

fulfillment, you can measure the percentage of “orders filled completely and accurately.”

Every company must set appropriate incentives for the achievement of different goals. Companies must avoid setting incentives that create short-term profit but long-term customer loss. Paying automobile salespeople a commission leads them to manipulate the customer in order to make the sale. Stockbrokers on commission have an incentive to churn the customer’s holdings. Insurance claims representatives try to pay as little as possible. Telemarketers are paid for speed over service and this can hurt long term relationship building. Incentive systems must be carefully monitored to avoid abuse.

P ositioning

Thanks to Al Ries and Jack Trout, “positioning” entered the marketing vocabulary in 1982 when they wrote *Positioning: The Battle for Your Mind*.⁴⁷ Actually the word had been used earlier in connection with placing products in stores, hopefully at the eye-level position. However, Ries and Trout gave a new twist to the term: “**But positioning is not what you do to a product. Positioning is what you do to the mind of the prospect.**” Thus Volvo tells us that it makes “the safest car”; BMW is “the ultimate driving machine”; and Porsche is “the world’s best small sports car.”

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A company can claim to be different and better than another company in numerous ways: We are faster, safer, cheaper, more convenient, more durable, more friendly, higher quality, better value . . . the list goes on. But Ries and Trout emphasized the need to choose one of these so that it would stick in the buyer's mind. They saw positioning as primarily a communication exercise. Unless a product is identified as being best in some way that is meaningful to some set of customers, it will be poorly positioned and poorly remembered. We remember brands that stand out as first or best in some way.

But the positioning cannot be arbitrary. We wouldn't be able to get people to believe that Hyundai is "the ultimate driving machine." In fact, the product must be designed with an intended positioning in mind; the positioning must be decided before the product is designed. One of the tragic flaws in General Motors' car lineup is that it designs cars without distinctive positionings. After the car is made, GM struggles to decide how to position it.

Brands that are not number one in their market (measured by company size or some other attribute) don't have to worry—they simply need to select another attribute and be number one on that attribute. I consulted with a drug company that positioned its new drug as "fastest in relief." Its new competitor then positioned its brand as "safest." Each competitor will attract those customers who favor its major attribute.

Some companies prefer to build a multiple positioning instead of just a single positioning. The drug company could have called its drug the "fastest and safest drug on the market." But then another new competitor could co-opt the position "least expensive." Obviously, if a company claims too many superior attributes it won't be remembered or believed. Occasionally, however, this works, as when the toothpaste Aquafresh claimed that it offered a three-in-one benefit: fights cavities, whitens teeth, and gives cleaner breath.

Michael Treacy and Fred Wiersema distinguished among three major positionings (which they called "value disciplines"): *product*

*leadership, operational excellence, and customer intimacy.*⁴⁸ Some customers value most the firm that offers the best product in the category; others value the firm that operates most efficiently; and still others value the firm that responds best to their wishes. They advise a firm to become the acknowledged leader in one of these value disciplines and be at least adequate in the other two. It would be too difficult or expensive for a company to be best in all three value disciplines.

Recently Fred Crawford and Ryan Mathews suggested five possible positionings: *product, price, ease of access, value-added service, and customer experience.*⁴⁹ Based on their study of successful companies, they concluded that a great company will *dominate* on one of these, perform above the average (*differentiate*) on a second, and be at *industry par* with respect to the remaining three. As an example, Wal-Mart dominates on price, differentiates on product (given its huge variety), and is average at ease of access, value-added service, and the customer experience. Crawford and Mathews hold that a company will suboptimize if it tries to be best in more than two ways.

The most successful positioning occurs with companies that have figured out how to be unique and very difficult to imitate. No one has successfully copied IKEA, Harley Davidson, Southwest Airlines, or Neutrogena. These companies have developed hundreds of special processes for running their businesses. Their outer shells can be copied but not their inner workings.

Companies that lack a unique positioning can sometimes make a mark by resorting to the “number two” strategy. Avis is remembered for its motto: “**We’re number two. We try harder.**” And 7-Up is remembered for its “**Uncola**” strategy.

Alternatively, a company can claim to belonging to the exclusive club of the top performers in its industry: the Big Three auto firms, the Big Five accounting firms. They exploit the aura of being in the *leadership circle* that offers higher-quality products and services than those on the outside.

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No positioning will work forever. As changes occur in consumers, competitors, technology, and the economy, companies must reevaluate the positioning of their major brands. Some brands that are losing share may need to be repositioned. This must be done carefully. Remaking your brand may win new customers but lose some current customers who like the brand as it is. If Volvo, for example, placed less emphasis on safety and more on slick styling, this could turn off practical-minded Volvo fans.

P rice

Oscar Wilde saw a major difference between price and value: **“A cynic is a person who knows the price of everything and the value of nothing.”** A businessman told me that his aim was to get a higher price for his product than was justified.

How much should you charge for your product? An old Russian proverb says: **“There are two fools in every market—one asks too little, another asks too much.”**

Charging too little wins the sale but makes little profit. Furthermore, it attracts the wrong customers—those who will switch to save a dime. It also attracts competitors who will match or exceed the price cut. And it cheapens the customer’s view of the product. Indeed, those who sell for less probably know what their stuff is worth.