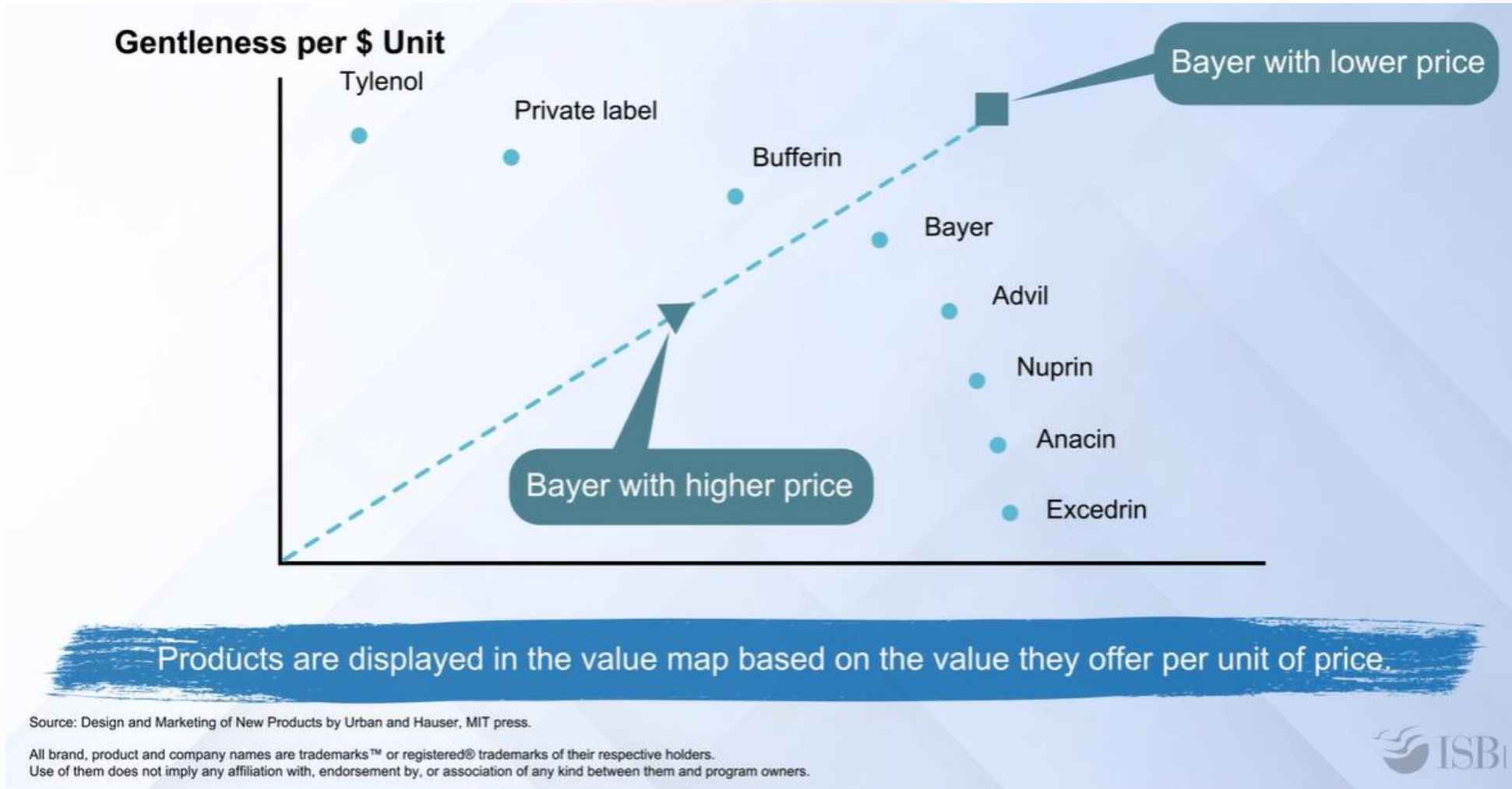
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# Two – dimensional Map: Three



# Value Map



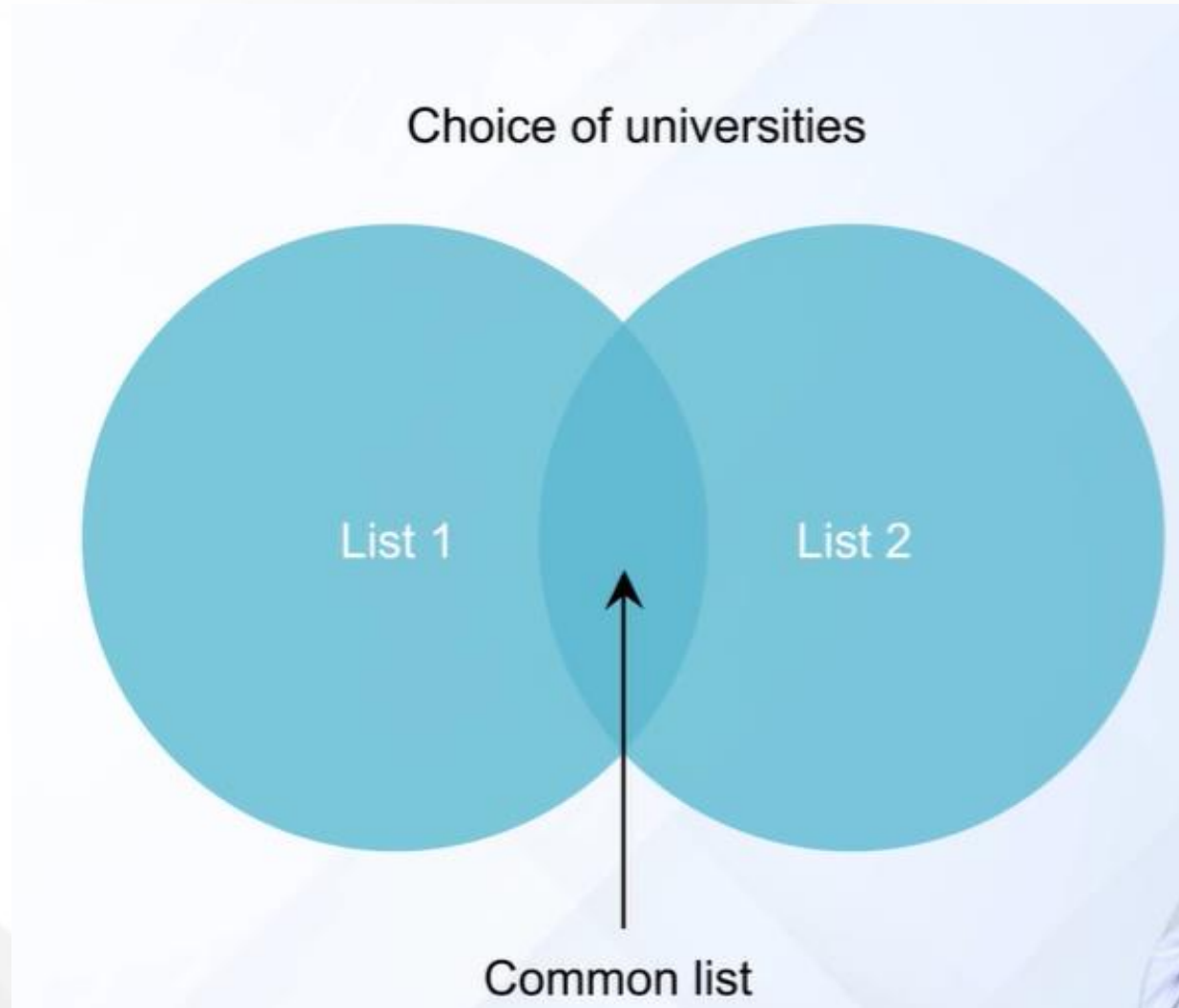
# Positioning and Product Category

# What is Product Category

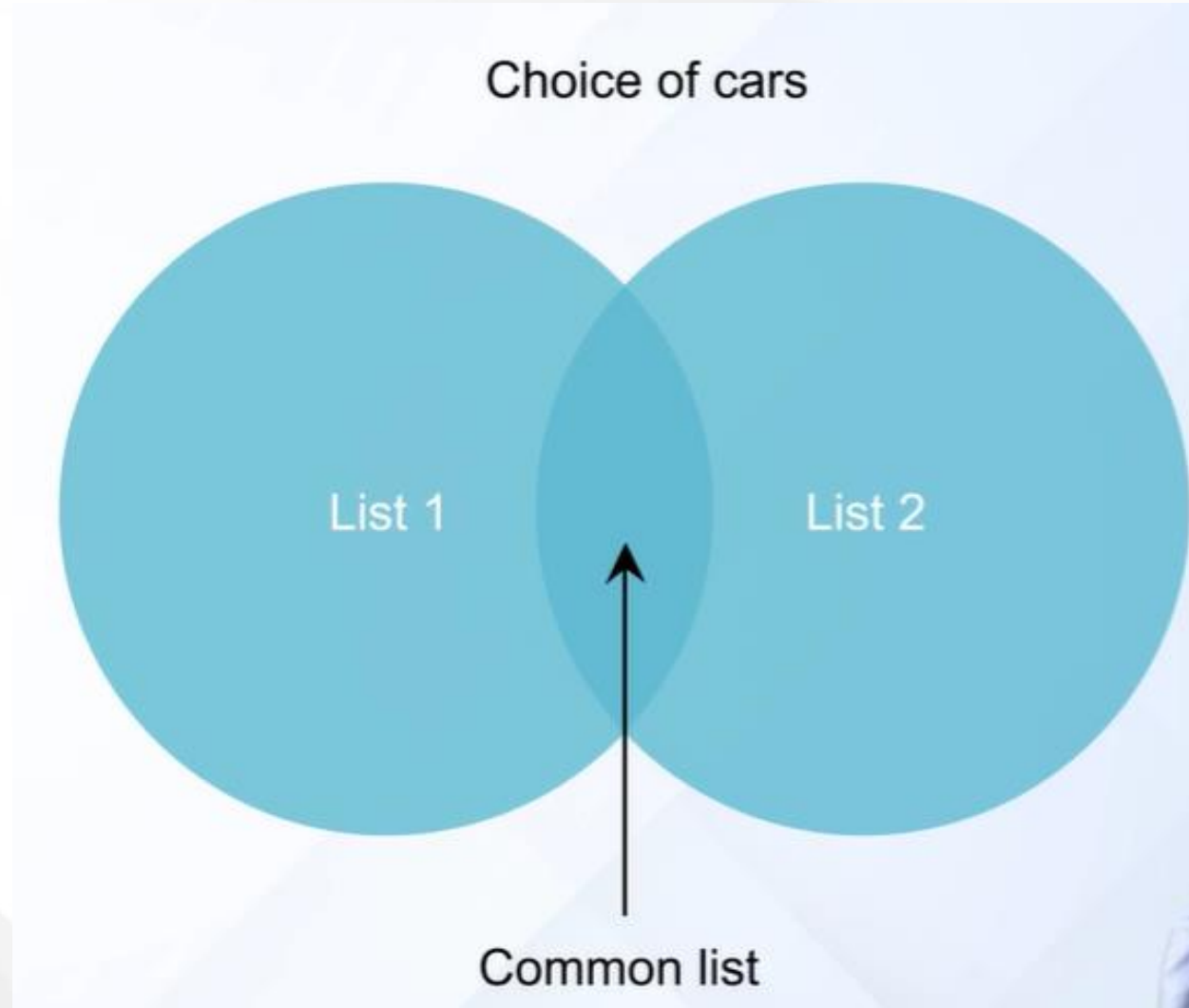


Any grouping of products/brands  
that exist in the consumers' minds

# What is Product Category



# What is Product Category



# Segmentation



- Consumers in a segment drive a purchase in a product category
- Too much variance in a segment makes it difficult to offer a single solution



# The 4Ps



Companies achieve desired  
categorisation using 4 Ps

# The First P: Product Design



Product design prevents categorisation  
with soft drinks

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# The Second P: Place



Placing product in a specific section supports desired categorisation

# The Third P: Promotion



Company does not want consumers to  
categorise it as a juice

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# The Fourth P: Price



Subscription based pricing structure  
projects as selling a service

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# Importance of Product Positioning



- Product positioning requires careful planning and implementation
- Positioning errors can be difficult to correct

# Positioning Problem of Tata Nano



Planned as an aspirational car for  
two-wheeler owners who wanted to  
be proud car owners

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# Positioning Problem of Tata Nano



# Positioning: Handling Crisis at Wendy's

# Introduction: Wendy's



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# Rajiv Gandhi and Bofors

## Rajiv Gandhi

- Prime Minister
- Assassination
- Nice person
- Computers
- **Bofors**



When you hear 'Rajiv Gandhi', what words appear in your mind?

# Information Processing



Information processing is a stream of research in marketing.

# Storing Information



Information is stored as a network of interconnected nodes

Strong outer connection  
of information

=

Strong inner connection  
of nodes



# Retrieving Information



The whole network of nodes is pulled out of a memory like a carpet and many more details are recalled.



# Positioning: Implications



Strengthens association of product through **communication**



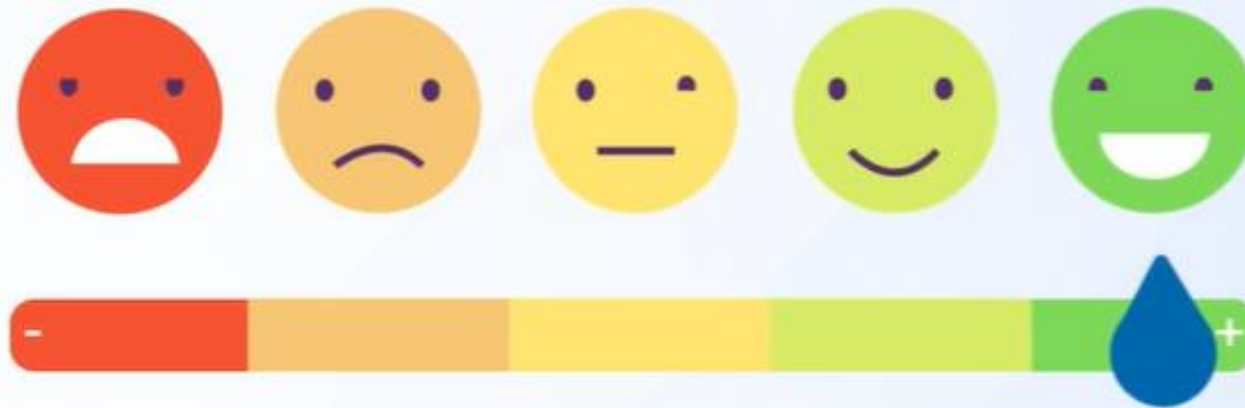
Forms a network of nodes in consumer's mind to **recall product and desired information** easily

# Positioning: Example and Benefits



Consumers recall associations when they think about a product.

# Positioning: Example and Benefits



Easy accessibility of positive information  
can be facilitated.

# Connection: Wendy's Chilli and Human Finger

Wikinews

## Chili Finger Incident

On Thursday the 22nd of March, 2005, Anna Ayala, a woman from Las Vegas, claimed to have found a human finger in her bowl of chili at a Wendy's restaurant...

06-May-2005



SFG SFGATE

## Wendy's diner finds human finger in her chili

An unlucky diner bit into a segment of a human finger while digging into a bowl of chili at a Wendy's restaurant in San Jose, Santa Clara County health...

24-Mar-2005



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# Connection: Wendy's Chilli and Human Finger





# Wendy's Crisis: Loss



The news appeared in the media for a few weeks, and **Wendy's lost millions of dollars of sales.**

# Possible Actions by Wendy's: Case 1



- No mention of this incident to anyone
- Compensation only after legal investigation and IF Wendy's is found guilty



# Possible Actions by Wendy's: Case 1



Woman would not get paid, and the legal authorities would act against her

# Possible Actions by Wendy's: Case 2



No case will be filed even if the woman is guilty

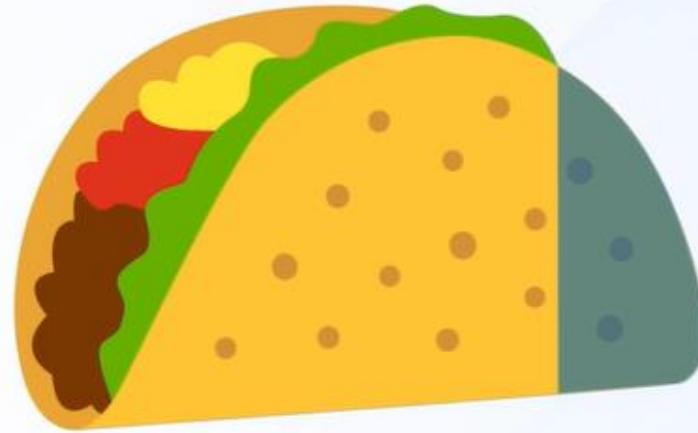
# Choice Situation



People choose based on perceived superior value

# Positioning: Handling Crisis at Taco Bell

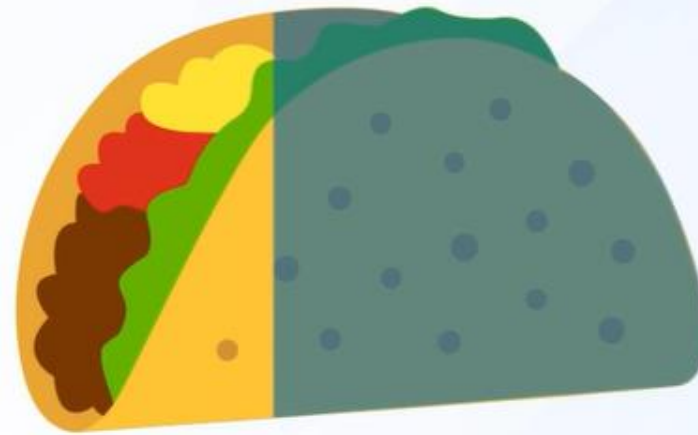
# Beef Content in a Beef Taco



90%  
Beef content

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# Beef Taco: Lawsuit

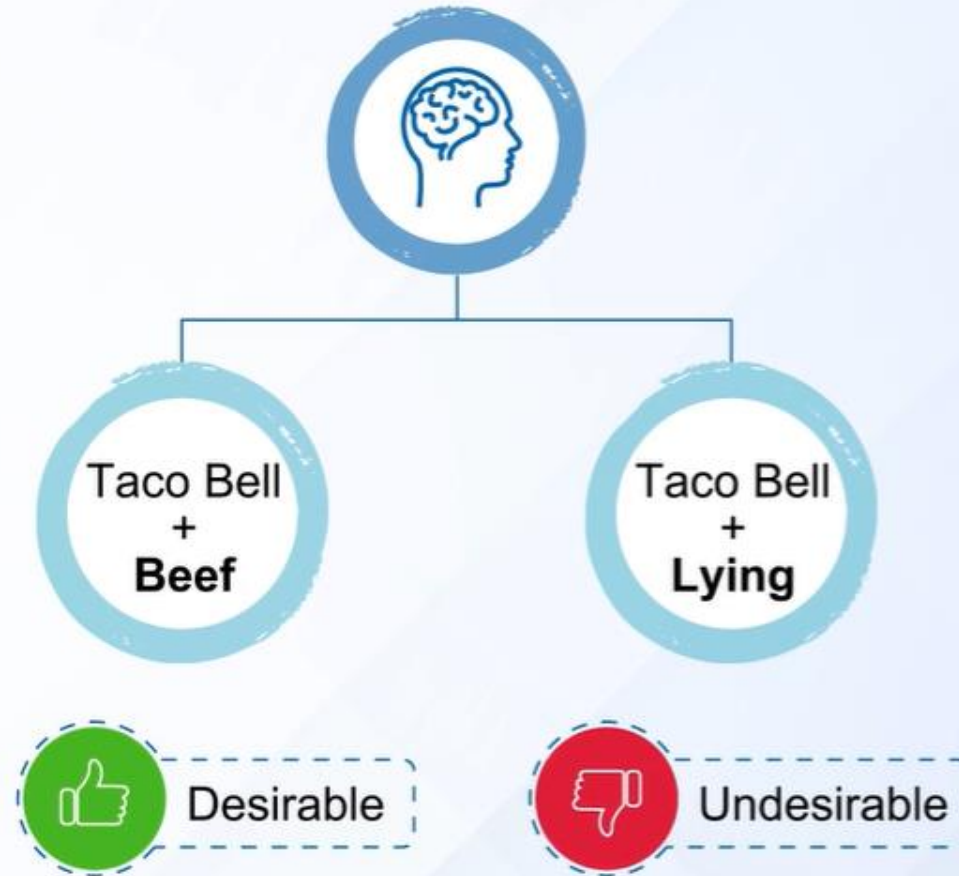


35%  
Beef content

65%  
Binders,  
preservatives,  
additives and other agents

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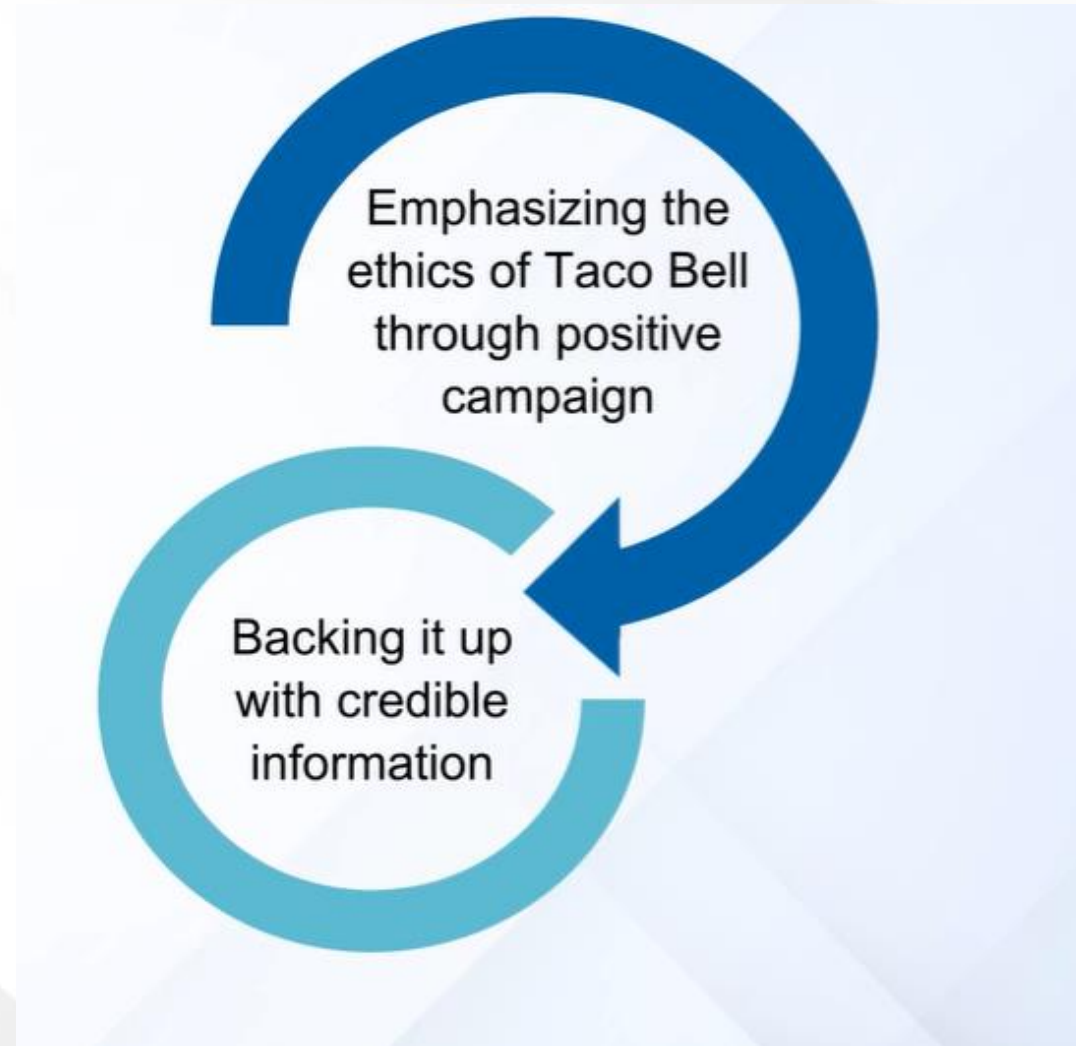
# Associations in Consumer's Mind



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# Positive Campaign



# Taco Bell Advertisement



Spent **\$4 million** in advertising to counter the accusations



Took out full page ads in at least **9 major newspapers**



Launched a television and online campaign claiming **88% beef content**

The lawsuit was **withdrawn**, and **Taco Bell's claims were accepted.**

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# Crafting a Solution

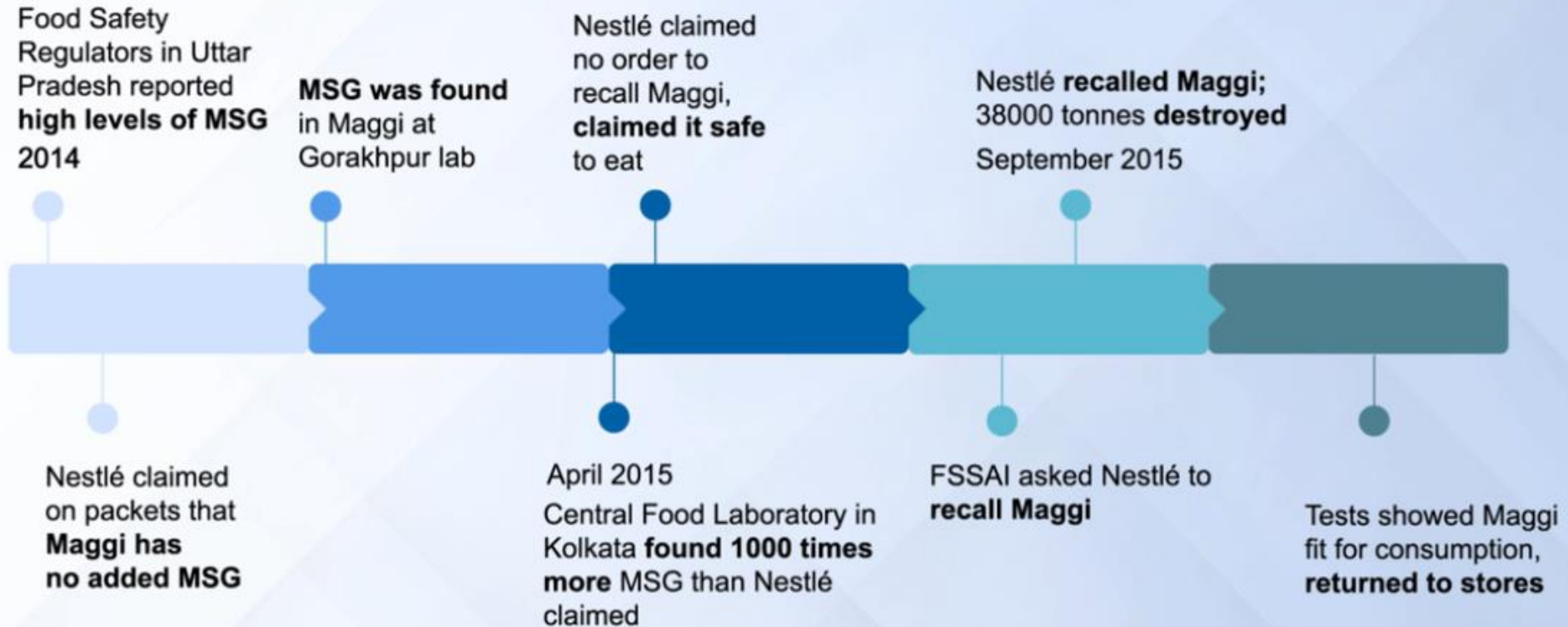


- Responses based on information processing theory differ in both cases
- Craft solutions from the basics to improve the odds of success in marketing

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# Positioning: Handling Crisis at Nestle

# The Maggi Crisis



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# Handling the Crisis



- Ignored the crisis during the first 2 weeks
- Came out with just **1 press release**
- Failed to show its side of the story
- Nestlé India MD, Etienne Bennet, was removed

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# Who eats Maggi and Why?



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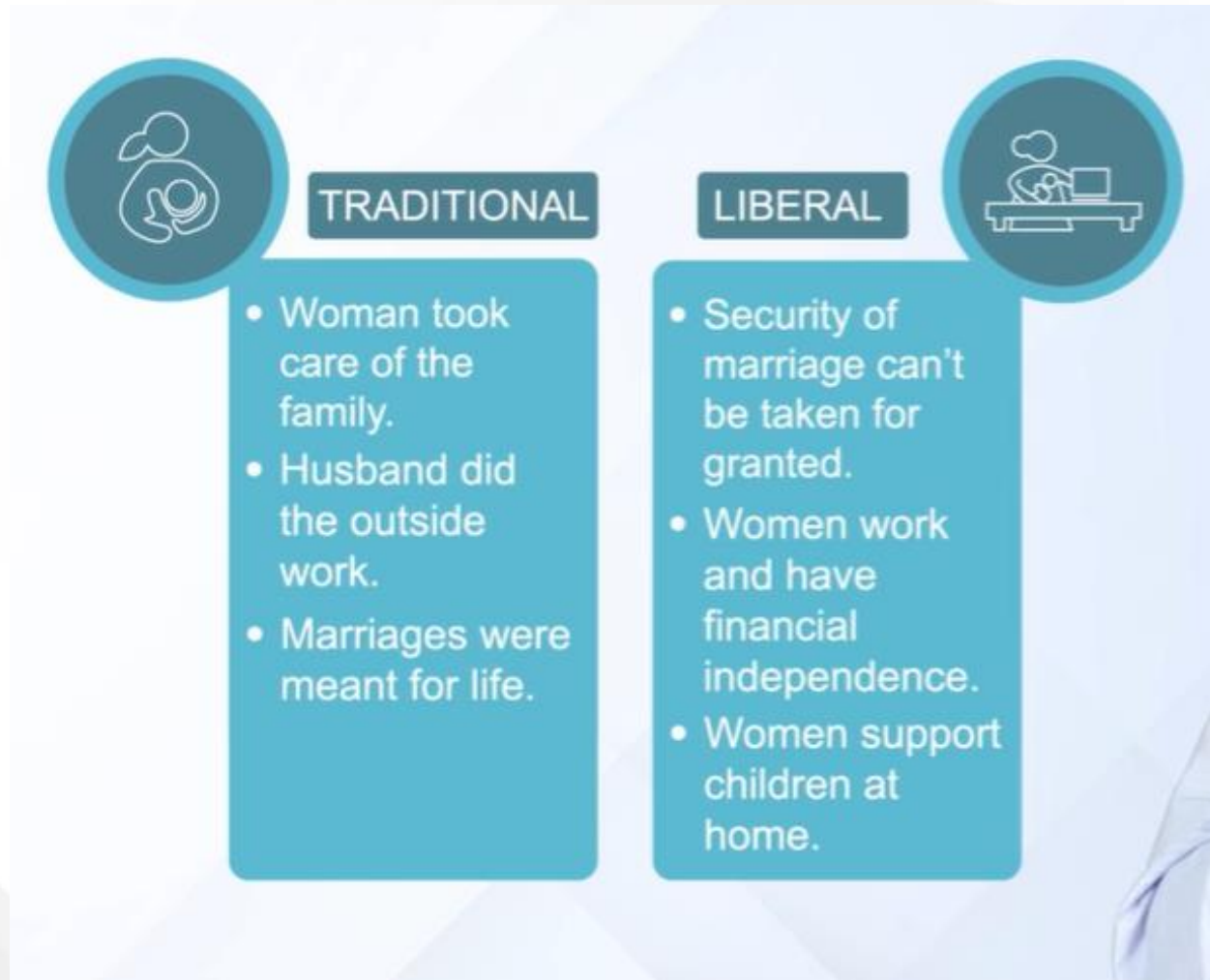
# Why do Children Eat Maggi?



Mothers give Maggi to their children because it has an **appealing taste**

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# Transition Towards a Modern and Liberal Society



# Maggi: A solution for Working Mothers



Easy

Quick

Healthy

Nestlé has spent hundreds of millions of dollars over many decades **building a relationship of trust with consumers.**

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# Response to the Crisis

Nestlé did  
not  
understand  
its  
consumers

Nestlé did  
not manage  
the crisis  
well



There is **no excuse for not understanding** your customers.

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# Alternative Response to the Crisis



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# The Nestle CEO's Statement



"We decided to take the noodles off shelves as there was **confusion about safety**. The safety of our consumers is **paramount**. We are working with authorities to clear up this confusion."

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# The Nestle CEO's Statement



"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.**"

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# Understanding Product Category

# Dynamic Category – Slow Evolution



Different types of shoes  
for different activities



Gola shoes with leather  
like material



Simple white sports  
shoes

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# Dynamic Category – Abrupt Changes



**Fashion Accessory:**  
Swatch



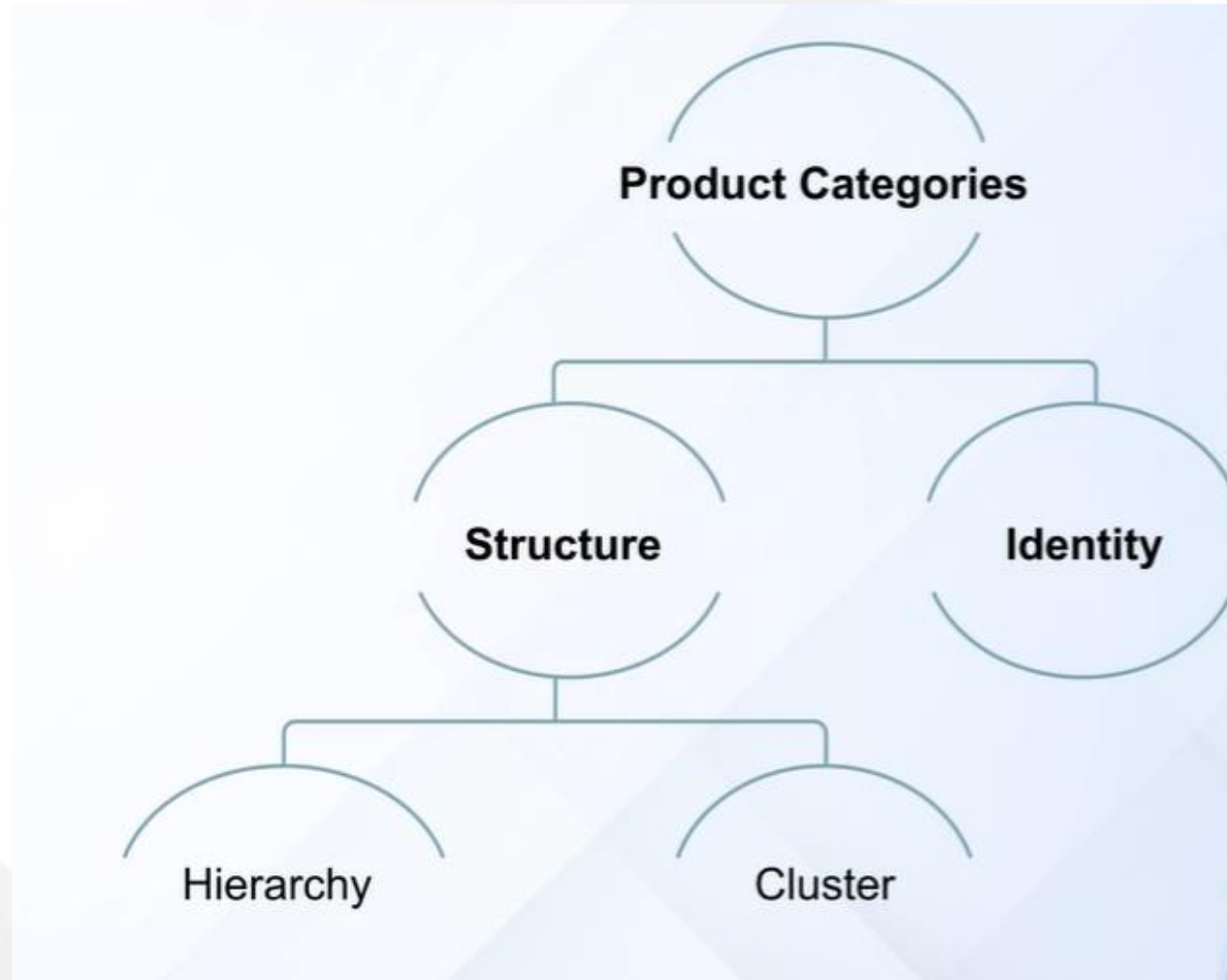
**Tool:** Timex



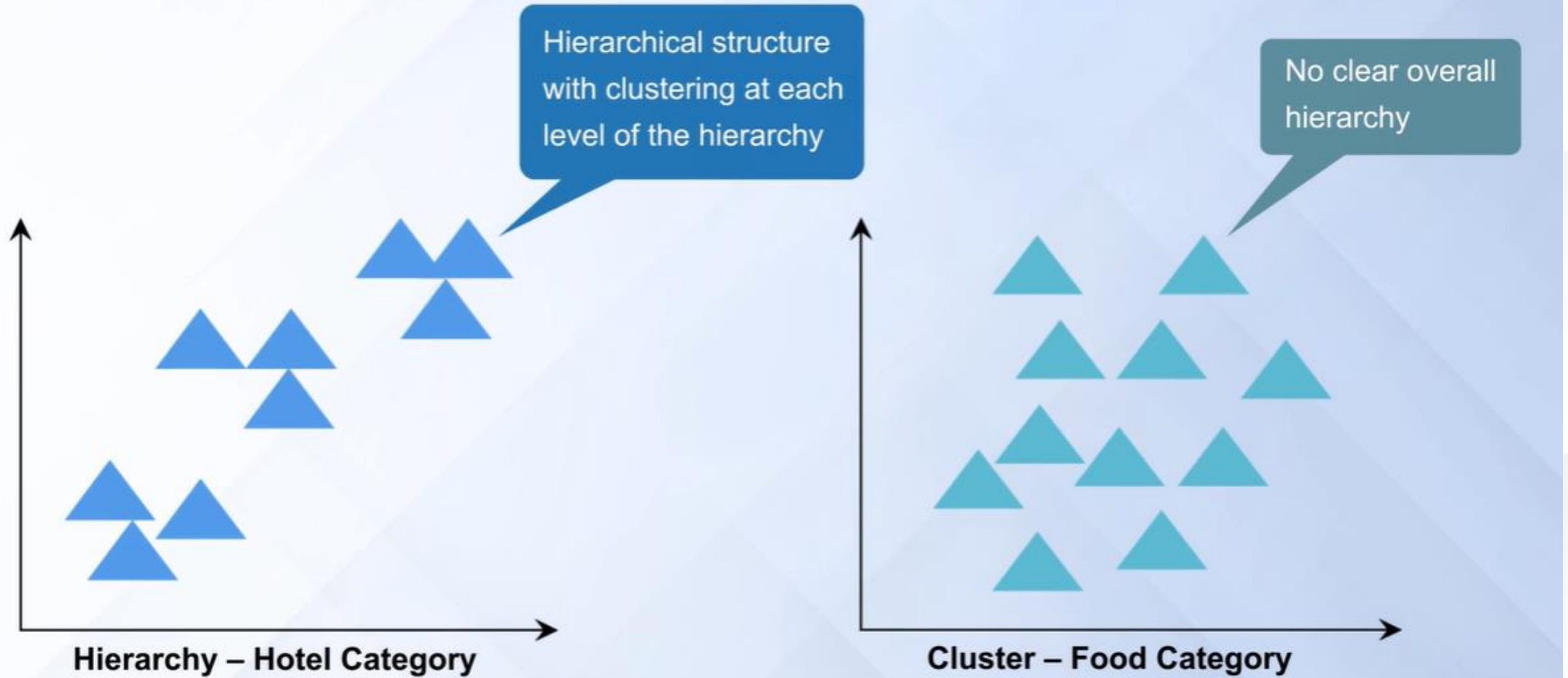
**Heirlooms:** Rolex,  
Omega

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# Product Category: Characteristics

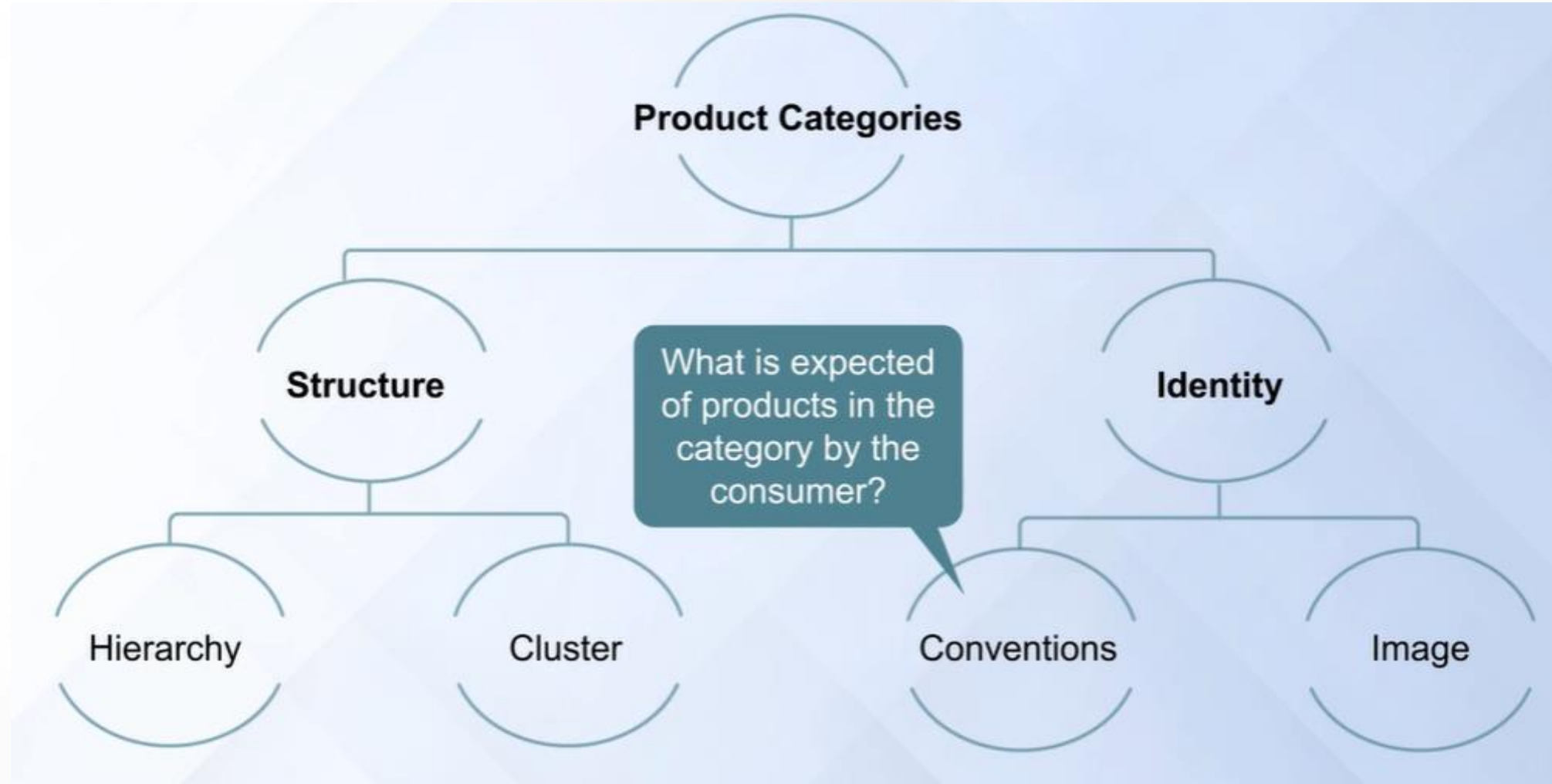


# Product Category





# Product Category: Characteristics



# Category Convention



Category conventions have important implications for product design

# Category Convention: Example



Category: Low-income religious travelers

# Category Image: Example



- Will you negotiate?
- Can you trust the salesperson?



- Would you give honest answers?
- Can you trust the doctor?

The image of the category makes us adopt a stance towards all members of the category.



# Issues in Traditional Positioning



- Product is positioned in relation to the competing products
- Product is differentiated from existing competition

# Short Term vs. Long Term Differentiation

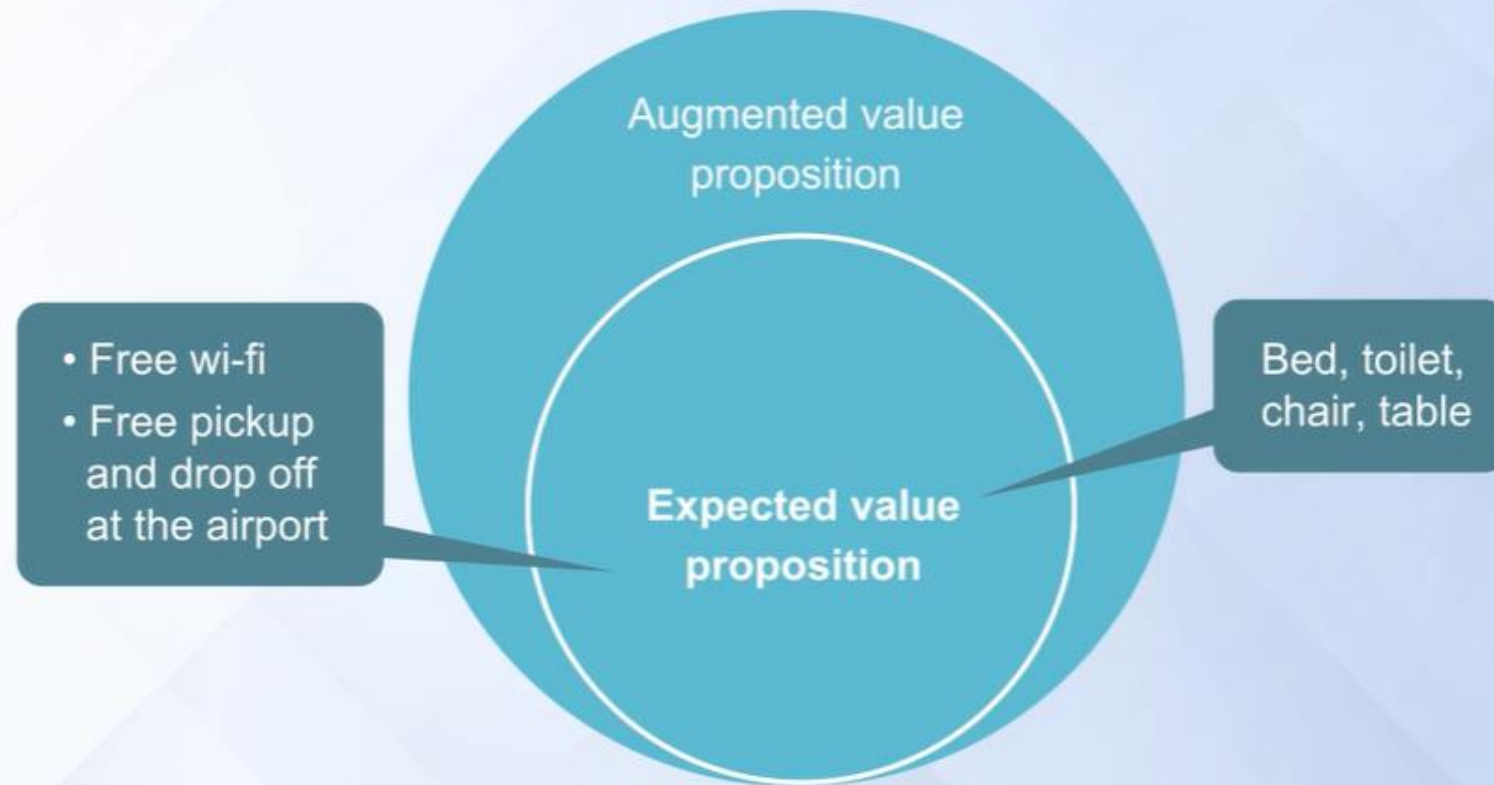
When you can differentiate yourself in the short run, long run differentiation becomes a challenge.

	Your hotel	Hotel A	Hotel B	Hotel C
Free Wi-Fi	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Free pick up and drop off	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>



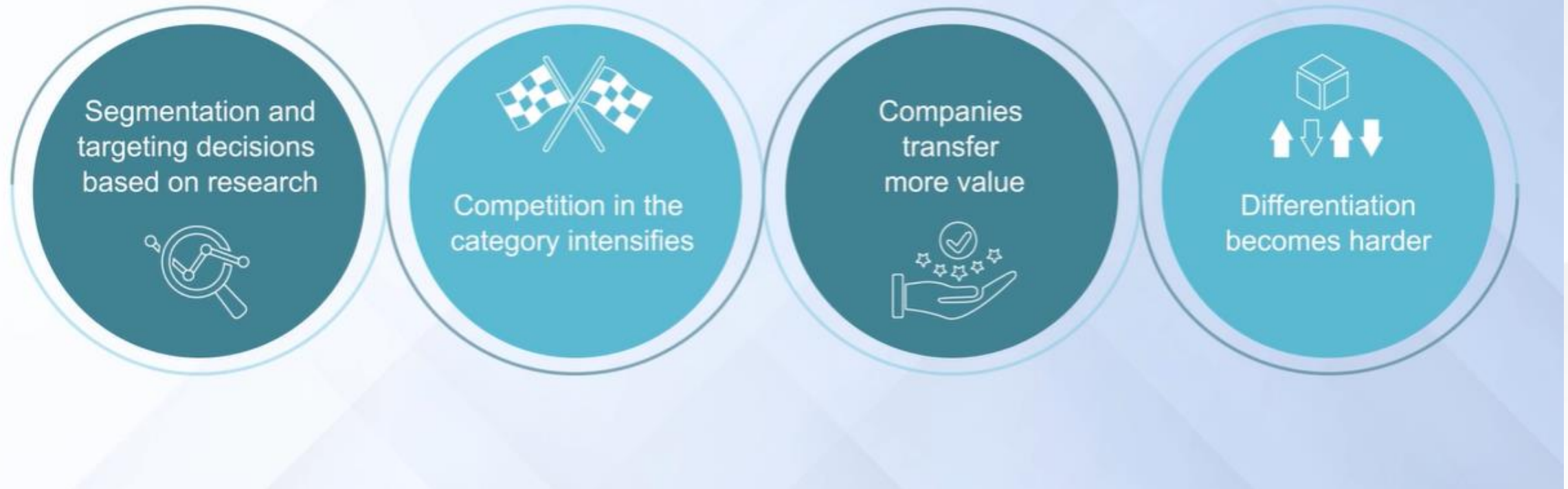
# Category Convention

## New and expanded convention for a hotel stay



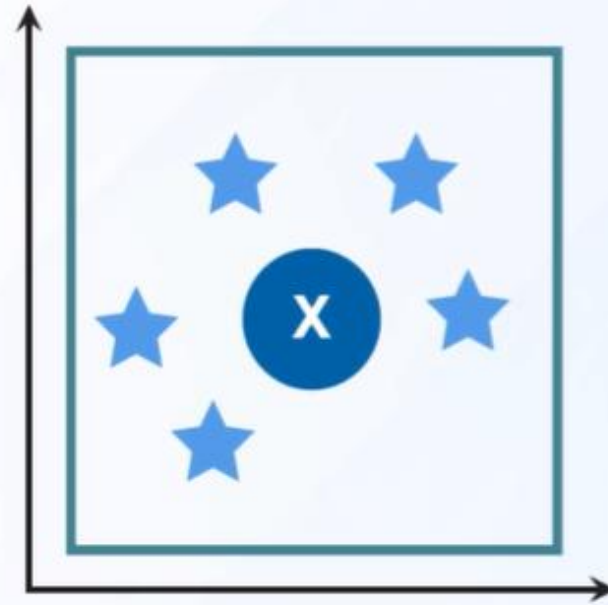
# Category Convention

Self-reinforcing, Competitive, Consumption pattern



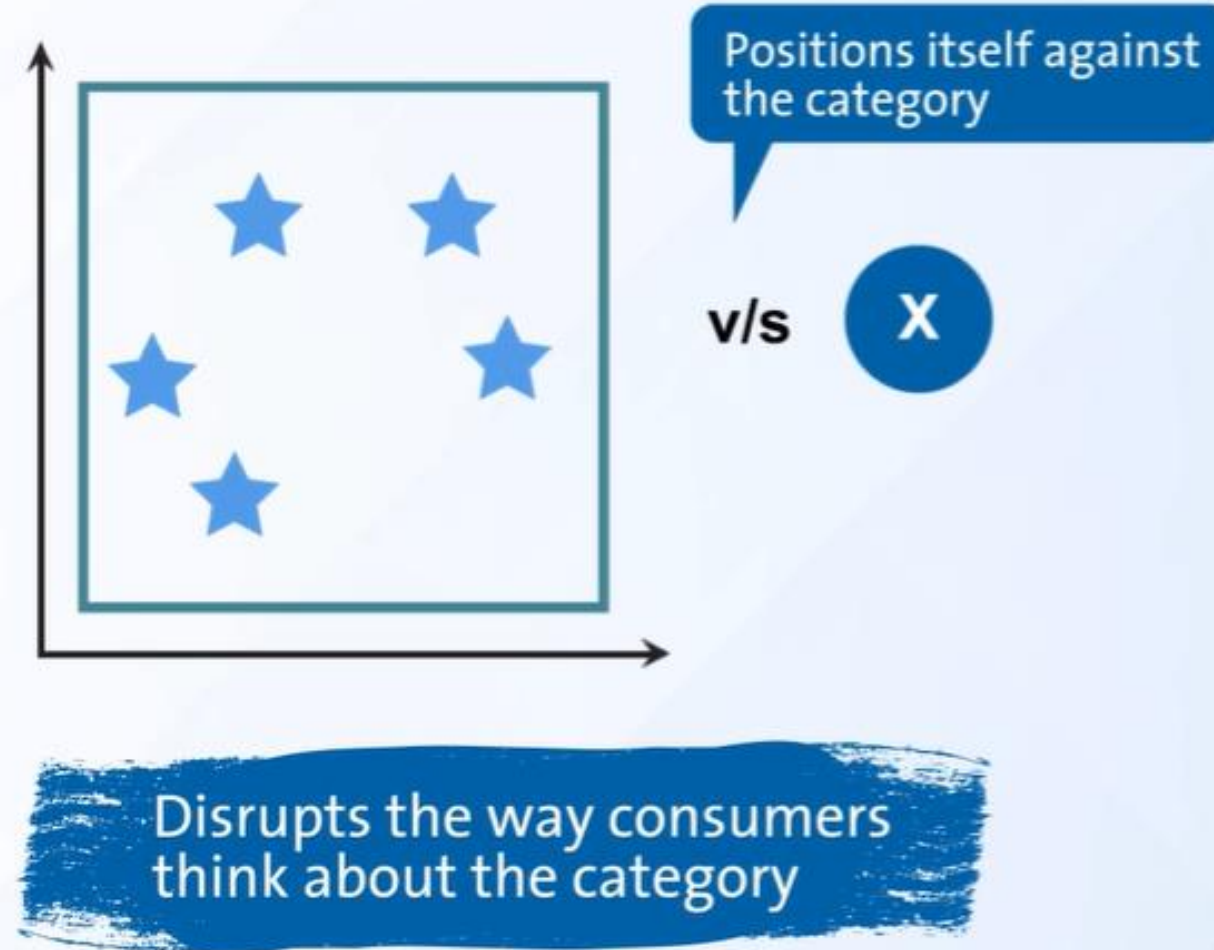
# Understanding Disruptive Positioning – 1

# Traditional Positioning Strategy

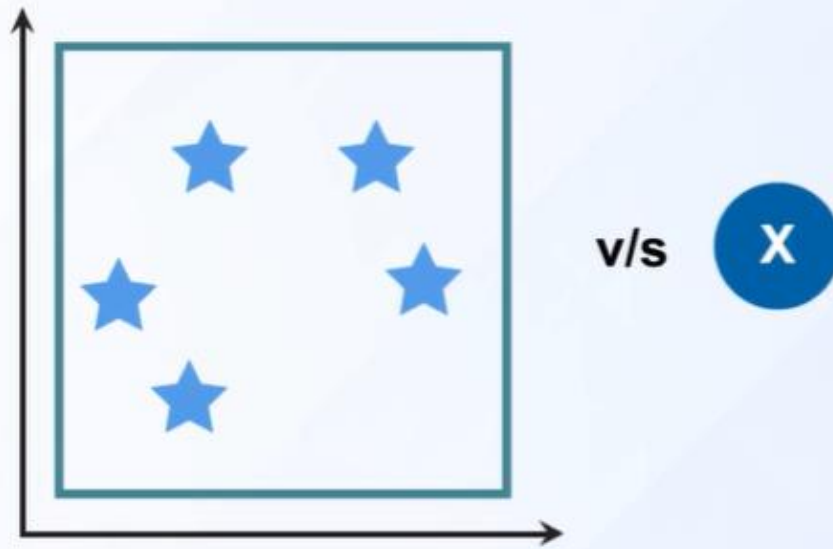


- Positions product in the same category
- Highlights the points of differentiation

# Disruptive Positioning Strategy



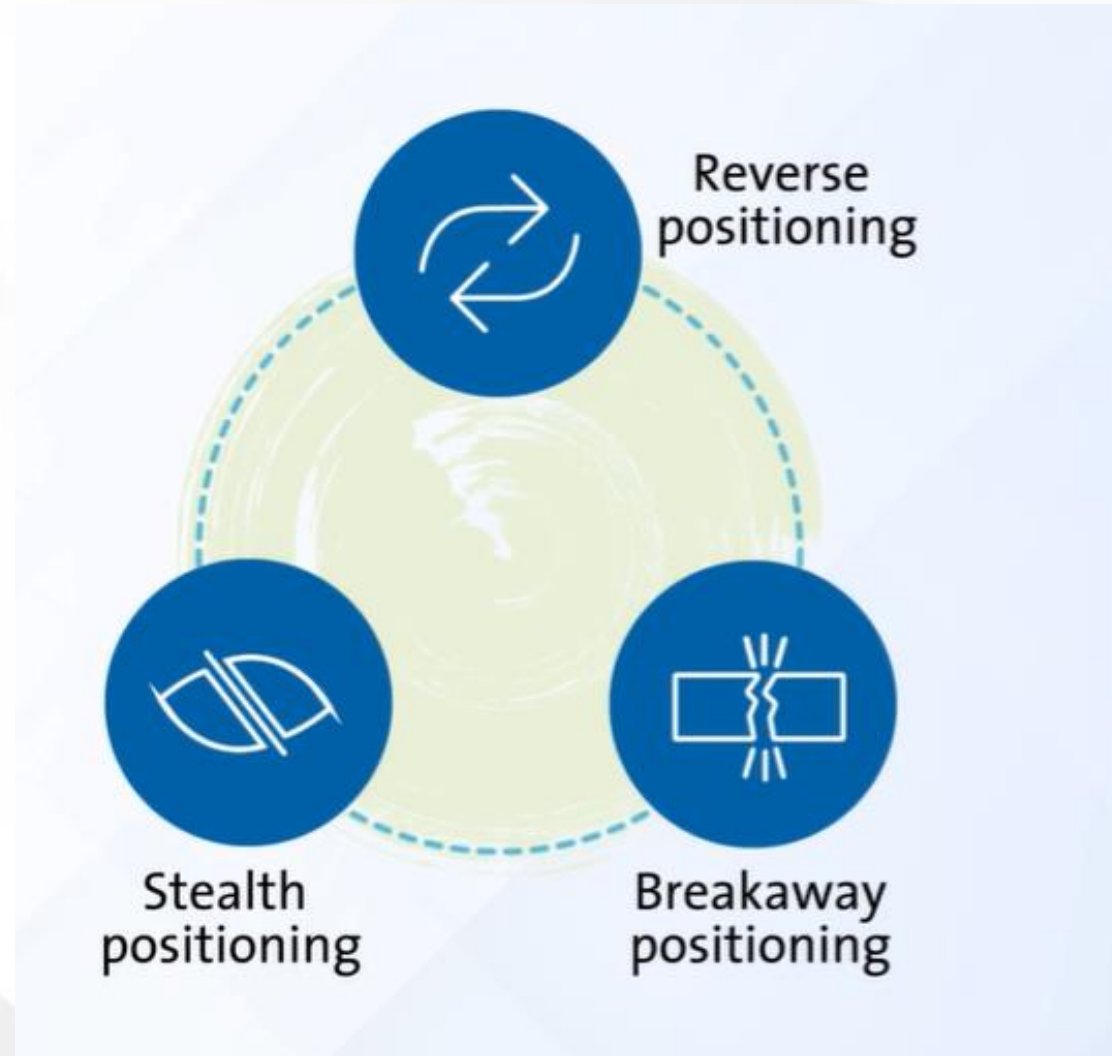
# Disruptive Positioning Strategy



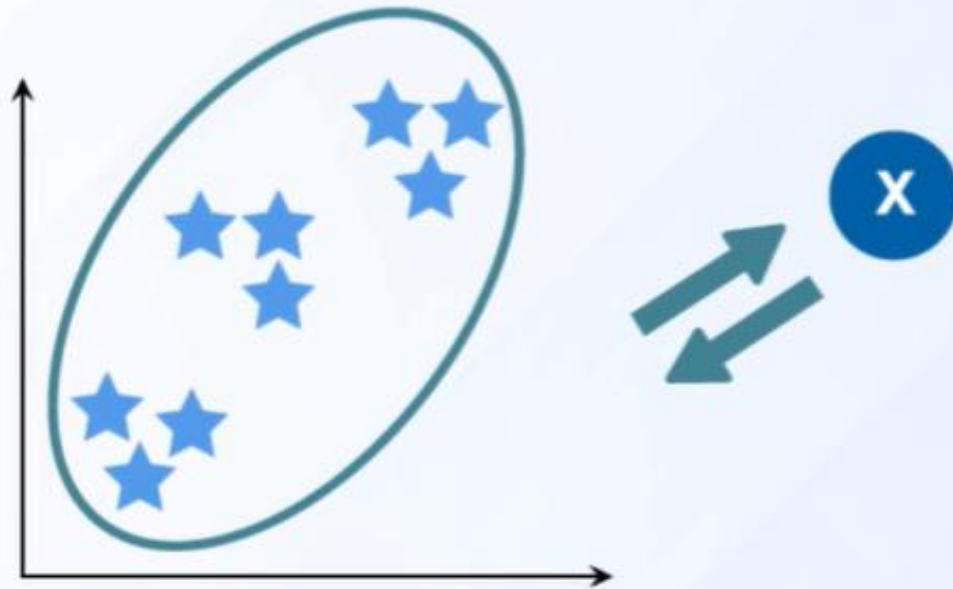
- No real product innovation
- Reconfiguration of existing attributes



# Types of Disruptive Positioning Strategies

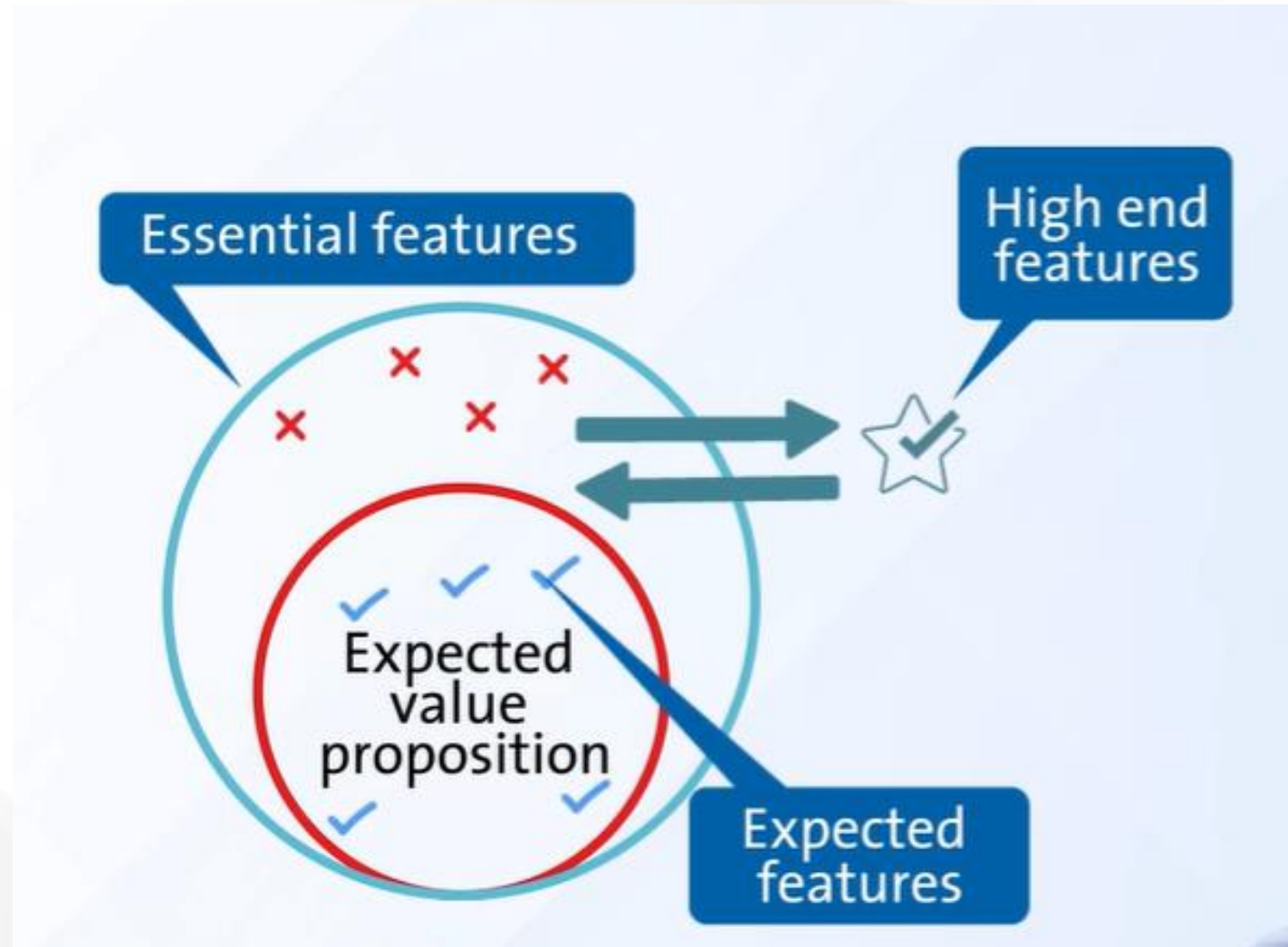


# Reverse Positioning



Strip away what is expected by consumers and provide premium benefits.

# Reverse Positioning



# Reverse Positioning – Example 1



Ginger Hotels provided:

- Adequate facilities
- Reasonable price
- Premium locations

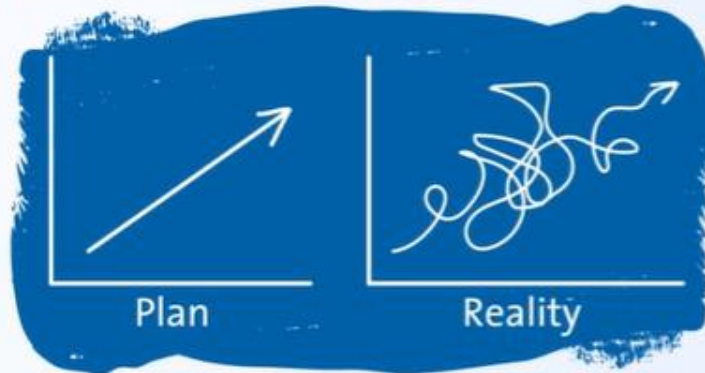
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# Reverse Positioning – Example 1



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# Reverse Positioning – Example 1



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# Reverse Positioning – Example 2



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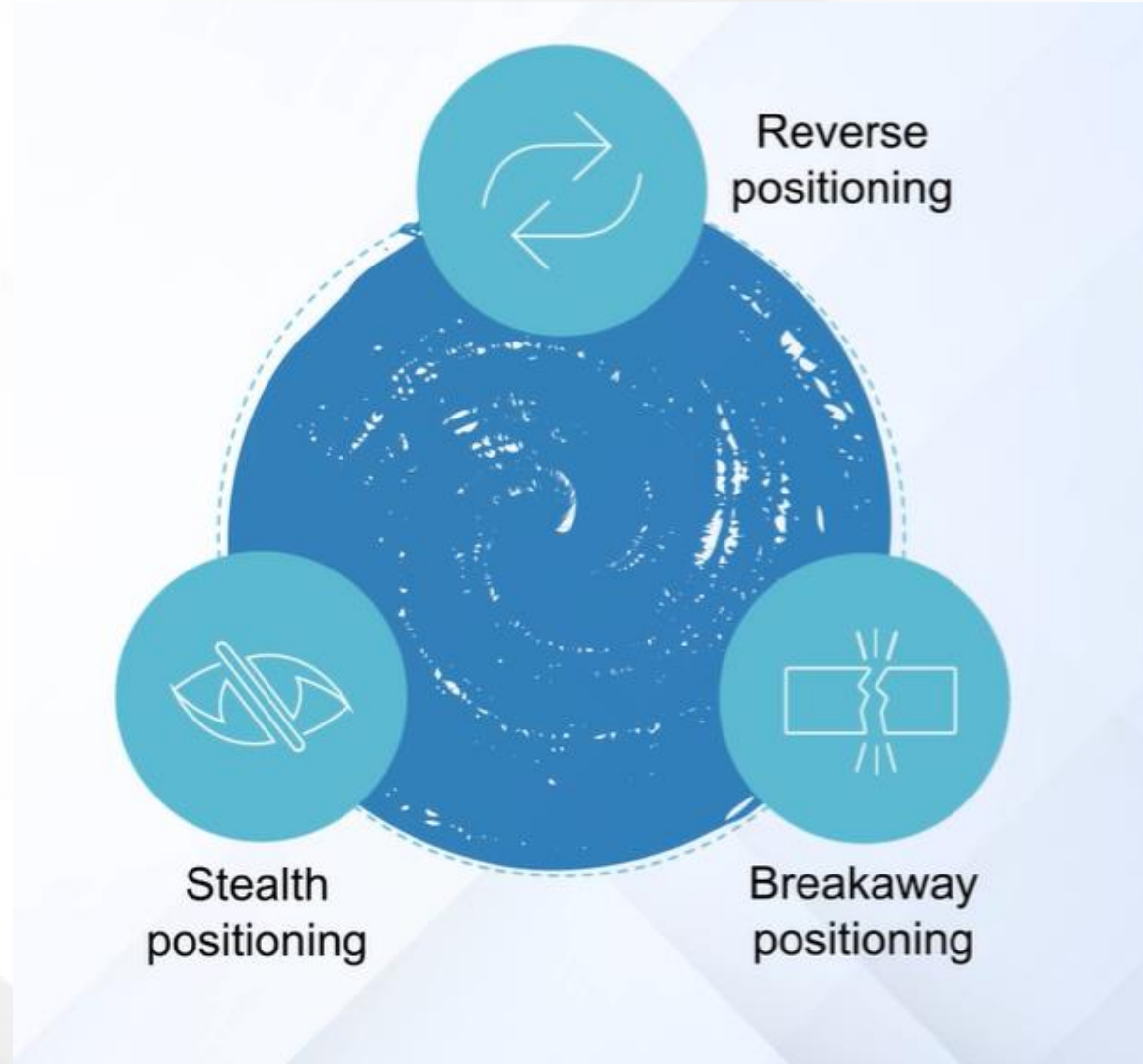
# Reverse Positioning – Example 2



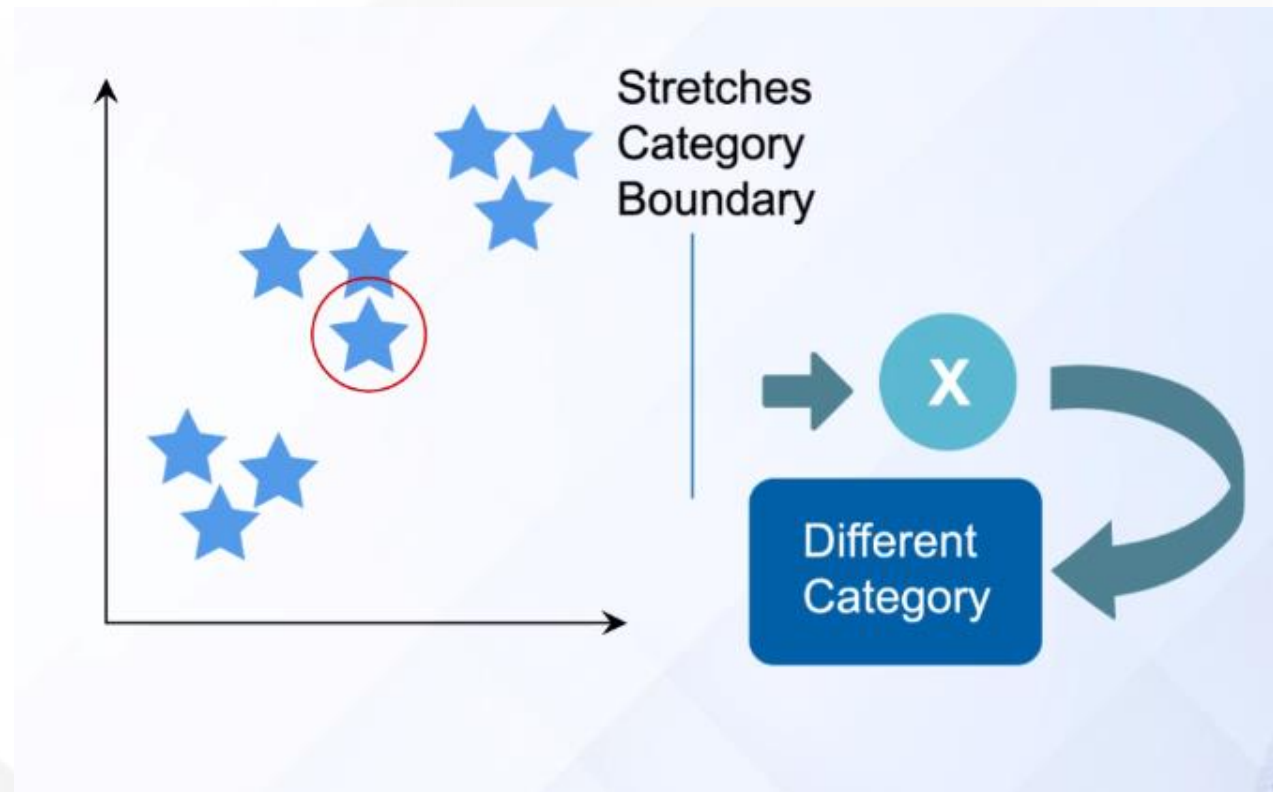
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# Understanding Disruptive Positioning – 2

# Types of Disruptive Positioning Strategies



# Breakaway Positioning Strategy





# Breakaway Positioning Strategy – Swatch Example



Came in many colours and designs

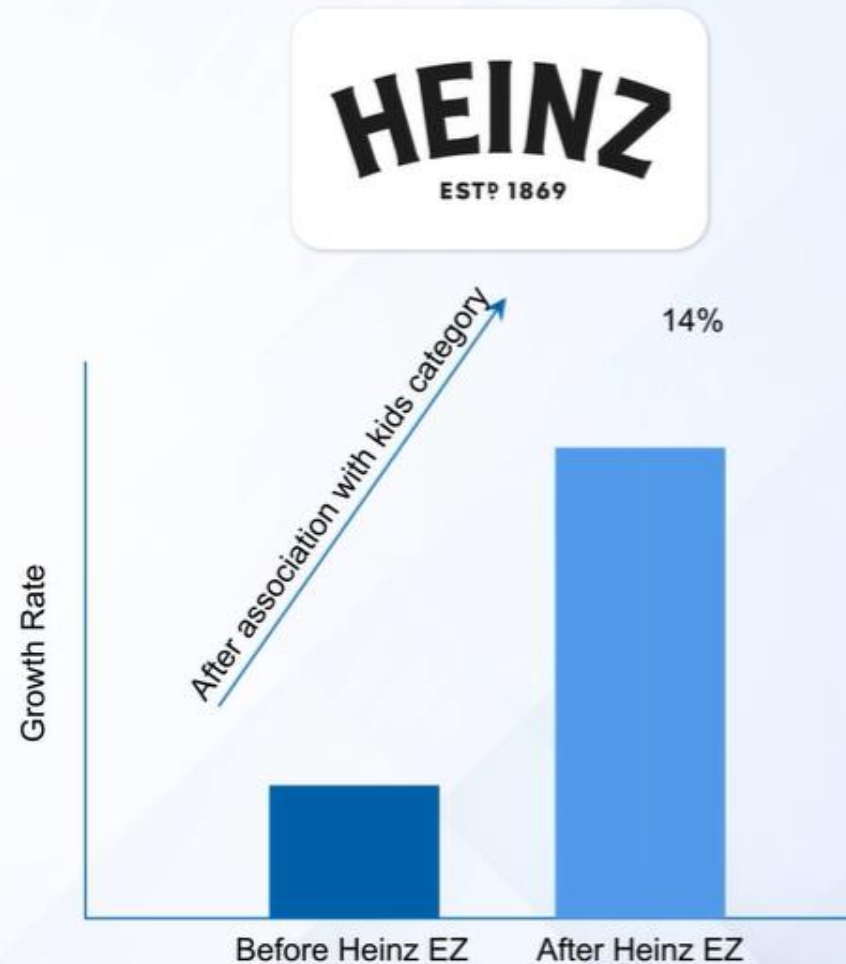
Were deliberately low-priced

Reflected the theme as fashion accessory

Positioned as accessible and popular among the consumers

Swatch was highly successful and disrupted the watch category

# Breakaway Positioning Strategy – Heinz Example



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# Opportunities for Breakaway Positioning



- Change in category is less confusing
- Products can be easily tried

# Stealth Positioning Strategy



New technology and pharmaceutical firms use stealth positioning.



# Stealth Positioning Strategy - Example



# Disruptive Positioning



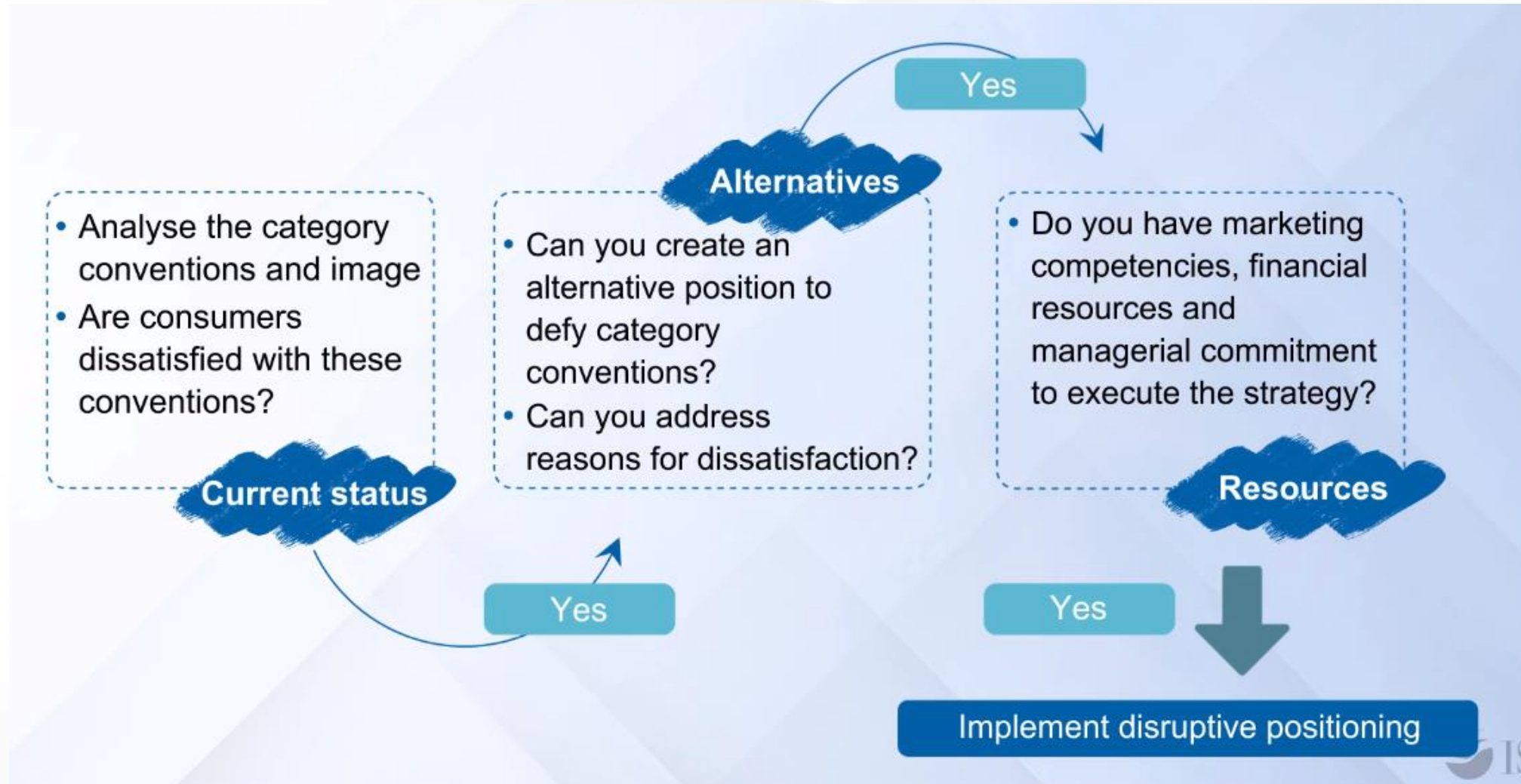
Exploits category weaknesses – category structure and identity



# Disruptive Positioning



# Implementation of Disruptive Positioning



# Planning a Position for New Product



- Company must do preference analysis of each position
- Decide which position can attract the highest share of target audience

# Current Positioning Challenges



Possibility of unplanned product positioning is high - > - > Product Management cannot be controlled from within

# Managing Position of Products





# Introducing Radical Innovations to the Consumer Market: Challenges



# Introducing Radical Innovations



The flaws of first-generation technology make it challenging to build a market.



Consumers go through a **learning curve**, master new interface, change behaviour to assimilate new technology.



The consumers may reject the breakthrough product.



Consumers may accept and use it in unanticipated manner.

**These issues create significant uncertainty from a firm's perspective.**

# Introducing Radical Innovations – Challenges



Introduces running shoes	Introduces radical innovations
• What is it?	✗
• How will consumers use/interact with it?	✗
• How well does it work?	✗
• Will they like it?	✗

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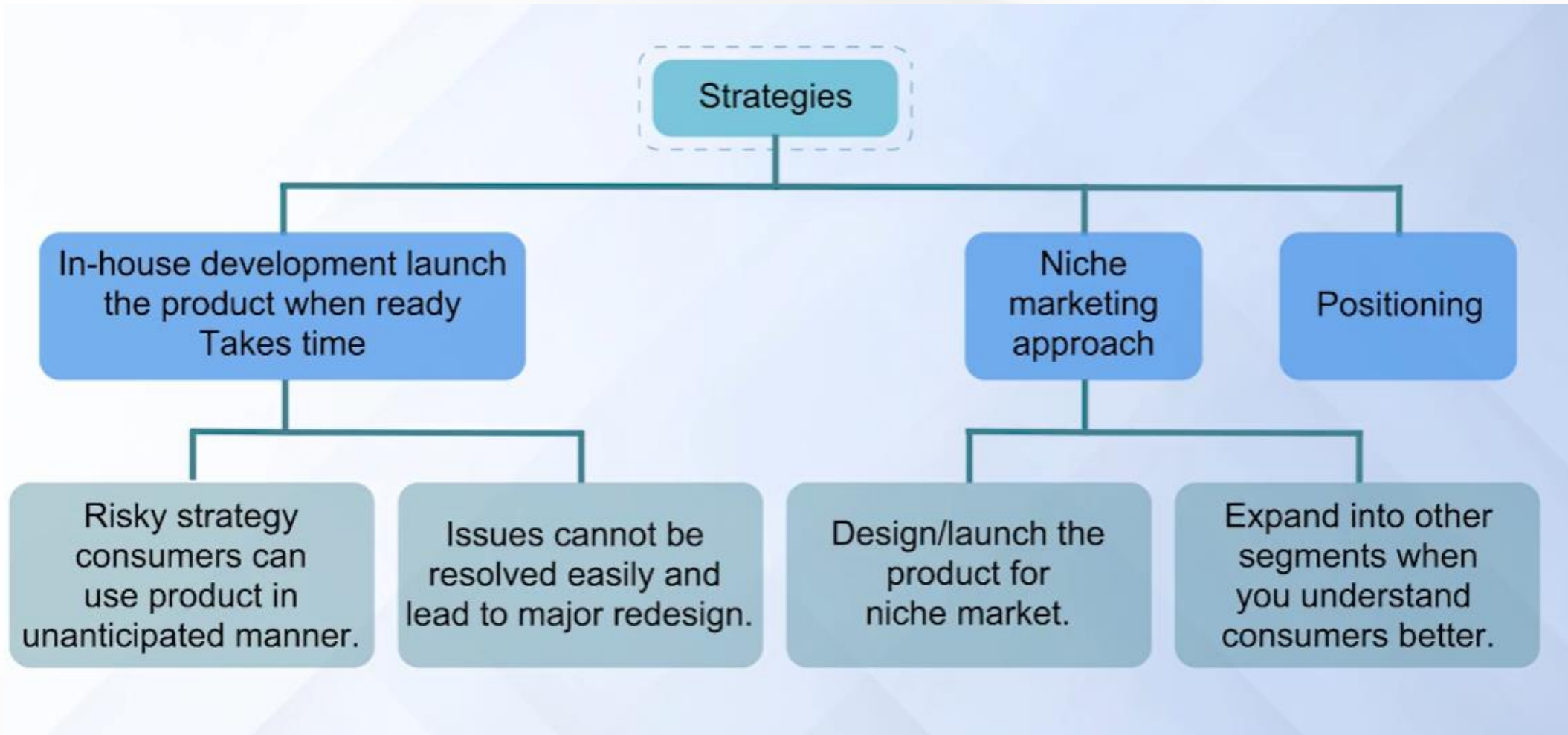
# Introducing Radical Technologies – Challenges

Firm **under pressure** to release the product to the market even when it knows the **product is faulty**. This is so that the market feedback can be obtained to guide ongoing product development.



Since the product is flawed, it increases the chances of failure in the market.

# Solutions





# Positioning Strategy of Sony Aibo

Sony launched Aibo priced at \$1000.



Copypat toys soon appeared priced at \$50 - \$100 each.

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# Sony Aibo – First Generation Robotics Technology

What do you think Aibo is?  
Why was it priced so high?



Aibo was a **first-generation home robotics technology** that Sony wanted to test to get consumers' feedback.

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# Consumer Behaviour



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# Improvisation of Positioning Strategy

If the dog doesn't respond, the owner **shares it** on the online community.

Sony **harvests this data** and notes issues to be resolved in the next release.

Sony engineers **note the bug** in the Aibo software.

By positioning a faulty product, Sony manages the **resistance to adoption** and **got valuable feedback**.

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# Brilliant Stealth Positioning by Sony



- Sony converted its weakness into strength through **brilliant stealth positioning**.
- Consumers considered the technical faults as manifestation of the unique character of their pets.

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# Summary

# Key Learnings



