Positioning–Marketing's Fifth "P"

By Michael Richarme

Introduction

From the very first introductory marketing class, we are inundated with the 4 "Ps" of classical marketing theory—Product, Pricing, Promotion, and Place. These comprise the set of levers that marketing professionals utilize for the profitable sale of their goods and services to consumers and businesses alike.

For the past several decades, marketers have used these basic tools to position their products against both perceived customer wants and perceived competitor offerings. Positioning has emerged as a significant area of consideration, serving as a marketer's bridge between the levers of the 4 "Ps" and corporate strategy. This article will examine the basis of positioning from a nontechnical perspective, exploring the conceptual foundations of positioning and developing some prescriptive recommendations for marketers.

Basis of Positioning

One might argue that if a company provides exactly what a customer wants, then there is no need for positioning or concern about competitors. And if customers were all the same, and had all the same wants, then that would be true. But people are all unique, and their wants for the same basic product can cover a wide range of features or attributes. Thus, as marketers head into an increasingly complex world of mass customization, positioning takes on an even more significant role.

From the perspective of marketers, positioning can be divided into two basic thrusts. The first is to identify customer wants and place an offering where the most

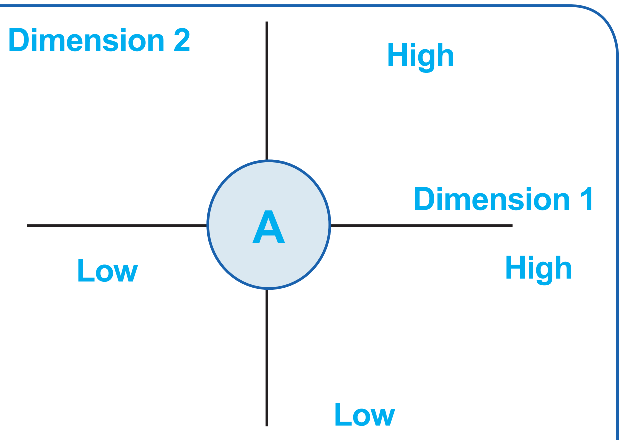

Figure 1.
Homogeneous Customer Needs on Two Dimensions

profitable market opportunity is present. The second is to identify competitor positioning, and take actions to differentiate their offering from that of the competitor such that consumers will develop a preference for their offering to the exclusion of the competitor's offering.

Homogeneous Customer Needs

Generally, product acquisition decisions are made on the basis of two or three key dimensions, even though a product may have dozens from which to choose. A consumer durable good, for example, might have reliability and utilization space as main dimensions. With appropriate primary research, one might be able to plot a map of consumer preferences for this consumer durable and if customer wants were fairly consistent and homogeneous, these wants could be represented as shown in Figure 1.

An astute marketer would likely position a product (A) in the middle of the customer needs plot, aiming to maximize satisfaction of the customer base.

Nonhomogeneous Customer Needs

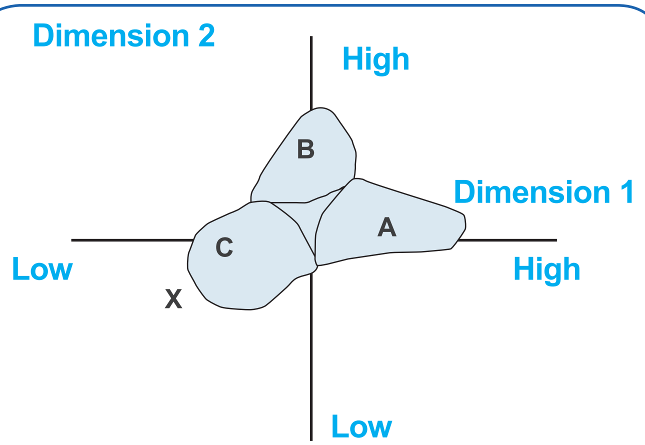

Figure 2.
Nonhomogeneous Customer Needs on Two Dimensions

However, customer wants are rarely consistent and homogeneous, leading to a very uneven distribution of customer needs, and possibly even segments which orient on different dimensions entirely. An example of this would be seen in Figure 2.

In this second example, a marketer has several choices, and might consider product A high along Dimension 1, Product B high along Dimension 2, and possibly Product C in the lower left quadrant as well. The marketer asks these main questions at this point: are the segments different enough to warrant different products (or even versions of the same product), and are they large enough to profitably support different products? Or should the marketer just stick with the original Product A in the center of the plot and disregard the customers who are out on the three fringes of the center? In a marketing world which is heading more and more rapidly toward mass customization, this latter option is rarely selected, and differentiated products are introduced to meet the needs of the different segments.

At this point, the task of the marketer is generally complicated by the introduction of a competitor's Product X. This product might, for example, be located low on Dimension 1, close to the location for the marketer's Product C. This causes the marketer to examine the different elements of the marketing mix (the 4 "Ps" again) and develop plans to differentiate the two products. Conceptually, the marketer wants to position Product A between the competitor's product and the largest mass of customers, shielding the customers from the competitor's product by offering one which is closer to the customers' wants. For the moment, in our limited example, the customer is satisfied, the marketer is happy, and the competitor is frustrated.

Effect of Time

Time marches on, and customers become older, and somewhere in that process their wants change. Instead of the sporty two-seat convertible, a minivan capable of hauling small children appears. The sparse college apartment furniture evolves into a coordinated fashion statement using real wood. The faded jeans and T-shirts become slacks and dress shirts. In our previous example, the segments might start growing or separating as shown in Figure 3. Product offerings A and B are in roughly the same location, but are now serving distinctly different segments. Product C, however, has moved further away from the other two offerings, as that segment has continued to grow toward a preference for low ratings on both Dimension 1 and Dimension 2. However, as Product C is repositioned to address the majority of the segment, competitor Product X has become positioned to more closely address a substantial portion of what was Product C's initial positioning. Another competitor, observing the rapid growth of this segment, introduces another competitor, Product Y, in the lowest corner of the quadrant, sandwiching our marketer between two competitors, one of which had been effectively stymied until the customers' wants shifted and Product C was repositioned to take advantage of that shift, and one of which is completely new to the market.

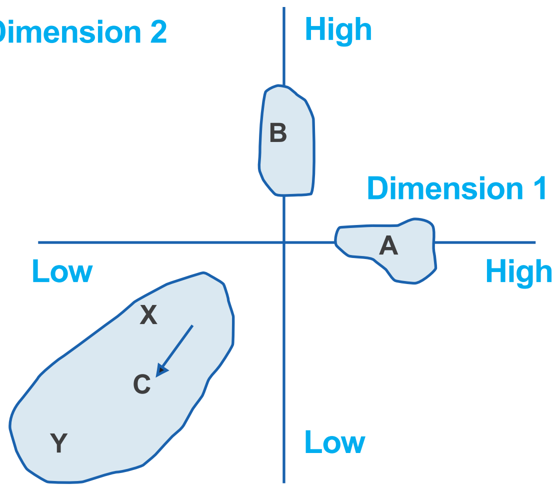

**Figure 3.
Emergence of Distinct
Segments Over Time**

Further complicating the task of our marketer, it appears that the segments that Product A and Product B are positioned to serve are shrinking in size. Product C is in a difficult position and the other two products, though well positioned, may shortly become unprofitable as their customers disappear.

Lessons Learned

What is, at a conceptual level, a very simple exercise of positioning, can rapidly become a complicated and rapidly changing minefield for marketers who lose focus on the positioning of their products relative to their customers' wants. Several key points emerge from this series of elementary examples:

1. ***The world changes every day***. What was a good segmentation scheme (the basic dimensions discussed above) five years ago might not be a good one today. In fact, any segmentation scheme that is five or more years old should be viewed with suspicion, until it is either reconfirmed or replaced. This is the basic framework for your positioning strategies, which in turn filter down to the marketing elements, and also work upwards in concert with the corporate business strategies. If the positioning framework is not accurate, our marketer will shortly find out the hard way. Keeping up with changes in customer wants requires constant tracking against the segmentation scheme.

2. ***Nature abhors a vacuum***. When you reposition a product, it may open the door for a competitor's product which was effectively blocked, but which now may be a player through no direct action of its own. Any repositioning should be done with care, not only in the context of maximizing satisfaction of the customer segment, but in the context of existing and potential competitors. The introduction of Product Y in the example illustrates what happens when a segment grows in a direction that the existing product offerings (Products C and X) are not fully meeting—somebody rushes in to fill the customer need vacuum.

3. ***The world is not two dimensional***. When major changes occur in customer segments, always check to see if there is some other dimension coming into play. For our simple example, it might be that what we thought was a shrinking segment served by Product A is a movement from our product category to another. For example, Product A could be CD players, and the new product category could be MP3 players like the Apple iPod. Simply because a segment is changing doesn't mean that it is going away—the customers may be transitioning into something else not well represented in the segmentation scheme. Most markets have a few dimensions that can be discerned by looking at the positioning of the largest competitors in those markets.

4. ***Have multiple paths available***. Many times, marketers develop strategies and multiyear plans based on the most likely set of assumptions about the future. But the world has a quirky sense of humor and sometimes produces events or changes that had been considered lower probability in nature. It is useful to have already thought out different scenarios of the future, and to have developed alternative plans for each of these different scenarios. For the first year or two, the differences between scenarios won't be particularly great, but significant divergence can be seen thereafter. This also

happens to coincide with a lot of product development cycle times in a multitude of different industries, which also leads back to earlier statements encouraging continual tracking of customer wants.

5. ***Be ready for the end of times***. In our simple example, Product C is sandwiched between a reinvigorated competitor, Product X, and a new competitor, Product Y. This may be an untenable market position, and our marketing manager may need to consider an exit strategy. One of the most critical mistakes made by many marketing managers is not knowing "when to hold them and when to fold them." Being sandwiched does not necessarily mean exiting a segment, but a wise marketing manager will already have thought through what it might mean to do so and how to go about it.

Conclusions

Positioning permeates the fabric of a company. Wal-Mart has adopted a positioning strategy as a highly effective logistics company, which results in a low-cost provider position for its products. Mercedes Benz has adopted a positioning strategy as a manufacturer of highly reliable and safe automobiles, resulting in a price premium relative to similar international competitors. There are many other examples of companies who have adopted similarly effective positioning strategies. Through constantly monitoring customer wants, companies are able to evaluate and measure their segments, and prepare products that profitably serve their segments, while differentiating from their competitors as well.

This article provides five simple prescriptive actions for consideration. Each addresses a different challenge for marketers, yet each also hinges on a deep, insightful, and constant understanding of customer wants. This understanding may result from different approaches in different companies (variously labeled segmentation, positioning, attitude tracking, or some other name), but revolves around the systematic and continual capture of customer attitudinal data. Companies most at risk are those with irregular, inconsistent, or unconnected attitudinal snapshots of their customer wants.

Marketers should adopt positioning as their fifth "P" and utilize it in conjunction with the other four "Ps" learned in school. To a large degree, it is a higher order "P" that rides on the foundation of the other four "Ps" and at the same time serves as a bridge to corporate strategy. Where much of the traditional activities of marketing are tactical in nature, positioning is very strategic. It provides the Rosetta Stone of marketing, allowing segmentation schemes to be translated into marketing tactics. It is a critical tool in the effective marketer's toolbox.

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