Chapter 3: Positioning Services in Competitive Markets
Overview of Chapter 3

- Focus Strategies for Services
- Market Segmentation
- Service Attributes and Levels
- Positioning Distinguishes a Brand from its Competitors
- Developing an Effective Positioning Strategy
- Using Positioning Maps to Analyze Competitive Strategy
- Changing Competitive Positioning
Focused Strategies for Services
Standing Apart from the Competition

“A business must set itself apart from its competition. To be successful it must identify and promote itself as the best provider of attributes that are important to target customers.”

George S. Day
Basic Focus Strategies for Services

- **Market Focused** (Wide, Few): Targeting specific markets with specific services.
- **Fully Focused (Service and market focused)** (Wide, Many): Offering a wide variety of services to many markets.
- **Unfocused (Everything for everyone)** (Narrow, Few): Offering a narrow range of services to a limited number of markets.
- **Service Focused** (Narrow, Many): Focusing on a narrow range of services and offering them to many markets.

Considerations for using Focused Strategies

Fully focused: Limited range of services to narrow and specific market

- **Opportunities**
  - Developing recognized expertise in a well-defined niche may provide protection against would-be competitors
  - Allows firms to charge premium prices

- **Risks**
  - Market is too small to generate needed volume
  - Demand may be displaced by generic competition from alternative products
  - Purchasers in chosen segment may be susceptible to economic downturn
Considerations for using Focused Strategies

- **Market focused**
  - Narrow market segment with wide range of services
  - Need to make sure firms have operational capability to do and deliver each of the different services selected
  - Need to understand customer purchasing practices and preferences

- **Service focused**
  - Narrow range of services to fairly broad market
  - As new segments are added, firm needs to develop knowledge and skills in serving each segment
Considerations for Using Focus Strategies

- **Unfocused**
  - Broad markets with wide range of services
  - Many service providers fall into this category
  - Danger – becoming a “jack of all trades and master of none”
Market Segmentation
Market Segmentation

- Firms vary widely in their abilities to serve different types of customers

- A market segment is composed of a group of buyers sharing common characteristics, needs, purchasing behavior, and consumption patterns

- Target segments should be selected with reference to
  - Firm’s ability to match or exceed competing offerings directed at the same segment
  - Not just profit potential
Service Attributes and Levels
Developing Right Service Concept for a Specific Segment

- Use research to identify and prioritize which attributes of a given service are important to specific market segments

- Individuals may set different priorities according to:
  - Purpose of using the service
  - Who makes decision
  - Timing of use
  - Whether service is used alone or with a group
  - Composition of that group
Important vs. Determinant Attributes

- Consumers usually choose between alternative service offerings based on perceived differences between them.

- Attributes that distinguish competing services from one another are not necessarily the most important ones.

- Determinant attributes determine buyers’ choices between competing alternatives:
  - service characteristics that are important to purchasers
  - customers see significant differences between competing alternatives on these attributes.
Establishing Service Levels

- Make decisions on service levels – level of performance firm plans to offer on each attribute
  - Easily quantified attributes are easier to understand – e.g., vehicle speed, physical dimensions
  - Qualitative attributes subject to individual interpretation – e.g., physical comfort, noise levels

- Can often segment customers according to willingness to trade off price versus service level:
  - Price-insensitive customers willing to pay relatively high price for high levels of service
  - Price-sensitive customers look for inexpensive service with relatively low performance
Positioning Distinguishes a Brand from its Competitors
Four Principles of Positioning Strategy

- Must establish position for firm or product in minds of customers

- Position should be distinctive, providing one simple, consistent message

- Position must set firm/product apart from competitors

- A company cannot be all things to all people – must focus its efforts
Principles of Positioning

Avoid trap of investing too heavily in points of differences that are easily copied!

What customers do we serve now, and which ones would we like to target?

What does our firm stand for in the minds of current and potential customers?

What is value proposition for our current service products, and market segments?

How does each of our service products differ from competitors’?

How well do target customers perceive our service products as meeting their needs?

What changes must we make to strengthen our competitive position?

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Developing an Effective Positioning Strategy
Developing an Effective Positioning Strategy

- Positioning links market analysis and competitive analysis to internal corporate analysis

- Market Analysis
  - Focus on overall level and trend of demand and geographic locations of demand
  - Look into size and potential of different market segments
  - Understand customer needs and preferences and how they perceive the competition
Developing an Effective Positioning Strategy

- **Internal Corporate Analysis**
  - Identify organization’s resources, limitations, goals, and values
  - Select limited number of target segments to serve

- **Competitor Analysis**
  - Understand competitors’ strengths and weaknesses
  - Anticipate responses to potential positioning strategies
Market, Internal, and Competitive Analyses

**Market Analysis**
- Size
- Composition
- Location
- Trends

**Define, Analyze Market Segments**

**Internal Analysis**
- Resources
- Reputation
- Constraints
- Values

**Select Target Segments To Serve**

**Articulate Desired Position in Market**

**Marketing Action Plan**

**Competitive Analysis**
- Strengths
- Weaknesses
- Current Positioning

**Select Benefits to Emphasize to Customers**

**Analyze Possibilities for Differentiation**
Anticipating Competitive Response

- Competitors might pursue same market position
  - Independently do same positioning analysis and arrive at similar conclusions
  - Threatened by new strategy, take steps to reposition own service
  - New entrant plays “follow the leader”

- Conduct internal corporate analysis for challengers and analyze possible effects of alternative moves
  - Impact of price cut on demand, market share, and profits
  - Responses of different segments to changes in service attributes
Using Positioning Maps to Analyze Competitive Strategy
Using Positioning Maps to Plot Competitive Strategy

- Great tool to visualize competitive positioning and map developments of time
- Useful way to represent consumer perceptions of alternative products graphically
- Typically confined to two attributes, but 3-D models can be used to portray positions on three attributes simultaneously
- Information about a product can be obtained from market data, derived from ratings by representative consumers, or both
Positioning of Hotels in Belleville: Price vs. Service Level

- **Expensive**: Shangri-La
- **High Service**: Grand, Regency
- **Moderate Service**: Sheraton, Italia, Castle, Alexander IV
- **Less Expensive**: PALACE, Atlantic, Italia, Castle, Alexander IV
- **Airport Plaza**: Less Expensive
Positioning of Hotels in Belleville: Location vs. Physical Luxury

- **High Luxury**
  - Shangri-La
  - Sheraton
  - Grand

- **Moderate Luxury**
  - Castle
  - Alexander IV
  - Atlantic
  - Italia

- **Financial District**
- **Inner Suburbs**
- **Shopping District and Convention Center**
  - PALACE

- **Airport Plaza**
Positioning After New Construction: Price vs. Service Level

Expensive

- Shangri-La
- Mandarin
- Heritage
- Marriott
- Continental

Moderate Service

- PALACE
- Atlantic

High Service

- Regency
- Alexander IV
- Airport Plaza

Less Expensive

- New Grand
- Sheraton
- Italia
- Castle
- Italia

Action?

No action?
Positioning After New Construction: Location vs. Physical Luxury

High Luxury
- Mandarin
- Continental
- New Grand
- Heritage
- Marriott
- Sheraton
- Shangri-La
- Regency

Moderate Luxury
- Castle
- Alexander IV
- Atlantic
- Italia

Financial District
- No action?

Inner Suburbs
- Action?

Shopping District and Convention Center
- PALACE
- Atlantic
- Airport Plaza
Positioning Maps Help Managers to Visualize Strategy

- Research provides input to development of positioning maps – challenge is to ensure that
  - Attributes employed in maps are important to target segments
  - Performance of individual firms on each attribute accurately reflects perceptions of customers in target segments

- Predictions can be made of how positions may change in light of future developments

- Charts and maps can facilitate “visual awakening” to threats and opportunities, suggest alternative strategic directions
Changing Competitive Positioning
Repositioning

● Firm may have to make significant change in existing position
  ➔ Revising service characteristics; redefining target market segments; abandoning certain products; withdrawing from certain market segments

● Improving negative brand perceptions may require extensive redesign of core product

● Repositioning introduces new dimensions into positioning equation that other firms cannot immediately match
Summary

- **Focus Strategies:**
  - Fully focused
  - Service focused
  - Market focused
  - Unfocused

- **Market Segmentation** – buyers share common characteristics, needs, purchasing behavior & consumption patterns

- **Service attributes** – determinant attributes are often the ones most important to customers
Summary

- Positioning links:
  - Market Analysis
  - Internal Analysis
  - Competitive Analysis

- Positioning maps are useful for plotting competitive strategy:
  - Identify potential competitive responses
  - Help executives to visualize strategy