

MARKETING MANAGEMENT AND STRATEGY

WEEK 5 POSITIONING AND DIFFERENTIATION STRATEGIES

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5.1 Introduction

Welcome to week 5 lecture! It is my joy to have in the class. In the last lecture we examined the concept of product/market competition and various strategies developed to manage its effect on brand. Once we have identified both direct and indirect competitors, we must position ourselves in particular market segments and differentiate our products from those of competitors. In this lesson we will focus on how we can position ourselves and what it takes to differentiate a firm offering from those of competitors.

5.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Define the concept of positioning and differentiation.
2. Examine various positioning possibilities.
3. Assess how companies communicate the company's positioning.
4. Discuss various dimensions of differentiation.
5. Discuss the relationship between positioning and differentiation.

5.3 What is market positioning?

We begin this lecture by examining some quotes on positioning by Al Ries, Jack Trout

- “In the positioning era, the single most important marketing decision you can make is what to name the product. “
- “A brand is the ultimate weapon to defeat any competition.”
- “The essence of positioning is sacrifice.”
- “The mind is like a sieve; it retains only what is important to it.”
- “A strong position is the foundation for building a successful brand.”

The concept of positioning is critical for a successful marketing strategy. Though it is often ignored, it's a major determinant of consumers perception of the brand and consequently their purchase decision. Positioning is normally viewed as part of segmentation, targeting and positioning strategies in literature of marketing. Positioning is the act of designing the company's offering and image to occupy a distinctive place in the mind of the target market. It can also be defined as the act of crafting the place the product will occupy in consumers' minds relative to competing products (Kotler and Keller, 2006). On his part, Lovelock (2014) views positioning as a process of 'establishing and maintaining a distinctive place in the market for an organization and/or its individual product offerings. Ries & Trout (1984) define Positioning as an organized system for finding a window in the mind of a customer. It is based on the concept that communication can

only take place at the right time and under the right circumstances. Positioning is all about Creating a unique and distinctive image for a brand relative to the competition.

5.4 Strategic importance of brand positioning

Brand positioning is fundamental for successful marketing. The following is summary of strategic significance of brand positioning strategy to a marketer (Karolina and Andresa, 2012).

- a) **Foundation for Strategy Development:** Positioning, as emphasized by Kotler (1994), is an integral component of the STP concept (Segmenting, Targeting, Positioning). Just like segmentation and target selection, positioning forms the bedrock for defining a brand's strategy. Thus, it serves as a strategic compass for brands, guiding decisions on how to differentiate and appeal to their target audience effectively.
- b) **Guidance and Coordination of Activities:** In the context of place brand management, well-defined positioning acts as a guide and verifier for planned activities. It ensures consistency across diverse brand activities and helps in coordinating efforts towards a common brand idea, especially crucial in environments where brand management might undergo changes due to shifts in local government. Thus, positioning becomes essential for aligning various activities towards building a cohesive and sustainable image of the place brand.
- c) **Employee Engagement and Energy:** Effective brand positioning involves all employees who can influence the image of a place brand. When employees identify strongly with the brand positioning, it fosters an emotional bond and energizes them to contribute creatively towards fulfilling the brand's promise. This alignment of employees with positioning not only enhances brand experience but also translates into the vibrancy and dynamism of the place itself.
- d) **Strategic Planning and Activity Prioritization:** Positioning provides fundamental guidelines and directions for a brand's activity and development. It helps in creating a framework to evaluate the adequacy of planned activities and prioritize them based on their alignment with the brand positioning. Thus, positioning serves as a valuable tool for strategic planning, ensuring that resources are allocated efficiently to activities that resonate with the brand's identity and objectives.
- e) **Measurement of Effectiveness and Brand Control:** Internally, brand positioning facilitates brand control by enabling the measurement of effectiveness. Regular research into brand image, concerning its alignment with the adopted positioning, helps in assessing the impact of specific activities pursued by an administrative unit. This continuous evaluation ensures that the brand remains on track towards its objectives and facilitates adjustments as needed to maintain alignment with the desired positioning.

5.5 Steps followed in positioning process.

The process of positioning involves four critical steps (Day, 1990).

1. The first step is identifying alternative positioning themes. We may want to position as market leaders in quality, price or even customer service. The marketer may want to

- confirm what customers already think or change that position to fit with his current offerings.
2. The second step is to screen each alternative: according to whether it is meaningful to customers by examining themes feasibility given the firm's competencies and customer perceptions of the firm, its superiority/uniqueness against competition, and whether it is congruent with the company's objectives.
 3. The third step is choosing the position that best satisfies the criteria and generates the most enthusiasm and commitment within the organization.
 4. The fourth step is designing the programs needed to implement the position which may require the firm to compare costs of these programs with likely benefits.

Similar steps have been identified by various authors and would include the following.

1. Identify the target market.
2. Identify the competitive set of preferences in the target market
3. Identify the motivation/benefits sought by customers.
4. Identify perceptions of the strengths and weaknesses of each of the competitive set themes.
5. Identify opportunities for differentiated positioning.
6. Select and implement the position.
7. Monitor the performance of the positioning strategy over time.

5.6 Positioning possibilities

There are several positioning themes that have been identified by Kotler and Keller (2016) which would include:

1. Attribute positioning: A company positions itself on an attribute such as size or number of years in existence. For example, Maasai Mara National Park in Kenya can advertise itself as the largest national park in Africa. For many years, the East African Standard newspaper emphasizes its years of existence with the words "since 1902". The same applies to Kiwi with the words "since 1904", Guinness, "since 1759" and Family Bank which proclaims, "serving the nation since 1984."
2. Benefit positioning: The brand is positioned as a leader in a certain benefit. Masai Mara National Park may say that it delivers a memorable experience to visitors. Nakumatt emphasizes benefits like quality, value, service, variety, style and lifestyle.
3. Use or application positioning: This is positioning a product as best for some use or application. Masai Mara can position itself as a place for tourist desiring to watch wild animals in a natural environment.
4. User positioning: This is positioning a product as best for some user group. Masai Mara can advertise itself as best for "thrill seekers", bird watchers, and "animal lovers." Nakuru National Park can emphasize bird watching (flamingos).

5. Competitors positioning: The product claims to be better in some way than a named competitor. For example, Masai Mara can advertise itself as having a greater variety of animals than Nairobi National Park.
6. Product category positioning: The product is positioned as a leader in a certain product category. For example, One National Park can position itself as a recreational park, not an educational park (leader in recreation).
7. Value positioning: The product is positioned as offering the best value for money.

5.7 Positioning strategies

Seven positioning bases suiting certain market conditions in the consumer goods field are suggested by Frazer (1983). They include.

- The Generic Strategy: which can successfully be applied by marketers with an extremely high market share or monopolistic characteristics. The aim of the positioning element is to stimulate demand for the whole product category a brand belongs to.
- Pre-Emptive strategy where the marketer of a certain product emphasizes a benefit or attribute common to all products in the category as first and as being unique. This approach seems to be somewhat like the “market leader positioning” outlined in other positioning typologies such as that of Ries and Trout (1982).
- Positioning based on physical differentiation is referred to as unique selling proposition strategy (USP). Products are associated with a meaningful, distinctive, consumer benefit based on a unique physical product characteristic.
- The counterpart to USP is brand image strategy, where superiority of rather homogenous, low-technology goods with little physical differentiation is claimed via differentiation based on factors extrinsic to the product itself i.e. psychological differentiation.
- The so called “positioning strategy” is a separate positioning alternative where it is required to give the product a place in the consumer’s mind relative to competition.
- The Resonance Strategy where the experience of the consumer is the main focus for sale. Hence, advertisements present situations and emotions which find counterparts in target consumer’s experiences.
- Positioning based on the affective strategy, where the aim is to get in touch with the consumer at an emotional level. This positioning alternative is based on grabbing the attention and participation of consumers resulting from the ambiguity of ads.

Positioning for small businesses

Kenyan market constitutes hundreds of small businesses. These may not apply similar strategies as suggested above in positioning themselves because of the unique market conditions they find themselves in. Kotler and Keller (2016) have suggested the following guidelines.

1. Find a compelling product, or service performance advantage.
2. Focus on building one or two strong brands based on one or two key associations.
3. Encourage product or service trial in any way possible.

4. Develop cohesive digital strategy to make the brand bigger and better.
5. Create buzz and loyal brand community.
6. Employ a well-integrated set of brands elements.
7. Leverage as many secondary associations as possible.
8. Creatively conduct low-cost marketing research

Communicating the company's positioning: Once the company has developed a clear positioning, it must communicate that positioning effectively through all the elements of marketing. For example, if a company chooses the "best quality positioning", quality can be communicated using physical signs and cues that people normally use to judge quality. It can also be communicated through other marketing elements like high price, quality packaging, distribution in high-class outlets and promotion through high quality media. In communicating positioning, all elements of the marketing mix must be consistent.

5.8 Positioning errors

The following positioning errors can undermine a firms overall marketing strategy (Cravens & Nigel, 2009).

1. Under-positioning occurs when consumer have only a vague idea about the company and its products and do not perceive any real differentiation.
2. Over-positioning occurs when consumers must narrow an understanding of the company, product, or brand.
3. Confused positioning occurs when frequent changes and contradictory messages confuse consumers regarding the positioning of the brand.
4. Doubtful positioning: occurs when claims made for the product or brand are not regraded as credible by consumers.

5.9 Differentiation

Positioning delivers a central idea about a company or an offering to the target market. It simplifies what people think about the company. Differentiation goes beyond positioning by showing the differences that characterize the company. It refers to the process of adding a set of meaningful and valued differences to distinguish the company's offering from the competitor's (Kotler and Keller, 2006). Cravens and Nigel(2009 observe that rroduct differentiation occurs when a product offering is perceived by the buyer as different from the competition on any physical or nonphysical product characteristic, including price

Kotler and Keller (2006) observes that a difference will be stronger if it satisfies the following criteria:

- Important - the difference delivers a highly valued benefit to a sufficient number of buyers.
- Distinctive - the difference is delivered in a distinctive way.
- Superior - the difference is superior to other ways of obtaining the benefit.

- Preemptive - the difference cannot be easily copied by competitors.
- Affordable - the buyer can afford to pay for the difference.
- Profitable - the Company will find it profitable to introduce the difference.

5.10 Differentiation tools

A company can differentiate its market offering along five dimensions (Kotler and Armstrong, 2006):

- a) Product differentiation: Products can be differentiated along the following dimensions: forms, features, performance conformance, durability, reliability, reparability, style and design.
 - Form. This includes size, shape or physical structure of a product. For instance, drugs like Aspirin or Panadol can be differentiated by dosage size, shape, color, coating or action time.
 - Features. Most products can be offered with varying features that supplement their basic function. For example, mobile phones come with different features to supplement the basic function, which is communication. A phone sold by Safaricom with the brand name Kabambe 225 has such features as full color display screen, super thin, polyphonic ring tones and predictive text. It goes for KShs 1999. On the other hand, Samsung U700 that sells at KShs 14,999 has such features as 3G high-speed Internet connectivity, 200 MB internal memory, blue tooth, 3.2 Mega-Pixel camera and music and video player. Being first to introduce valued new features is one of the most effective ways to compete.
 - Performance quality. Most products are established at one of four performance levels: low, average, high or superior. Performance Quality is the level at which the product's primary characteristics operate. Performance quality is related to profitability.
 - Conformance Quality. This is the degree to which all the produced units are identical and meet the promised specifications. Products with low conformance quality disappoint buyers.
 - Durability. This is a measure of the product's expected operating life under natural or stressful conditions. Buyers will generally pay more for products that have a reputation for being long lasting. However, the extra cost must not be excessive and the product should not be subject to rapid technological obsolescence.
 - Reliability. This is a measure of the probability that a product will not malfunction or fail within a specified period. Buyers will normally pay a higher price for reliable products. Firms provide warranty to enhance product reliability.
 - Reparability. This is a measure of the ease of fixing a product when it malfunctions or fails. Buyers prefer products that are easy to repair. They also provide repair facilities to customers in case the product malfunctions. A company like LG organizes customer service days during which they repair customers' LG products at no cost.
 - Style. It describes the product's look and feel to the buyer. Style has the advantage of creating distinctiveness that is difficult to copy. On the negative side, a strong style does

not always mean high performance. For example, a car may look sensational but the owner may spend a lot of time in the garage.

- Design. It is the entirety of features that affects how a product looks and functions in terms of customer requirements. It is particularly important in marketing apparels, packaged goods, cars, electronics, mobile phones and other durable goods. All qualities discussed above are design parameters. To a customer, a well-designed product is one that is pleasant to look at and easy to open, install, use, repair and dispose off. Fruit jam manufacturers like Trufoods (makers of the oldest and popular brand of fruit jam called Zesta) now emphasize the ease of opening the tin as a selling point to customers.
- b) Services Differentiation: Where the company cannot differentiate its physical product from competitors, it can add valued services. The main service differentiators are (Kotler and Armstrong, 2006):
- Ordering ease. It refers to how easy it is for the customer to place an order with the company.
 - Delivery. This refers to how well the product or service is delivered to the customer. It includes speed, accuracy and care in attending the delivery process.
 - Installation. It refers to the work done to make a product operational in its planned location. Buyers of heavy equipment expect good installation service. Ease of installation becomes a true selling point especially if the target market is composed of technological novices.
 - Customer training. This has to do with training the customer's employees to use the vendor's equipment properly and efficiently.
 - Customer consulting. It refers to data and information systems and advice services that the seller offers to buyers.
 - Maintenance and repair. It describes the service program for helping customers keep purchased products in good working order.
 - Miscellaneous services. Companies can find other ways of differentiating their products and services. For example, they can provide product warranty. They can also offer rewards.
- c) Personnel Differentiation: Companies gain competitive edge by having better trained employees. Such employees exhibit six characteristics (Kotler and Keller, 2006):
- Competence – they possess the required skills and knowledge.
 - Courtesy – they are friendly, respectful, and considerate.
 - Credibility – they are trustworthy.
 - Reliability – they perform the service consistently and accurately.
 - Responsiveness – they respond quickly to customer requests and problems.
 - Communication – they make an effort to understand the customer and communicate clearly.

Most schools, colleges and universities emphasize the quality of their teachers and lecturers as a selling point to prospective students and parents.

- d) Channel differentiation. Companies can gain a competitive edge through the way they design their distribution coverage, expertise and performance. Some companies differentiate themselves by ensuring that their dealers are found in more locations than the

competitor's. Others differentiate by ensuring that their dealers are better trained and perform more reliably. Others like Dell Computers distinguish themselves by developing and managing high quality direct marketing channels (Kotler and Armstrong, 2006).

- e) Image Differentiation: Buyers respond differently to company and brand images. A company's distinctive image can create a strong harmony or bond with the customers. For example, alcoholic beverage companies differentiate themselves by developing distinctive images for their brands.

Distinction between Identity and Image

Identity comprises the ways that a company aims to identify or position itself or its products. Image is the way the public perceives the company or its products. It is affected by many factors beyond the company's control. An effective identity performs the following functions.

- (i) Establishes the product's character and value proposition (benefits).
- (ii) It conveys the products character in a distinctive way.
- (iii) It delivers emotional power beyond a mental image.

The identity and image of the company can be expressed in the following ways:

- Symbols, color, slogans and special attributes: Identity can be created by using strong symbols. The company can choose a symbol such as lion. This is the case of Kenya Commercial Bank and Kenya Revenue Authority. Nakumatt Supermarket used the elephant.
- Companies also use colors to identify themselves (e.g. green for Safaricom and yellow for Kodak). They also use a specific piece of sound or music.
- Companies also distinguish themselves through short slogans or "tag line." They say them after every mention of their name. The slogan must be chosen carefully. It must relate to what the customer is looking for from the company. Examples include "Turning on Kenya" for NTV, "A vision for you" for Citizen TV, "Leading innovation" for Toshiba, "The better option" for Safaricom, and "Your bridge to success" for Faulu Kenya.
- Companies also differentiate their image using special attributes like the company's heritage, its being first to enter the field, its being the largest or oldest in the industry or its being the most preferred by opinion polls such as "Chaguo la Teeniez."
- Physical plant: This is another way that companies can generate a powerful image, i.e. by developing very unique physical facilities. A bank that wants to communicate that it is strong can do this through its architecture. For example, the Royal Bank in Toronto, Canada communicates financial strength and banking security by the building it occupies. Each pane in Royal Bank's exterior glass has been dipped in actual gold dust.
- Companies can create strong images by inviting prospective customers to visit their well laid out headquarters. Most universities in Kenya are organizing open days where prospective parents and students can come and see the university facilities.

- Events and sponsorships: Companies can create brand images by creating and sponsoring various events. Examples may include athletics, motor rallies, golf sponsorships, dinner dances, Christmas parties, loyal customer appreciation days, clergy appreciation day, environmental day, community service, sponsoring art exhibitions, road shows and journalist of the year awards. For example, Africa Nazarene University organizes clergy appreciation days every year where church ministers are invited and appreciated. Kenya Commercial Bank sponsors the Kenya national motor rally championship while Reckit Benkiser, makers of Dettol, sponsors the annual Dettol Heart Run.
- Using multiple image building techniques: Companies can use multiple image building techniques to create a lasting image in the public's mind. That is, companies can use all the above techniques in combination.

5. 11 Review Questions

1. How do the concepts of market positioning and differentiation intersect, and what strategies can marketers employ to effectively differentiate their offerings in today's competitive landscape?
2. Explore the role of brand positioning in shaping consumer perceptions and purchase decisions. How can companies leverage brand positioning strategies to gain a competitive advantage and build long-term customer loyalty?
3. Analyze the strategic importance of employee engagement in the context of brand positioning. How can organizations align their internal culture and values with their external brand positioning to create a cohesive brand identity?
4. Evaluate the effectiveness of different positioning strategies, such as attribute positioning, benefit positioning, and competitor positioning, in influencing consumer behavior. What factors contribute to the success or failure of these strategies in various market contexts?
5. Discuss the potential pitfalls and challenges associated with positioning errors, such as under-positioning, over-positioning, and confused positioning. How can companies mitigate these risks and realign their positioning strategies to better meet the evolving needs of their target market?

Self-test

1. What is the primary focus of market positioning?
 - a) Maximizing profits
 - b) Creating a unique brand image
 - c) Increasing market share
 - d) Expanding product offerings
2. According to Al Ries and Jack Trout, what is the single most important marketing decision in the positioning era?
 - a) Pricing strategy
 - b) Product distribution
 - c) Product naming

- d) Promotional activities
3. Which of the following is NOT a step in the positioning process outlined in the text?
- a) Identifying alternative positioning themes
 - b) Analyzing competitor pricing strategies
 - c) Screening each alternative positioning theme
 - d) Designing programs to implement the chosen position
4. What is the purpose of brand positioning in strategic marketing?
- a) To establish product pricing
 - b) To differentiate the brand from competitors
 - c) To expand the target market
 - d) To reduce production costs
5. Which positioning strategy involves emphasizing a product's leadership in a specific benefit?
- a) Attribute positioning
 - b) Use or application positioning
 - c) Competitor positioning
 - d) Benefit positioning
6. Which positioning error occurs when consumers perceive only a vague idea about the company and its products?
- a) Over-positioning
 - b) Under-positioning
 - c) Confused positioning
 - d) Doubtful positioning
7. What criterion makes a difference stronger in differentiation, according to Kotler and Keller?
- a) Familiarity
 - b) Superiority
 - c) Affordability
 - d) Accessibility
8. How can companies differentiate their market offerings along the dimension of personnel?
- a) By offering discounts
 - b) By providing excellent customer service
 - c) By lowering prices
 - d) By increasing advertising expenditure
9. Which of the following is NOT a service differentiation factor mentioned in the text?
- a) Ordering ease
 - b) Installation
 - c) Product features
 - d) Customer consulting
10. What is the distinction between identity and image in the context of brand positioning?
- a) Identity is external, while image is internal.
 - b) Identity is fixed, while image is fluid.
 - c) Identity is controllable, while image is not entirely controllable.
 - d) Identity is short-term, while image is long-term.

ANSWERS

1. Creating a unique brand image
2. Product naming
3. Analyzing competitor pricing strategies
4. To differentiate the brand from competitors
5. Benefit positioning.
6. Under-positioning
7. Superiority
8. By providing excellent customer service
9. Product features
10. Identity is controllable, while image is not entirely controllable.

Marketing Management Project

Part 4

In the last lecture we examine competitor analysis by evaluating the role of the business in the market (leader, challenger, follower or nicher) and suggest appropriate competition strategies the firm can adopt. In this part of the project, let's develop positioning and differentiation strategies for the business we identified. Let's justify the choice we make.

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