Chapter 1

Introduction to Positioning

Dr. Andrea Grimm
Dr. Astin Malschinger
CONTENT

MODULE 1 POSITIONING
Chapter 1: Introduction to Positioning

Authors:
Dr. Andrea Grimm, Dr. Astin Malschinger

IMPRESSUM


© 2010 Austrian Marketing University of Applied Sciences

Alle Rechte, insbesondere das Recht der Vervielfältigung und der Verbreitung sowie der Übersetzung sind vorbehalten.

T: 0043-(0)-7416-53000-0
E: office@amu.at
I: www.amu.at

vertreten durch: Dr. Astin Malschinger

Dieses Selbst-Lernprogramm konnte dank der Unterstützung der EU, konkret durch das „Lifelong Learning Programme“, realisiert werden.
About this Unit

**What is Positioning?**

Economic dictionaries define it in the following way:

“The proper placing of one’s own product among products already available on the market. An efficient product positioning should guarantee the highest possible potential number of buyers by its clear appearance on the market.”

---

**What you will learn in this unit**

In this way does theory formulate positioning. Following the introduction to the fundamentals of this theme, you will become acquainted with the central, strategic alignments and the uses of positioning.
What happens when products have no positioning?

If a product has no distinct positioning in the memory of consumers – it doesn’t matter whether washing machines, olive oil, cars, ball-point pens, yoghurt or wine – then potential consumers are unaware of it. They change their buying habits only when the alternative product is cheaper, superior etc., to the product they usually buy.

Therefore the decision to purchase is based on the positioning of my products and that the consumer recognizes this placing. Another factor plays a role namely that consumers have become more critical and more sensitive to price. They are better informed compared with twenty years ago and no longer believe everything they are told about a product.

Positioning is no simple matter.

Understanding positioning makes things easier: Products appropriately positioned have something which the others do not have. Consumers therefore perceive this as

✓ credible
✓ understandable
✓ unique

Hence they buy this product and not any other.
B. Product Positioning

**The practice of Positioning**

By product positioning is meant the process resulting in the product acquiring a particular image which stays in the mind of the consumer. Accordingly product positioning must achieve the following aims:

- Strengthening the meaningfulness of the message to the consumer
- Appealing to a focused customer segment
- Differentiating the product from the competition in the perception of the consumer
- Deciding how to deal with the competition

In the final analysis, the consumer expects a use of the product which underpins his decision to buy. Take a moment to consider here your own buying decisions. For instance the last time you bought a car.

The practice of positioning is a new discipline in marketing and is accordingly subject to radical changes. Previously rational arguments explaining product use predominated. Currently, however, product use has an increasingly emotional or results-oriented basis in a world of ever-expanding product range in which the units of merchandise are very similar to each other.

"Experience has shown that products with a genuine ‘inner-life’ succeed while those without do not."²

The conclusion is that positioning is important for the success of your product. In the next section, you will be acquainted with the fundamental approaches developed in the 1980s and which are still the basis of the science of positioning.

---

C. Porter’s Positioning Strategies.

In 1980, Michael Porter developed his concept of “generic strategies” (competitive strategies). This draws the attention of the competitor so as to be able to construct a strong position in the market for his/her product or company.

**Cost Leadership**

The company gains a competitive advantage by cutting costs, which also generates profits. It is important to note that this does not mean that the cheapest product (price leadership) is offered. However in practice this is often the case.

How is Cost Leadership achieved?

- By efficient production. Here the significant factor is what level of production brings in the best return.
- To save costs, even in conditions of product diversity, synergies are clustered. This is often achieved by the use of equipment which can be used to produce a wide range of different products.
- Raising productive efficiency by increasing the level of automation or by the application of cheaper production technologies (workshop compared with assembly line production).
- Improved processing industries, for example if the waste material from one process can be used as the raw material for another process. In the production of fruit juice and after the pressing process, the pips/seeds/stones are mainly waste material. However, after being cleansed and crushed, valuable cooking oil and oil for use in the cosmetic industry can be extracted.

3 Porter is a professor at the Harvard Business School in Boston, USA.
Cost Leadership also involves risks as efficient production is usually determined by heavy investment in finishing technologies. Attention must also be drawn to the fact that investment can also in the end threaten Cost Leadership.

Lowered company costs produce profits and these represent the advantages of Cost Leadership when the competition is already making losses.

**Differentiation**

The product offers something different or better. In chapters 5 - 8 the central differentiation strategies will be discussed in detail as these are the most important for agricultural producers.

Basically, a successful differentiation results in customer loyalty either to the producer or the products. The loyalty thereby gained means that the customer is no longer so sensitive to price as there are no comparable alternatives. Well-differentiated products can in the end generate greater value. These bring higher yields and also for example allow more expenditure on advertising which in turn firms up the product’s position on the market.

**Niche Strategies**

The company and the product range becomes a niche player: they occupy a niche on which the company can focus exclusively and thereby deepen its competence. There are three basic areas of niche:

- Focus on specific consumer groups.
- Focus on segments of the product line.
- Focus on a geographical market.

The success of a niche strategy is related to the assumption that the tight focus permits the supply of products or markets meeting the demands of consumers more closely than competitors with a wider product palette. It is axiomatic that it is simpler to meet customer needs in a niche market. Accordingly, farm products have a greater potential in such a market as farm producers know the needs and the requirements of their clients very well, principally as they maintain close relations with them.

It is important to note here that the most relevant risk in this situation is the fact that the advantages of differentiation in respect of other suppliers can diminish. In the food industry, commercial producers pursue a policy of craft production which represents a significant product advantage for agricultural producers.
Porter’s basic positioning strategies from the 1980s have developed significantly since then. This is particularly valid for the strategies involving the acquisition of unique product features, which will be discussed in detail in the next section.
D. The Practical Benefits of Positioning

As farm producers, you have certainly asked yourselves why reflections on positioning for your marketing are necessary.

1. The result of product positioning is a matrix in which my products and those of my competitors are portrayed in relation to the buying characteristics of consumers.
2. Acting on this basis, you can develop targeted marketing measures, which lead to specifically focused changes.
3. Gaps in the market can be found into which new products can be offered.
4. In addition the process of positioning provides a precise and systematic insight into the world of the consumers. This alone is often a strong basis for the development of new business ideas.

**Before you read the next chapter: What should you note in the implementation of your positioning**

- Be systematic
- Analyze your markets
- Use your freedom to position yourself
- Make your positioning explicit
- Apply your positioning consistently
- Get an external view of your positioning
FÖRSTER, A.; KREUZ, P.: Different Thinking. So erschließen Sie Marktchancen mit coolen Produktideen und überraschenden Leistungsangeboten, Redline Wirtschaft, 2005


SAMLAND, B.: Unverwechselbar. Name, Claim & Marke, Haufe, 2006


WIED, L.: Jack Trout über Strategie, Leykam, 2002