CHAPTER 7

Crafting a Customer Value Proposition and Positioning

T-Mobile's strategic repositioning as the "Un-Carrier," its move to more customer-centric offerings, and continual investment in its wireless network have enabled it to successfully compete against rivals AT&T and Verizon.

Source: Cheryl Fleishman/ Alamy Stock Photo

No company can win if its products and services resemble every other product and offering. As part of the strategic brand management process, each offering must represent the right kinds of things in the minds of the target market. Consider how T-Mobile has positioned its offerings to underscore its distinct value proposition.

>>> T-Mobile was incorporated in the United States in 2004 as a mobile communications subsidiary of the German telecommunications company Deutsche Telekom. An important component of T-Mobile's phenomenal success was its strategic positioning against the two dominant players in the telecommunications market: AT&T and Verizon. This positioning was reflected not only in the way T-Mobile chose to define its brand— the "Un-Carrier"—but also in the products and services it offered to customers. The company eliminated long-term contracts, replacing them with a transparent pricing model. It also made it easier to upgrade to a new smart phone and got rid of global roaming charges, which were major sources of frustration for customers using rival wireless networks. T-Mobile made it easy to call free over Wi-Fi networks and stream video without incurring additional charges. All of this was possible because T-Mobile kept investing in its wireless network,

creating quality and reliability that matched that of AT&T and Verizon and aiming for a customer service experience superior to that of its rivals. To promote its competitive advantage, T-Mobile zeroed in on AT&T, observing that many customers felt AT&T, which had exclusive rights to the iPhone when it was launched, had taken advantage of that by overpricing its calling plans while offering poor customer service. The direct attack on AT&T focused on T-Mobile's four main points of difference: technological innovation, low and transparent pricing, great service, and its "coolness" as the choice of the millennial consumers. The strategic investment in developing customer-centric offerings, the competitive positioning of its brand, and the merger with Sprint in 2020, enabled T-Mobile to become the second largest wireless carrier in the United States, with over 100 million customers.[1]

As the success of T-Mobile demonstrates, a company can reap the benefits of carving out a unique position in the marketplace. Creating a compelling, well-differentiated brand position requires a keen understanding of consumer needs and wants, company capabilities, and competitive actions. It also requires disciplined but creative thinking. In this chapter, we outline a process by which marketers can discover the most powerful brand positioning.

Developing a Value Proposition and Positioning

A key aspect of marketing strategy is developing a value proposition and positioning a company's offering to target customers. A company discovers different needs and groups of consumers in the marketplace, targets those it can satisfy in a superior way, and then develops a value proposition and positions its offerings so the target customers recognize the distinctive benefits of its offerings. By clearly articulating its value proposition and positioning, companies can deliver high customer value and satisfaction, which lead to high repeat purchases and ultimately to greater company profitability.

DEVELOPING A VALUE PROPOSITION

How do customers ultimately make choices? They tend to be value maximizers, within the bounds of search costs and limited knowledge, mobility, and income. Customers choose—for whatever reason—the offer they believe will deliver the highest value and act on it. Whether the offer lives up to expectations affects customer satisfaction and the probability that the customer will purchase the product again.

Depending on the needs of customers, an offering can create value across three domains: *functional, psychological,* and *monetary*.[2]

- **Functional value** reflects the benefits and costs that are directly related to an offering's performance. Among the offering attributes that create functional value are performance,

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Learning Objectives After studying this chapter you should be able to:

7.1 Explain how a company should develop a value proposition and a positioning strategy.

7.2 Describe how a company chooses a frame of reference.

7.3 Discuss how a company identifies points of parity and points of difference.

7.4 Define the key strategies for creating a sustainable competitive advantage.

7.5 Identify alternative strategies to communicate the positioning of a company's offerings.

reliability, durability, compatibility, ease of use, customization, form, style, and packaging. Functional value is often the primary consideration for offerings that are regarded as mostly utilitarian, such as office and industrial equipment.

- **Psychological value** encompasses the psychological benefits and costs associated with the offering. Psychological value extends beyond the functional benefits to create emotional benefits for target customers. For example, customers might value the emotional benefits they derive from a car (e.g., the joy of driving a high-performance automobile and the social status and lifestyle its ownership conveys). Psychological value is of primary importance in luxury and fashion categories, where customers actively seek emotional and self-expressive benefits.
- **Monetary value** includes the financial benefits and costs associated with the offering. Offering attributes that create monetary value include price, fees, discounts, and rebates, along with various monetary costs associated with using and disposing of the offering. Although monetary value is typically associated with costs, an offering can also include such monetary benefits as monetary bonuses, cash-back offers, cash prizes, financial rewards, and low-interest financing. Monetary value is often the prevailing choice criterion for undifferentiated offerings in commoditized categories.

Across all three dimensions—functional, psychological, and monetary—customer value is the difference between the prospective customer's evaluation of all the benefits and costs of an offering and her or his evaluation of the costs and benefits of the perceived alternatives. **Total customer benefit** is the perceived value of the bundle of functional, psychological, and monetary benefits customers expect from a given market offering because of the product, service, and image. **Total customer cost** is the perceived bundle of functional, psychological, and monetary costs customers will incur in evaluating, obtaining, using, and disposing of the given market offering.

The **customer value proposition** is based on the difference between benefits the customer gets and the costs he or she assumes for different choices. The marketer can increase the value of the offering by raising functional, psychological, and monetary benefits and/or reducing the corresponding costs.

The value proposition consists of the whole cluster of benefits the company promises to deliver; it is more than the core positioning of the offering. For example, Volvo's core positioning has been "safety," but the buyer is promised more than just a safe car. Other benefits include good performance, good design, and concern for the environment. The value proposition is thus a promise about the experience that customers can expect from the company's market offering and their relationship with the supplier. Whether the promise is kept depends on the company's ability to manage its value delivery system.

Very often, managers conduct a **customer value analysis** to reveal the company's strengths and weaknesses relative to those of various competitors. The steps in this analysis are as follows:

1. **Identify the relevant attributes and benefits that customers value.** Customers are asked what attributes, benefits, and performance levels they look for in choosing a product and vendors. Attributes and benefits should be defined broadly to encompass all the inputs to customers' decisions.[3]
2. **Assess the relative importance of these attributes and benefits.** Customers are asked to rate the importance of different attributes and benefits. If their ratings diverge too much, the marketer should cluster the attributes and benefits into different segments.
3. **Assess the company's and competitors' performance on the key attributes/benefits.** If the company's offer exceeds the competitor's offer on all important attributes and benefits, the company can charge a higher price and thereby earning higher profits, or it can charge the same price and thereby gain more market share.
4. **Monitor customer value over time.** The company must periodically redo its studies of customer values and competitors' standings as the economy, technology, and product features change.

Customer value analysis suggests that the seller must assess the total customer benefit and total customer cost associated with each competitor's offer in order to know how its own offer rates in the buyer's mind. It also implies that the seller at a disadvantage has two alternatives: increase total customer benefit or decrease total customer cost. The former calls for strengthening or augmenting the functional, psychological, and monetary benefits of the offering's product, services, and brand image. The latter calls for reducing the buyer's costs by reducing the price or cost of ownership and maintenance, simplifying the ordering and delivery process, or absorbing some buyer risk by offering a warranty.

DEVELOPING A POSITIONING STRATEGY

Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.[4] The goal is to instill the brand in the minds of consumers to maximize the potential benefit to the firm. Unlike the value proposition, which articulates all benefits and costs of the offering, the positioning zeroes in on the key benefits that will provide consumers with a reason to choose the company's offering.

Effective positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps the consumer achieve, and showing how it does so in a unique way. Everyone in the organization should understand the brand positioning and use it as the context for making decisions.

Many marketing experts believe positioning should have both rational and emotional components. In other words, it should appeal to both the head and the heart.[5] Companies often seek to build on their performance advantages to strike an emotional chord with customers. When research on the scar-treatment product Mederma found that women were buying it not just for the physical treatment but also to increase their self-esteem, the marketers of the brand added emotional messaging to what had traditionally been a practical message that stressed physician recommendations: "What we have done is supplement the rational with the emotional."[6] Kate Spade is another brand that blends functional and emotional in its positioning.

Kate Spade Although only a little more than 25 years old, Kate Spade has evolved from a bags-only brand to a much more diversified fashion brand. Launched by husband-and-wife team Kate and Andy Spade—who later sold their stake—the brand was initially known for a tiny, minimalist-looking black bag. In 2007, a new creative director, Deborah Lloyd, brought a stronger style sensibility to help hit the Kate Spade customer sweet spot of being "the most interesting person in the room." With greater emphasis on marrying form and function, the brand expanded into apparel and jewelry and has become the centerpiece of a revamped Liz Claiborne (now known as Fifth & Pacific). Accessories are updated constantly, and there are frequent new merchandise introductions. Kate Spade has made a strong e-commerce push to complement its 200-plus stores, with 20 percent of sales coming from online channels. The company has also made a well-integrated foray into social media, using Facebook, Twitter, Instagram, Tumblr, Pinterest, YouTube, FourSquare, and Spotify to reinforce its core brand values of "patterns, colors, fun food and classic New York moments."[7]

Source: Iain Masterton/Alamy Stock Photo

<< In little more than a quarter of a century, Kate Spade has expanded its offerings from a limited collection of women's handbags to apparel and jewelry, with a growing online and social media presence complementing its brick-and-mortar outlets.

A useful measure of the effectiveness of an organization's positioning is the *brand substitution test*. If, in some marketing activity—an ad campaign, a social media communication, a new product introduction—the brand were replaced by a competitive brand, then that marketing activity should not work as well in the marketplace. For example, would Kate Spade's positioning work for its competitors—Tory Birch, Coach, or Cole Haan? If the answer is yes, this means that the Kate Spade brand has not developed a distinct positioning in the market.

A well-positioned brand should be distinctive in its meaning and execution. If a sport or music sponsorship, for example, would work as well if it were for a leading competitor, then either the positioning is not sharply enough defined or the sponsorship as executed does not tie closely enough to the brand positioning.

A good positioning has one foot in the present and one in the future. It needs to be somewhat aspirational so that the brand has room to grow and improve. Positioning on the basis of the current state of the market is not sufficiently forward-looking, but at the same time the positioning cannot be so removed from reality that it is essentially unobtainable. The real trick is to strike just the right balance between what the brand is and what it could be.

Positioning requires that marketers define and communicate similarities and differences between their brand and its competitors. Specifically, deciding on a positioning involves

1. Choosing a frame of reference by identifying the target market and relevant competition
2. Identifying the optimal points of parity and points of difference given that frame of reference

These two aspects of positioning are discussed in more detail in the following sections.

Choosing a Frame of Reference

Consumers determine the value of an offering relative to a reference point used to assess its benefits and costs. An offering can be viewed as attractive in comparison to an inferior offering, but the same offering can be perceived as unattractive when compared to a superior offering. Therefore, a **frame of reference** can serve as a benchmark against which customers can evaluate the benefits of a company's offering.

Given the fact that consumers naturally construct frames of reference to evaluate the available options, a skilled marketer can design these frames of reference in a way that highlights the value of the offering. Decisions about the frame of reference are closely linked to target market decisions. Deciding to target a certain type of consumer can define the nature of competition, either because certain firms have decided to target that segment in the past (or plan to do so in the future) or because consumers in that segment may already look to certain products or brands in their purchase decisions.

A good starting point in defining a competitive frame of reference for brand positioning is *category membership*—the products or sets of products with which a brand competes and that function as close substitutes. It would seem a simple task for a company to identify its competitors. PepsiCo knows Coca-Cola's Dasani is a major bottled-water competitor for its Aquafina brand; Wells Fargo knows Bank of America is a major banking competitor; and Petsmart.com knows a major online retail competitor for pet food and supplies is Petco.com.

The range of a company's actual and potential competitors, however, can be more extensive than the obvious ones. To enter new markets, a brand with growth intentions may need a broader—or maybe even a more aspirational—competitive frame. Furthermore, the brand may be more likely to be hurt by emerging competitors or new technologies than by current competitors.

The energy-bar market created by PowerBar ultimately fragmented into a variety of subcategories, including some directed at specific segments (such as Luna bars for women) and some possessing specific attributes (such as the protein-laden Balance and the calorie-control bar Pria). Each represented a subcategory for which the original PowerBar may not be as relevant.[8]

Firms should choose their competitive frame to evoke more advantageous comparisons. Consider these examples:

> In the United Kingdom, the Automobile Association positioned itself as the fourth "emergency service"—along with police, fire, and ambulance—to convey greater credibility and urgency.
>
> The International Federation of Match Poker is attempting to downplay some of the gambling image of poker to emphasize the similarity of the card game to other "mind sports" such as chess and bridge.

The U.S. Armed Forces changed the focus of its recruitment advertising from the military as patriotic duty to the military as a place to learn leadership skills—a much more rational than emotional pitch that better competes with private industry.[9]

In stable markets where little short-term change is likely, it may be fairly easy to define one, two, or perhaps three key competitors. In dynamic categories where competition may exist or arise in a variety of different forms, multiple frames of reference may be present.

Identifying Potential Points of Difference and Points of Parity

Once marketers have fixed the frame of reference for positioning by defining the customer market and the nature of the competition, they can define the appropriate points of difference (attributes or benefits that are unique to the company's offering) and points of parity (attributes or benefits that the company's offering has in common with the competition).[10] We discuss points-of-parity and points-of-difference associations in the following sections.

IDENTIFYING POINTS OF DIFFERENCE

Points of difference (PODs) are attributes or benefits that differentiate the company's offering from the competition. These are attributes or benefits that consumers strongly associate with a brand, that they positively evaluate, and that they believe could not be found to the same extent with a competitive brand.

Associations that make up points of difference can be based on virtually any type of attribute or benefit.[11] Louis Vuitton may seek a point of difference as having the most stylish handbags, Energizer as having the longest-lasting battery, and Fidelity Investments as offering the best financial advice and planning.

Successfully establishing meaningful points of difference can provide financial payoffs. As part of its IPO, the UK mobile phone operator O2 was rebranded from British Telecom's struggling BT Cellnet, based on a powerful emotional campaign about freedom and enablement. When customer acquisition, loyalty, and average revenue soared, the business was quickly acquired by Spanish multinational Telefonica for more than three times its IPO price.[12]

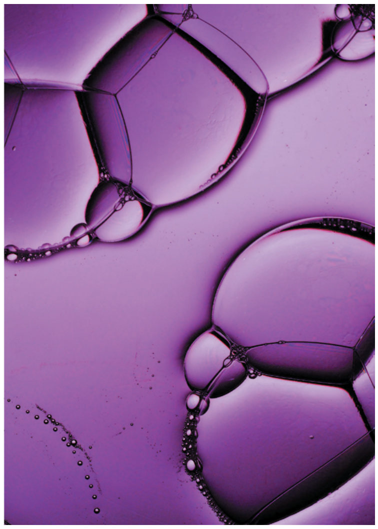
An increasingly important aspect of differentiation is brand authenticity—the extent to which consumers perceive a brand to be faithful to its essence and its reason for being.[13] Brands such as Hershey's, Kraft, Crayola, Kellogg's, and Johnson & Johnson that are seen as authentic and genuine can evoke trust, affection, and strong loyalty. Welch's—owned by the National Grape Cooperative, which is made up of 1,150 Concord and Niagara grape farmers—is seen by consumers as "wholesome, authentic and real." The brand reinforces those credentials by focusing on its local sourcing of ingredients, an attribute that is increasingly important for consumers who want to know where their foods come from and how they were made.[14]

Strong brands often have multiple points of difference. Some examples are Apple (*design, ease of use,* and *irreverent attitude*), Nike (*performance, innovative technology,* and *winning*), and Southwest Airlines (*value, reliability*, and *fun personality*).

Creating strong, favorable, and unique associations is a real challenge, but it is essential for competitive brand positioning. Although successfully positioning a new product in a well-established market may seem particularly difficult, Method Products shows that it is not impossible.

Method Products The brainchild of former high school buddies Eric Ryan and Adam Lowry, Method Products was started with the realization that although cleaning and household products are sizable categories by sales, taking up an entire supermarket aisle or more, they are also incredibly boring ones. Method launched a sleek, uncluttered dish soap container that also had a functional advantage—the bottle, shaped like a chess piece, was built to let soap flow out the bottom so users would never have to turn it upside down. This signature product, with its pleasant fragrance, was designed by award-winning industrial designer Karim Rashid. Sustainability also became part of the brand's core, from sourcing

>> Method Products has managed to catch the eye of consumers and take boring cleaning and household offerings to the next level with sleek, distinctive packaging of its line of eco-friendly, biodegradable products.



Source: Zerilli Media/Alamy Stock Photo

and labor practices to material reduction and the use of nontoxic materials. By creating a line of unique, eco-friendly, biodegradable household cleaning products with bright colors and sleek designs, Method grew to company with more than $100 million in revenues. A big break came with the placement of its product in Target, which frequently partners with well-known designers to produce standout products at affordable prices. Because of its limited advertising budget, the company believes its attractive packaging and innovative products must work harder to express the brand positioning. Social media campaigns have been able to put some teeth into the company's "People Against Dirty" slogan and into its desire to make full disclosure of ingredients an industry requirement.[15]

Three criteria determine whether a brand association can truly function as a point of difference: desirability, deliverability, and differentiability. Some key considerations follow.

- **Desirable to consumer.** Consumers must see the brand association as personally relevant to them. Select Comfort made a splash in the mattress industry with its Sleep Number beds, which allow consumers to adjust the support and fit of the mattress for optimal comfort with a simple numbering index. Consumers must also be given a compelling reason to believe and an understandable rationale for why the brand can deliver the desired benefit. Mountain Dew may argue that it is more energizing than other soft drinks and support this claim by noting that it has a higher level of caffeine. Chanel No. 5 perfume may claim to be the quintessentially elegant French perfume and support this claim by noting the long association between Chanel and haute couture. Substantiators can also come in the form of patented, branded ingredients, such as NIVEA Wrinkle Control Crème with coenzyme Q10.
- **Deliverable by the company.** The company must have the internal resources and commitment to feasibly and profitably create and maintain the brand association in the minds of consumers. The product design and the way the product is marketed must support the desired association. Does communicating the desired association require actual changes to the product itself or just perceptual shifts in the way the consumer thinks of the product or brand? Creating the latter is typically easier. General Motors has had to work to overcome public perceptions that Cadillac is not a youthful, modern brand and has done so through bold designs, solid craftsmanship, and active, contemporary images. The ideal brand association is preemptive, defensible, and difficult to attack. It is generally easier for market leaders such as ADM, Visa, and SAP to sustain their positioning, based as it is on demonstrable product or service performance, than it is for market leaders such as Fendi, Prada, and Hermès, whose positioning is based on fashion and thus subject to the whims of a more fickle market.
- **Differentiating from competitors.** Finally, consumers must see the brand association as distinctive and superior to relevant competitors. Splenda sugar substitute overtook Equal and Sweet'N Low to become the leader in its category by differentiating itself as a product derived from sugar without the associated drawbacks of an artificial low-calorie sweetener. In the crowded energy-drink category, Monster has become a nearly $2 billion brand, and a threat to category pioneer Red Bull, by differentiating itself on its innovative 16-ounce can and an extensive line of products targeting nearly every need state related to energy consumption.[16]

IDENTIFYING POINTS OF PARITY

Points of parity (POPs), on the other hand, are attribute or benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands.[17] These types of associations come in three basic forms: category, correlational, and competitive.

- **Category points of parity** are attributes or benefits that consumers view as essential to a legitimate and credible offering within a certain product or service category. In other words, they represent necessary—but not sufficient—conditions for brand choice. Consumers may not consider a travel agency truly a travel agency unless it is able to make air and hotel reservations, provide advice about leisure packages, and offer various ticket payment and delivery options. Category points of parity may change over time because of technological advances, legal developments, or consumer trends, but to use a golfing analogy, they are the "greens fees" necessary to play the marketing game.
- **Correlational points of parity** are potentially negative associations that arise from the existence of positive associations for the brand. One challenge for marketers is that many attributes or benefits that make up their POPs or PODs are inversely related. In other words, if your brand is good at one thing, such as being inexpensive, consumers can't see it as also good at something else, like being "of the highest quality." Consumer research into the trade-offs consumers make in their purchasing decisions can be informative here.
- **Competitive points of parity** are associations designed to overcome perceived weaknesses of the brand in light of competitors' points of difference. One way to uncover key competitive points of parity is to role-play competitors' positioning and infer their intended points of difference. Competitor's PODs will, in turn, suggest the brand's POPs.

Regardless of the source of perceived weaknesses, if, in the eyes of consumers, a brand can "break even" in those areas where it appears to be at a disadvantage *and* achieve advantages in other areas, it should be in a strong—and perhaps unbeatable—competitive position. Consider the introduction of Miller Lite beer, the first major light beer in North America.

Miller Lite The initial advertising strategy for Miller Lite beer had two goals: ensuring parity with key competitors in the regular, full-strength beer category by stating that Miller Lite "tastes great," while at the same time creating a point of difference around the fact that it contained one-third fewer calories and was thus "less filling." As often happens, the point of parity and point of difference were somewhat conflicting because consumers tend to equate taste with calories. To overcome potential resistance, Miller employed credible spokespeople, primarily popular former professional athletes, who would presumably not drink a beer unless it tasted good. These ex-jocks humorously debated which of the two product benefits—"tastes great" or "less filling"—was more descriptive of the beer. The ads ended with the clever tagline "Everything You've Always Wanted in a Beer . . . and Less." As time went on, the brand positioning evolved to encompass "Miller Time" in its advertising, an emotional appeal about the brand's "sociability" and capacity to serve as a catalyst for good times with friends.[18]

For an offering to achieve parity on a particular attribute or benefit, a sufficient number of consumers must believe the brand is "good enough" on that dimension. There is a zone or range of tolerance or acceptance with points of parity. The brand does not literally need to be seen as equal to competitors, but consumers must feel it does well enough on that particular attribute or benefit. If they do, they may be willing to base their evaluations and decisions on other factors more favorable to the brand. A light beer presumably would never taste as good as a full-strength beer, but it would need to taste close enough to be able to effectively compete.

Often, the key to positioning is not so much achieving a point of difference as achieving points of parity! Consider the competition between Visa and American Express in the card industry:

Visa and American Express Visa's point of difference in the credit card category is that it is the most widely available card, which underscores the category's main benefit—convenience. American Express, on the other hand, has built the equity of its brand by highlighting the prestige associated with the use of its card. Visa and American Express now compete to create points of parity by attempting to blunt each other's advantage. Visa offers gold and platinum cards to enhance the prestige of its brand, and for years it advertised, "It's Everywhere You Want to Be," showing desirable travel and leisure locations that accept only the Visa card to reinforce both its own exclusivity and its acceptability. American Express has substantially increased the number of merchants that accept its cards and created other value enhancements, while also reinforcing its cachet through advertising that showcases celebrities such as Robert De Niro, Tina Fey, Ellen DeGeneres, and Beyoncé, as well as promotions for exclusive access to special events.[19]

>> While Visa strives to match the prestige of competitor American Express by offering gold and platinum cards, American Express is aiming to extend the reach of its card to erase Visa's advantage as the most widely available credit card.

Source: Oliver Hoffmann/Alamy Stock Photo

ALIGNING THE FRAME OF REFERENCE, POINTS OF PARITY, AND POINTS OF DIFFERENCE

It is not uncommon for a brand to identify more than one actual or potential competitive frame of reference if competition widens or the firm plans to expand into new categories. For example, Starbucks could define very distinct sets of competitors, suggesting different possible POPs and PODs as a result:[20]

Quick-serve restaurants and convenience shops (McDonald's and Dunkin' Donuts)—Intended PODs might be quality, image, experience, and variety; intended POPs might be convenience and value.

Home and office consumption (Folgers, NESCAFÉ instant, and Green Mountain Coffee K-Cups)—Intended PODs might be quality, image, experience, variety, and freshness; intended POPs might be convenience and value.

Local cafés—Intended PODs might be convenience and service quality; intended POPs might be product quality, variety, price, and community.

Note that some potential POPs and PODs for Starbucks are shared across competitors; others are unique to a particular competitor.

Under such circumstances, marketers have to decide what to do. There are two main options with multiple frames of reference. One is to first develop the best possible positioning for each type or class of competitors and then see whether there is a way to create one combined positioning robust enough to effectively address them all. If competition is too diverse, however, it may be necessary to prioritize competitors and then choose the most important set of competitors to serve as the competitive frame. One crucial consideration is not to try to be all things to all people; this leads to "lowest common denominator" positioning, which is typically ineffective.[21]

Finally, if there are many competitors in different categories or subcategories, it may be useful to develop the positioning either at the category level for all relevant categories ("quick-serve restaurants" or "supermarket take-home coffee" for Starbucks) or with an exemplar from each category (McDonald's or NESCAFÉ for Starbucks).

Occasionally, a company will be able to *straddle* two frames of reference with one set of points of difference and points of parity. In these cases, the points of difference for one category become points of parity for the other, and vice versa. Subway restaurants are positioned as offering healthy, good-tasting sandwiches. This positioning allows the brand to create a POP on taste and a POD on health with respect to quick-serve restaurants such as McDonald's and Burger King and, at the same time, to create a POP on health and a POD on taste with respect to health food restaurants and cafés!

Straddle positions allow brands to expand their market coverage and potential customer base. One example of such straddle positioning is BMW.

Source: BMW of North America

<< By combining the seemingly incompatible benefits of luxury and performance, BMW has found great success in the American automotive market.

BMW When BMW first made a strong competitive push into the U.S. market in the late 1970s, it positioned the brand as the only automobile that offered both luxury *and* performance. At that time, consumers saw U.S. luxury cars as lacking performance and U.S. performance cars as lacking luxury. By relying on the design of its cars, its German heritage, and other aspects of a well-conceived marketing program, BMW was able to simultaneously achieve: (1) a point of difference on luxury and a point of parity on performance with respect to U.S. performance cars like the Chevy Corvette and (2) a point of difference on performance and a point of parity on luxury with respect to U.S. luxury cars like Cadillac. The clever brand motto "The Ultimate Driving Machine" effectively captured the newly created umbrella category: luxury performance cars.[22]

Although a straddle positioning is often attractive as a means of reconciling potentially conflicting consumer goals and creating a "best of both worlds" solution, it also carries an extra burden. If the points of parity and points of difference are not credible, the brand may not be viewed as a legitimate player in either category. Many early personal digital assistants (palm-sized computers) such as the Palm Pilot and Apple's Newton, which unsuccessfully tried to straddle categories ranging from pagers to laptop computers, provide a vivid illustration of this risk.

Often a good positioning will have several PODs and POPs. Of those, two or three often really define the competitive battlefield and should be analyzed and developed carefully. A good positioning should also follow the "80–20" rule and be highly applicable to 80 percent of the products carrying the brand. Attempting to position based on 100 percent of a brand's products often yields an unsatisfactory, "lowest common denominator" result. The remaining 20 percent of products should be reviewed to ensure that they have the proper branding strategy and to see how they could be changed to better reflect the brand positioning.

Perceptual maps, also called positioning maps, may be useful for choosing specific benefits as POPs and PODs to position a brand. **Perceptual maps** are visual representations of consumer perceptions and preferences. They provide quantitative pictures of market situations and the way consumers view different products, services, and brands along various dimensions. By overlaying consumer preferences on brand perceptions, marketers can reveal "holes" or "openings" that suggest unmet consumer needs and marketing opportunities.[23]

Creating a Sustainable Competitive Advantage

An offering's competitive advantage reflects its ability to satisfy a customer need to a greater degree than alternative means of satisfying the same need. Thus, creating a competitive advantage gives customers a reason to choose a given offering rather than an available alternative.

SUSTAINABLE COMPETITIVE ADVANTAGE AS A MARKETING CONCEPT

To build a strong brand and avoid the commodity trap, marketers must start with the belief that it is possible to differentiate an offering by creating a sustainable competitive advantage.[24] **Competitive advantage** is a company's ability to perform in one or more ways that competitors cannot or will not match.

Some companies are finding success. Pharmaceutical companies are developing biologics—medicines produced by using the body's own cells rather than through chemical reactions in a lab—because it is difficult for copycat pharmaceutical companies to make generic versions of biologics when they go off patent. Roche Holding will enjoy an advantage of at least three years with its $7-billion-a-year-in-sales biologic rheumatoid arthritis treatment Rituxan before a biosimilar copycat version is introduced.[25]

Few competitive advantages are inherently sustainable; in the long run, they are often replicated by the competition. Instead, a competitive advantage may be leverageable. A *leverageable advantage* is one that a company can use as a springboard to new advantages, much as Microsoft has leveraged its operating system with Microsoft Office and networking applications. In general, a company that hopes to endure must be in the business of continuously inventing new advantages that can serve as the basis of points of difference.

Any product or service benefit that is sufficiently desirable, deliverable, and differentiating can serve as a point of difference for a brand. The obvious, and often the most compelling, means of differentiation for consumers are benefits related to performance. Swatch offers colorful, fashionable watches; GEICO offers reliable insurance at discount prices.

GEICO GEICO has spent hundreds of millions of dollars on TV advertising. Has it been worth it? Warren Buffet, chairman and CEO of GEICO's parent company Berkshire Hathaway, thinks so. GEICO became the fastest-growing auto insurance company in the United States by selling directly to consumers with a basic message: "15 Minutes Could Save You 15% or More on Your Car Insurance." Partnering with The Martin Agency, GEICO has run a series of highly creative and award-winning ad campaigns to emphasize different aspects of the brand. TV ads featuring the Cockney-speaking Gecko lizard spokes-character reinforce GEICO's brand image as credible and accomplished. The "Happier Than" campaign comes up with exaggerated situations to describe how happy GEICO customers are, such as a camel on Wednesday (hump day) and Dracula volunteering at a blood drive. A third campaign featuring Maxwell, a talking pig, focuses on specific products and service features. The fourth campaign, "Did You Know," starts with a person commenting on the company's famous 15-minute slogan to a companion, who replies, "Everyone knows that." The first speaker then tries to save face with a twist on some other conventional wisdom, such as Pinocchio was a poor motivational speaker or Old McDonald was a really bad speller. The multiple campaigns complement each other and build on one another's success. The company dominates the TV airwaves with so many varied car insurance messages that competitors' ads are lost.[26]

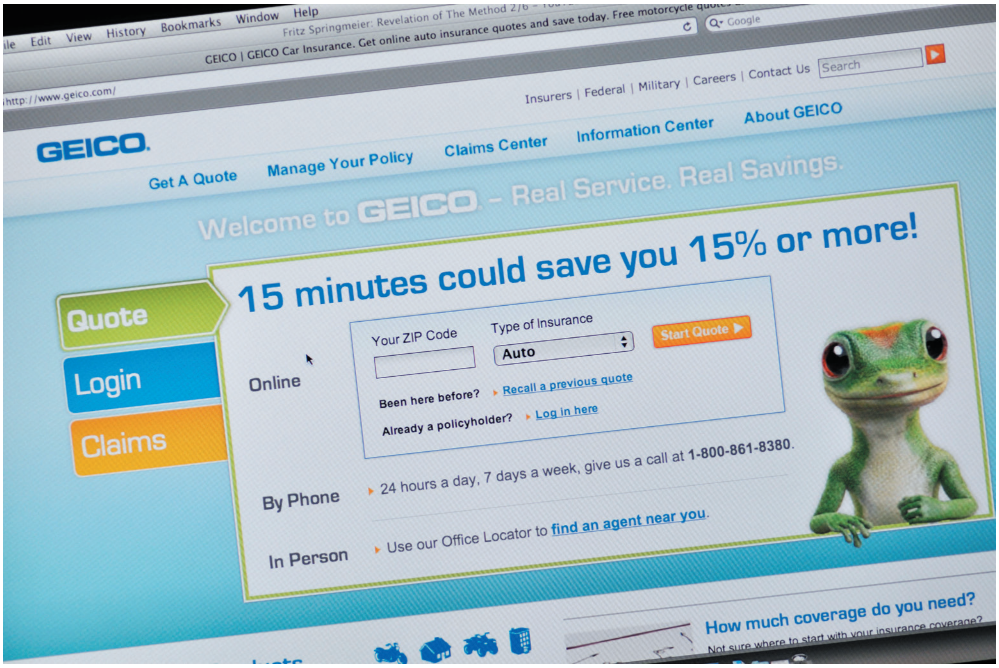
Sometimes changes in the marketing environment can open up new opportunities to create a means of differentiation. Eight years after it launched Sierra Mist, when sales began stagnating, PepsiCo tapped into rising consumer interest in natural and organic products to reposition the lemon-lime soft drink as all-natural with only five ingredients: carbonated water, sugar, citric acid, natural flavor, and potassium citrate.

Often a brand's positioning transcends its performance considerations. Companies can fashion compelling images that appeal to consumers' social and psychological needs. The primary explanation for Marlboro's extraordinary worldwide market share (about 30 percent) is that its "macho cowboy" image struck a responsive chord with much of the cigarette-smoking public. Wine and liquor companies also work hard to develop distinctive images for their brands. Even a seller's physical space can be a powerful image generator. Hyatt Regency Hotels aims to develop a distinctive image with its atrium lobbies.

To identify possible means of differentiation, marketers have to match consumers' desire for a benefit with their company's ability to deliver it. For example, they can design their distribution channels to make buying the product easier and more rewarding. Back in 1946, pet food was cheap, not very nutritious, and available exclusively in supermarkets and the occasional feed store. Dayton, Ohio–based Iams found success selling premium pet food through regional veterinarians, breeders, and pet stores.

STRATEGIES FOR CREATING A SUSTAINABLE COMPETITIVE ADVANTAGE

Three core strategies are integral to designing a value proposition that makes an offering stand out from the competition. These are to *differentiate on an existing attribute*, *introduce a new attribute*, and *build a strong brand*.[27]



Source: NetPhotos/Alamy Stock Photo

<< Geico has successfully drowned out the voices of its competitors and become the fastest-growing U.S. auto insurance company with ongoing multimillion-dollar TV ad campaigns that feature a gecko with a cockney accent spouting money-saving advice.

Differentiate on an Existing Attribute. This is the quintessential strategy for creating an advantage over competitors. Gillette has differentiated itself from competitors by stressing the quality of its shave. Online shaving supplies retailer Dollar Shave Club stresses price as its competitive advantage over premium brands such as Gillette. Zappos differentiates itself from other online shoe retailers by the level of customer service it provides. BMW uses the driving experience delivered by its vehicles as a point of differentiation from the competition. Volvo differentiates itself by focusing on safety, while Rolls-Royce sets itself apart by emphasizing luxury.

Differentiating on an attribute that is meaningful to customers is the most intuitive way to create a competitive advantage. However, it is often difficult to achieve, because offerings in a product category start to become more similar as their overall performance improves. Television sets are a good example: As technical advancements have improved the overall quality of television sets, differences among the available options have become less apparent to consumers, who perceive TVs as similar to one another.

Introduce a New Attribute. In lieu of enhancing an offering's performance on an existing attribute, a company can distinguish its offering by introducing a new attribute—one that competitors don't have. examples abound: TOMS chose to differentiate itself from traditional shoe manufacturers by its "buy one, give one" social responsibility program. PepsiCo used only all-natural ingredients to differentiate its lemon-lime soft drink Sierra Mist from other soft drinks. Dollar Shave Club chose to set itself apart through subscription-based, direct-to-consumer shipping of shaving supplies. Uber streamlined the monetary transaction between riders and drivers by introducing cash-free payment. And Nest incorporated machine learning into its thermostats as an alternative approach to controlling the temperature in a home.

It is noteworthy that introducing a new attribute does not necessarily involve the invention of a completely innovative attribute. It can also involve tweaking an existing attribute that has been more or less neglected by competitors to transform it into a point of difference. Method Products, manufacturer of household cleaning products, did just that when it designed aesthetically pleasing packaging as a distinguishing attribute in a category in which packaging was viewed as a purely functional attribute. In the same vein, Apple introduced design as a key point of difference in the personal computer category when it came out with the egg-shaped, multi-colored iMac encased in translucent plastic.

Although the introduction of a new attribute can offer a powerful advantage to a company, such a move is rarely sustainable. Competitors will lose no time copying a new attribute that is valued by customers, thus greatly diminishing the competitive advantage of the company that pioneered the attribute. Creating a sustainable competitive advantage requires that a company constantly find fresh and unique ways of creating customer value.

Build a Strong Brand. A valuable source of sustainable competitive advantage is a powerful brand that gives customers a reason to choose the company's offering. An example of brand power is Harley-Davidson, which probably owes its success as much to the strength of its brand as to the design of its motorcycles. Taste is not what sets Coca-Cola apart from other cola drinks; rather, it is Coke's brand image, which has transcended national borders and cultural barriers to become known by almost everyone on the planet.

Differentiation through brand power is of particular value in commoditized product categories such as cereal, soft drinks, and alcoholic beverages. Grey Goose, for example, has successfully positioned its product as the World's Best Tasting Vodka, which allows the company to command a significant price premium compared to many competitive brands. The success Grey Goose has had in achieving this distinction is especially notable because vodka is effectively a commodity, designed as a "neutral spirit" that has no "distinctive character, aroma, taste, or color."[28] Because most customers cannot tell taste the difference among different premium vodkas, the Grey Goose brand is obviously the factor driving its purchase.

In addition to being viewed as an attribute of the company's offering, brand also has a singular role in creating a competitive advantage: It influences perceptions of the offering on such dimensions as quality, reliability, and durability—dimensions that are not readily visible to customers. Thus, brands can infuse the company's offering with a unique and meaningful message that resonates beyond the actual characteristics of the company's product and service and creates added value for customers. In other words, customers are buying not just Harley-Davidson, Coca-Cola, and Warby Parker products; they are buying the meaning implied by these brands.

Brands also have another facet. Besides influencing customer beliefs about the offering, a strong brand can actually drive customer behavior when it is the first option that pops into a customer's mind as a way to fulfill a given need. For instance, Budweiser consistently promotes its product so that when its customers think of beer, "Bud" is the first brand that comes to mind. GEICO is another company that spends tens of millions of dollars each year to ensure that drivers think of GEICO first when they consider car insurance. McDonald's aims to be the first fast-food restaurant that comes to customers' minds, edging out competitors Burger King, Wendy's, and Taco Bell. Tylenol, Advil, and Aleve have gained top-of-mind awareness in the category of non-prescription pain-relief, which allows these brands to sustain their market leadership in a product category filled with functionally identical low-priced generics.

Top-of-mind brand awareness also creates a competitive advantage in that the brand considered first often becomes a reference point for consumers, the default option against which the other brands are evaluated. This is an important benefit, because unless they are given a strong reason to choose an alternative option, buyers are likely to select the default option.

Communicating the Offering's Positioning

Once they have fashioned the brand positioning strategy, marketers should communicate it to everyone in the organization so that it will guide their words and actions. This is usually achieved by developing a **positioning statement**. The key aspects of crafting an effective positioning statement—communicating an offering's category membership along with points of parity and points of difference, and developing a narrative to convey the offering's positioning—are discussed in the following sections.

CRAFTING A POSITIONING STATEMENT

A positioning statement clearly articulates the offering's target customers and the key benefit that will provide customers with a reason to choose the company's offering. Consider the following positioning statements for Hertz, Volvo, and Domino's, respectively, which have guided their communication campaigns through the years with their target customers.

> For busy professionals (target customers), Hertz offers a fast, convenient way to rent the right type of car at an airport (value proposition).
>
> For safety-conscious upscale families (target customers), Volvo offers the safest, most durable automobile in which your family can ride (value proposition).
>
> For convenience-minded pizza lovers (target customers), Domino's offers a delicious hot pizza, delivered promptly to your door (value proposition).

An important question in developing a positioning statement is deciding whether to promote the specific attributes describing a company's offering or to focus on the ultimate benefits delivered by these attributes. Many marketers tend to focus on the *benefits* as the pillars of the offering's positioning. This is because consumers are usually more interested in benefits and in what exactly they will get from a product.

Offering *attributes*, on the other hand, generally play more of a supporting role. Multiple attributes may support a certain benefit, and they may change over time. Attributes provide "reasons to believe" or "proof points" for why a brand can credibly claim it offers certain benefits. Marketers of Dove soap, for example, will talk about how its attribute of one-quarter cleansing cream uniquely creates the benefit of softer skin. Singapore Airlines can boast about its superior customer service because of its highly trained flight attendants and strong service culture.

COMMUNICATING CATEGORY MEMBERSHIP

Category membership may be obvious. Target customers are aware that Maybelline is a leading brand of cosmetics, Cheerios is a leading brand of cereal, McKinsey is a leading consulting firm, and so on. But when a product is new, marketers must inform consumers of the brand's category membership.

Sometimes consumers may know the category membership but not be convinced that the brand is a valid member of the category. They may be aware that HP produces digital cameras, but they may not be certain whether HP cameras are in the same class as those made by Canon, Nikon, and Sony. In this instance, HP might find it useful to reinforce category membership.

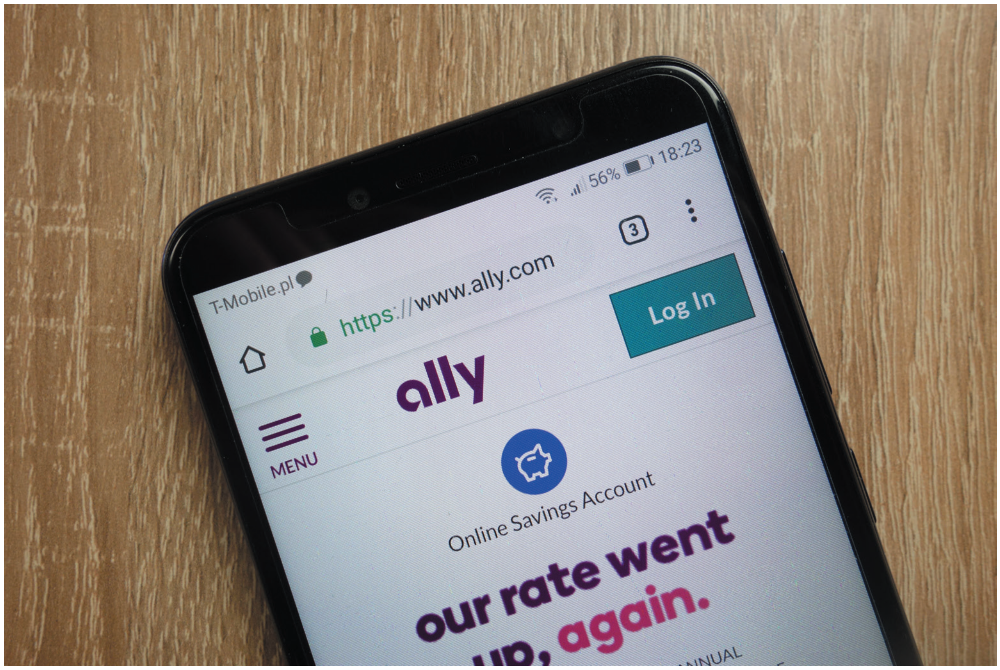
Brands are sometimes affiliated with categories in which they do *not* hold membership. This approach is one way to highlight a brand's point of difference, providing that consumers know its actual membership. Instead of putting DiGiorno's frozen pizza in the frozen pizza category, marketers have positioned it in the delivered pizza category with ads that proclaim, "It's Not Delivery, It's DiGiorno!" Similarly, pay channel HBO has developed original, edgy programming to justify its premium fee, adopting the slogan "It's Not TV, It's HBO."

The typical approach to positioning is to inform consumers of a brand's membership before stating its point of difference. Presumably, consumers need to know what a product is and what function it serves before deciding whether it is superior to the brands against which it competes. For new products, initial advertising often concentrates on creating brand awareness, and subsequent advertising attempts to create the brand image. Ally Bank tapped into a distrust of financial institutions to stake out a unique positioning.

Ally Financial In rebranding GMAC Financial as Ally Financial and launching its Ally Bank subsidiary, the firm initially ran a campaign featuring a smarmy man in a suit (who symbolically represented the typical bank) being mean to unsuspecting children (who symbolically represented typical bank customers). The idea was to show Ally Bank as simple and direct. One ad had the slick spokesperson sitting with two young girls at a small table asking one of them whether she wanted a pony. When the girl said yes, he gave her a small toy pony. When the other girl said yes, he gave her a real pony. The clearly unhappy first girl asked why she didn't get a real pony, and the man answered, in effect, "You didn't ask." Having established initial awareness, the campaign developed its "straightforward" positioning with several follow-up ads relaying a "Your Money Needs an Ally" theme and touting customers' ability to reach humans at Ally Bank instead of machines. In the "Dry Cleaner" ad, seemingly real customers of a dry cleaner are captured via hidden camera as they attempt to cope with a blender that a sign indicates they should use for help. The ad ends with the words "Ally Bank. Helpful People. Not Machines."[29]

There are three main ways to convey a brand's category membership:

- *Announcing category benefits.* To reassure consumers that a brand will deliver on the fundamental reason for using a category, marketers frequently use benefits to announce category membership. Thus, industrial tools might claim to have durability, and antacids might announce their efficacy. A brownie mix might attain membership in the baked desserts category by claiming to offer the benefit of great taste and might support this claim by including high-quality ingredients (performance) or by showing users delighting in its consumption (imagery).
- *Comparing to exemplars.* Well-known, noteworthy brands in a category can also help a brand specify its category membership. When Tommy Hilfiger was an unknown, advertising announced his status as a great U.S. designer by associating him with Geoffrey Beene, Calvin Klein, and Perry Ellis, recognized members of that category.
- *Relying on the product descriptor.* The product descriptor that follows the brand name is often a concise means of conveying category origin. Ford Motor Co. invested more than $1 billion in a radical new



Source: Piotr Swat/Alamy Stock Photo

>> After former GMAC Financial Services was rebranded ALLY Financial, its newly launched Ally Bank subsidiary's ad campaign touted a straightforward, no-gimmicks approach to customer service, stressing interaction with people rather than machines.

2004 model called the X-Trainer, which combined the attributes of an SUV, a minivan, and a station wagon. To communicate its unique position—and to avoid association with its Explorer and Country Squire models—the vehicle, eventually called Freestyle, was designated a "sports wagon."

COMMUNICATING CONFLICTING BENEFITS

As we saw earlier, one common challenge in positioning is that many of the benefits that make up points of parity and points of difference are negatively correlated. ConAgra must convince consumers that Healthy Choice frozen foods both taste good *and* are good for you. Consider these examples of negatively correlated attributes and benefits: low price versus high quality, powerful versus safe, taste versus low calories, strong versus refined, nutritious versus good tasting, ubiquitous versus exclusive, efficacious versus mild, and varied versus simple.

Moreover, individual attributes and benefits often have positive *and* negative aspects. For example, consider a long-lived brand such as La-Z-Boy recliners, Burberry outerwear, or the *New York Times*. The brand's heritage could suggest experience, wisdom, and expertise as well as authenticity. On the other hand, it could also imply being old-fashioned and not contemporary or up to date.

The challenge is that consumers typically want to maximize *both* of the negatively correlated attributes or benefits. Much of the art and science of marketing consists of dealing with trade-offs, and positioning is no different. The best approach clearly is to develop a product or service that performs well on both dimensions. GORE-TEX was able to overcome the conflicting product images of "breathable" and "waterproof" through technological advances. When in-depth and quantitative interviews and focus groups suggested that consumers wanted the benefits of technology without the hassles, Royal Philips launched its "Sense and Simplicity" campaign for its Philips brand of electronics, which touted its products as easy to use.

Other approaches include launching two different marketing campaigns, each devoted to a different brand attribute or benefit: one linking the brand to a person, place, or thing that possesses the right kind of equity to establish an attribute or benefit as a POP or POD; and the other convincing consumers that the negative relationship between attributes and benefits, if they consider it differently, is in fact positive.[30]

Source: Alko/Alamy Stock Photo

>> Jim Beam has used professional storytellers to sharpen its marketing and positioning.

POSITIONING AS STORYTELLING

Rather than outlining specific attributes or benefits, some marketing experts describe positioning a brand as telling a narrative or story. Consumers like the richness and imagination they can derive from thinking of the story behind a product or service.

To help sharpen its marketing and positioning, Jim Beam, with its namesake Jim Beam and Maker's Mark brands, hired The Moth, a group of professional storytellers best known for a weekly public radio broadcast, to kick off a three-day biannual gathering of its marketing teams. The Moth team broke down the structure of a story, identified the parts that were particularly meaningful, and had Beam employees tell tales to one another. This approach enabled the company to come up with a compelling story articulating its customer value proposition.[31]

Some researchers see *narrative branding* as based on deep metaphors that connect to people's memories, associations, and stories.[32] They identify five elements of narrative branding: the brand story in terms of words and metaphors; the consumer journey or the way consumers engage with the brand over time, and touch points where they come into contact with the brand; the visual language or expression for the brand; the manner in which the narrative is expressed experientially or the brand engages the senses; and the role the brand plays in the lives of consumers. Based on literary convention and brand experience, they also identify four key aspects of a brand story: (1) setting (the time, place, and context), (2) cast (the brand as a character, including its role in the life of the audience, its relationships and responsibilities, and its history or creation myth), (3) narrative arc (the way the narrative logic unfolds over time, including actions, desired experiences, defining events, and the moment of epiphany), and (4) language (the authenticating voice, metaphors, symbols, themes, and leitmotifs).

A related concept referred to as "primal branding" views brands as complex belief systems. Proponents of primal branding argue that diverse brands such as Google, MINI Cooper, the U.S. Marine Corps, Starbucks, Apple, UPS, and Aveda all have a "primal code" or DNA that resonates with their customers and generates their passion and fervor. There are seven assets that make up this belief system or primal code: a creation story, creed, icon, rituals, sacred words, a way of dealing with nonbelievers, and a good leader.[33]

marketing INSIGHT

Positioning a Start-Up

Building brands is a challenge for a small business with limited resources and budgets. Nevertheless, numerous success stories exist of entrepreneurs who have built their brands up essentially from scratch to become powerhouse brands. When resources are limited, focus and consistency in marketing programs become critically important. Creativity is also paramount—finding new ways to market new ideas about products to consumers. Here are some specific branding guidelines for small businesses:

- *Find a compelling product or service performance advantage.* As for any brand, demonstrable, meaningful differences in product or service performance can be the key to success. Dropbox has carved out a strong position in the face of a slew of competitors that also offer consumers a means to conveniently store massive amounts of documents, photos, videos, and other files, in part by virtue of its convenient single-folder approach to accommodate multiple devices for a user.[34]
- *Focus on building one or two strong brands based on one or two key associations.* Small businesses often must rely on only one or two brands and key associations as points of difference for them. These associations must be consistently reinforced across the marketing program and over time. Rooted in the snowboarding and surfing cultures, Volcom has adopted a "Youth Against Establishment" credo that has resulted in steady sales of its music, athletic apparel, and jewelry.
- *Encourage product or service trial in any way possible.* A successful small business has to distinguish itself in ways consumers can learn about and experience. One way is to encourage trial through sampling, demonstrations, or any means to engage consumers with the brand. See's Candies allows walk-in customers to sample any piece of candy in the shop they choose. As one senior executive noted, "That's the best marketing we have, if people try it, they love it." See's uses all fresh ingredients and no added preservatives to create its enticing flavors.[35]
- *Develop a cohesive digital strategy to make the brand "bigger and better."* Social media, online advertising, and e-commerce allow small firms to have a larger profile than they might otherwise. Urbane Apartments, a property investment and management company in Royal Oak, Michigan, has a virtual prominence that far exceeds its real-world scope. The company boasts a resident-penned blog touting favorite Royal Oak destinations, its own Urbane Lobby social networking site for tenants, and active YouTube, Facebook, and Twitter profiles.[36] Mobile marketing can be especially important given the local nature of many small businesses.
- *Create buzz and a loyal brand community.* Small businesses often must rely on word of mouth to establish their positioning, but they can find public relations,

(continued)

marketing insight *(continued)*

social networking, and low-cost promotions and sponsorship to be inexpensive alternatives. Creating a vibrant brand community among current and prospective customers can also be a cost-effective way to reinforce loyalty and help spread the word to new prospects. Evernote has several dozen "power users" who serve as passionate ambassadors to spread the word about the personal-organization application brand touted by the online company as the everything-in-one-place "external brain" for its customers.[37]

- *Employ a well-integrated set of brand elements.* Tactically, it is important for small businesses to maximize the contribution of all types of brand-equity drivers. In particular, they should develop a distinctive, well-integrated set of brand elements—brand names, logos, packaging—that enhances both brand awareness and brand image. Brand elements should be memorable and meaningful, with as much creative potential as possible. Innovative packaging can substitute for ad campaigns by capturing attention at the point of purchase. SMARTFOOD introduced its first product without any advertising by means of both a unique package that served as a strong visual symbol on the shelf and an extensive sampling program that encouraged trial. Proper names or family names, which often characterize small businesses, may provide some distinctiveness but can suffer in terms of pronounceability, meaningfulness, memorability, or other branding considerations.
- *Leverage as many secondary associations as possible.* Secondary associations—any persons, places, or things with potentially relevant associations—are often a cost-effective shortcut to building brand equity, especially those that help to signal quality or credibility. In 1996, J. Darius Bickoff launched an electrolyte-enhanced line of bottled water called Smartwater, followed in two years by the introduction of Vitaminwater, a vitamin-enhanced and flavored alternative to plain bottled water, and by Fruitwater two years after that. Clever marketing (including endorsement deals with rapper 50 Cent, singer Kelly Clarkson, actress Jennifer Aniston, and football star Tom Brady) helped drive success. Less than 10 years after its launch, Bickoff's Energy Brands company, also known as Glacéau, was sold to the Coca-Cola company for $4.2 billion.[38]

summary

1. A key aspect of marketing strategy is the development of a value proposition and positioning a company's offering to target customers. By clearly articulating its value proposition and positioning, companies can deliver high customer value and satisfaction, which lead to high repeat purchases and ultimately to greater company profitability.
2. Depending on the needs of consumers, an offering can create value across three domains: *functional value,* which consists of the benefits and costs that are directly related to an offering's performance; *psychological value,* which encompasses the psychological benefits and costs associated with the offering; and *monetary value,* which includes the financial benefits and costs associated with the offering. Across all three dimensions, consumer value is the difference between the consumers' evaluation of all the benefits and costs of an offering and their evaluation of the benefits and costs of the perceived alternatives.
3. The *value proposition* consists of the whole cluster of benefits the company promises to deliver. It is based on the difference between benefits customers get and costs they assume with respect to the company's offering. The value proposition is customer specific; customer segments with different needs require distinct value propositions.
4. *Positioning* is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target customers. Unlike the value proposition, which articulates all benefits and costs of the offering, the positioning zeroes in on the key benefits that will provide consumers with a reason to choose the company's offering.
5. Consumers determine the value of an offering relative to a *frame of reference* used to assess its benefits and costs. An offering can be viewed as attractive in comparison to an inferior offering, and the same offering can be perceived as unattractive when compared to a superior offering. Marketers must carefully select a frame of reference that highlights the value of their offering.
6. A key component of developing a positioning strategy is identifying the *points of difference*—attributes or benefits that are unique to the company's offering—and the *points of parity*—attributes or benefits that the company's offering has in common with the competition. Three criteria determine whether a brand association can truly function as a point of difference: desirability, deliverability, and differentiability.
7. *Competitive advantage* is a company's ability to perform in one or more ways that competitors cannot or will not match. An offering's competitive advantage gives customers a reason to choose this offering rather than the available alternatives. The competitive advantage reflects the offering's points of difference that are valued by customers. Any product or service benefit that is sufficiently desirable, deliverable, and differentiating can serve as a point of difference and hence create a competitive advantage.
8. Three core strategies are integral to designing a value proposition that makes an offering stand out from the

competition and creates a competitive advantage. These strategies are differentiating on an existing attribute, introducing a new attribute, and building a strong brand.

9. Once marketers have designed an offering's positioning strategy, they develop a *positioning statement* to communicate this positioning to everyone in the organization and ensure that it guides their market actions. The key aspects of crafting an effective positioning statement include communicating an offering's category membership and points of parity and points of difference, and developing a narrative to convey the offering's positioning.

marketing
SPOTLIGHT

Unilever: Axe and Dove

Unilever—manufacturer of home care, food, and personal-care brands—effectively uses marketing communication strategies to target specific age groups, demographics, and lifestyles. The company has developed some of the most successful brands in the world, including Axe, a male grooming brand, and Dove, a personal-care brand aimed at women.

The Axe brand (known as Lynx in the UK, Ireland, Australia, and China) launched in 1983, was introduced in the United States in 2002, and is now sold in over 70 different countries. Axe offers young male consumers a wide range of personal-care products such as body sprays, body gel, deodorant, and shampoo, which come in a variety of different scents. Today, Axe is the most popular male grooming brand in the world. Axe effectively broke through the clutter by finding the right target group and luring these customers with personal marketing messages that hit home.

Unilever categorized the male population into several different profile groups and decided that the biggest opportunity existed in the segment—dubbed "The Insecure Novice"—composed of geeks and nerds who needed help attracting the opposite sex and could easily be persuaded to buy products to help their appearance. Most Axe ads targeting this segment use humor and sex, often featuring skinny, average guys attracting beautiful girls by the dozens, hundreds, or even thousands after dousing themselves with Axe. The result: the brand is aspirational and approachable, and the light-hearted tone hits home with young men.

Axe has won numerous advertising awards not only for its creativity but also for its effective use of unconventional media channels. From edgy online videos to video games, mating game tool kits, chat rooms, and mobile apps, the Axe brand engages young adult males at relevant times, locations, and environments. In Colombia, for example, a female Axe Patrol scopes out the bar and club scene and sprays men with Axe body sprays. Unilever marketing director Kevin George explained, "This is all about going beyond the 30-second TV commercial to create a deeper bond with our guy."

Axe knows where to reach its consumers. It advertises only on male-dominated networks such as MTV, ESPN, Spike, and Comedy Central. It partners with the NBA and NCAA, which draw in young male audiences, and also runs ads during big sporting events. Print ads appear in

Source: Retro AdArchives/Alamy Stock Photo

Playboy, *Rolling Stone*, *GQ*, and *Maxim*. Axe's online efforts via Facebook and Twitter help drive consumers back to its website, TheAxeEffect.com.

Unilever understands that it must keep the brand fresh, relevant, and cool in order to stay current with its fickle young audience. As a result, the company launches a new fragrance annually and refreshes its online and advertising communications constantly, realizing that new males enter and exit its target market each year. Perhaps even more important than updating its product line is keeping the brand relevant and in tune with the social trends. As a result, in a matter of just a few years, Axe has made a U-turn, moving away from celebrating male stereotypes to forcefully opposing them.

The "Is It OK for Guys?" commercial that is part of Axe's "Find Your Magic" campaign is urging men to scrap traditional male stereotypes and instead embrace a more contemporary version of masculinity. The ad depicts guys who privately struggle with masculinity asking questions such as *Is it OK to be a virgin? Is it OK to experiment with other guys? Is it OK to be the little spoon in bed?* The questions, which are based on actual Google searches, underscore the degree to which young men feel anxious about adhering to, as well as straying from, societal stereotypes of masculinity. The campaign aims to let customers know they're not alone

(*continued*)

in questioning the boundaries of the traditional image of manhood and thus establishes an emotional connection with the brand.

On the other side of the personal marketing spectrum, Unilever's Dove brand speaks to women with a different tone and message. In 2003, Dove shifted away from its historical advertising, which touted the brand's benefit of one-quarter moisturizing cream, and launched the "Dove Campaign for Real Beauty." "Real Beauty" celebrated "real" women and spoke personally to women about the notion that beauty comes in all shapes, sizes, ages, and colors. The campaign arose from research revealing that only 4 percent of women worldwide think they are beautiful.

The first phase of the "Real Beauty" campaign featured nontraditional female models and asked viewers to judge their looks online and decide whether they were 'Wrinkled or Wonderful?' or 'Oversized or Outstanding?' The personal questions shocked many but created such a large PR buzz that Dove continued the campaign. The second phase of the campaign featured candid and confident images of curvy, full-bodied women. Again, the Dove brand smashed stereotypes of what usually appeared in advertising and, as a result, touched a chord with the majority of women worldwide. The third phase of the campaign, called "Pro-Age," featured older, nude women and asked questions like "Does beauty have an age limit?" Immediately, the company heard positive feedback from its older consumers. Dove also started a Self-Esteem Fund, aimed at helping women feel better about their looks.

As part of the "Real Beauty" campaign, Dove released a series of short Dove Films, one of which, *Evolution*, won both a Cyber and a film Grand Prix at the International Advertising Festival in Cannes in 2007. The film shows a rapid-motion view of an ordinary-looking woman transformed by makeup artists, hairdressers, lighting, and digital retouching to end up looking like a billboard supermodel. The end tagline is "No wonder our perception of beauty is distorted." The film instantly became a viral hit.

Dove followed up with *Onslaught*, a short film that showed a young, innocent, fresh-faced girl being bombarded with images of sexy, half-dressed women and promises of products to make her look "smaller," "softer," "firmer," and "better." Dove's 2013 film called *Sketches* featured a police sketch artist who drew two pictures of the same woman. In one, the woman described herself to the sketch artist from behind a curtain, and in the other picture a total stranger described the woman she had just met to the sketch artist. The difference in language and descriptions revealed how women are often their own harshest beauty critics and ended with the tagline "You are more beautiful than you think." The *Sketches* film has become the most watched video advertisement of all time and attracted over 175 million views in its first year alone.

Although the Axe and Dove campaigns couldn't be more different, and both have sparked much controversy and debate, the two brands have been credited with effectively targeting their consumer base with personal marketing strategies and spot-on messages. Axe's success in personal marketing has lifted the brand to become the leader in what many had thought was the mature deodorant category. And, in the 15 years that Dove focused on changing the attitudes of women and promoting positive self-esteem, sales jumped from $2.5 billion to $6 billion.[39]

Questions

1. What are the customer value propositions for Dove and Axe? What are the similarities and differences between the brands?
2. Is there a conflict in the way Unilever markets to women and the way it markets to young men? Is making women sex symbols in Axe ads undoing all the good that might be done in the "Dove Campaign for Real Beauty"?
3. How should Unilever manage these brands in the future? Should it try to find a universal positioning that fits both brands?

marketing SPOTLIGHT

First Direct

Source: Craig Stennett/Alamy Stock Photo

Back in the 1980s, banking in the United Kingdom was dominated by four conservative and traditional big banks. Getting a loan or mortgage or discussing an overdraft meant a visit to your local branch and an interview with a manager, who was often seen as a rather intimidating authority figure by many customers. Noticing that some customers rarely or never visited their branch, which removed the opportunity for upselling and cross-selling, the UK-based Midland

Bank assembled a team to find out why. They discovered that many people simply didn't like queuing for service or arranging meetings with unfriendly managers. Inspired by the telephone banking services that were emerging in the United States, they created First Direct, a new telephone-only bank.

When launching a new brand, deciding on the optimum positioning strategy is essential. The service was initially aimed at young professionals who would not be afraid of the new concept, with customer service quality as the main positioning factor. Staff were recruited and trained with top-quality service in mind. Customer service representatives had access to the client's information, and more importantly they had the ability and the authority to deal with questions and requests directly. The original mission statement was "pioneering amazing service," which was drilled in while inducting new employees to encourage a spirit of innovation and excellence in customer service. Unlike all other UK banks at the time, First Direct was open all day, every day. On the first Christmas Day after the launch in 1989, the bank received many calls from people who just wanted to check that they were, in fact, open when almost every other retail and service business was closed.

To communicate their positioning as a high-quality service that was innovative, individual, and convenient, corporate identity and advertising were deliberately unconventional and provocative. The simple black and white logo was unlike that of any other financial service, and their advertising was quirky and thought-provoking. For example, posters showed an everyday household object with the tagline "Banking without branches. It's extraordinary." Within two months of the launch, surveys gave First Direct the highest brand awareness of any bank in the United Kingdom. By rigorously upholding high service standards and maintaining quirky marketing communications, the bank grew rapidly, achieving half a million users by 1995.

First Direct was quick to embrace and promote new technology as it arrived. It began testing internet banking in 1997, when there were very few internet subscribers and access was via slow telephone-line modems. By 2000, it had fully adopted the new system. Text message alerts by SMS were introduced in 1999. In 2006, First Direct (now part of HSBC) was the first bank in the United Kingdom to join Monilink, an international mobile telephone banking system that predated mobile apps. By 2019, 98 percent of interactions with First Direct customers were taking place by digital means—by website, email, text messages, and mobile app—and only 2 percent were still done by telephone, the original medium.

Customer satisfaction scores were high from the start and consistently remained at or near the top of independent charts, such as those by the consumer group Which? and KPMG Nunwood's Customer Experience Excellence ranking. First Direct has also been named "Britain's Most Trusted Financial Provider" six times in the annual Moneywise Customer Service Awards. Loyalty is high; according to First Direct, it still has more than 80 percent of the customers who joined them in its first year of operation. The Which? consumer organization has recommended First Direct to its members for the last 11 years and consistently rated the bank at or near the top of its annual survey of current account customer satisfaction.

While still committed to providing the best possible service and user experience for clients, First Direct has found that service is no longer the relevant differentiator it once was. Great service has become the norm, and consumers no longer see it as the main differentiating factor. In addition to the shifting customer expectations, First Direct discovered that it needed to stress the range and quality of its products after surveys revealed lower-than-expected awareness. While best known for their current-account services, First Direct also provides loans, mortgages, credit cards, insurance, and other services, all of which can be effectively promoted to current-account holders.

Accordingly, First Direct initiated the transition away from a service positioning, and in 2017, it started to position itself instead as a modern digital bank. A communications campaign was designed to promote the benefits of its First Direct mobile app, its incentives for changing over to First Direct, and the bank's innovative use of technology. The advertising, still in black and white, showed an astronaut leaping around the United Kingdom as if in low gravity, a message about how different the bank continues to be.

First Direct has continued to realign its positioning strategy since then. Building on the "modern digital bank" identity, in 2019, its marketing communications introduced the concept of financial wellness, based on the then-fashionable interest in personal wellness and healthy living. The #moneywellness campaign launched in January 2020 included outdoor, digital, press, PR, and social channels. Based on detailed questionnaires, First Direct will provide customers with a Financial Wellness Index intended to help them be more aware of their financial "health."

First Direct has consistently used well-planned, strategic brand positioning throughout its evolution. The bank has been profitable every year since 1995 and has more than 1.45 million customers today, making it the 16th largest in the United Kingdom. The clarity and sense of purpose behind their positioning decisions has surely contributed to their continued growth and success.[40]

Questions

1. Recently, First Direct has moved away from using service quality as their main differentiator, choosing instead to emphasize their high-quality, innovative digital offerings. Create a positioning grid for First Direct and any other UK bank, and explain your choice of vertical and horizontal parameters.
2. Why was it necessary for First Direct to move away from using service as its main positioning factor? Comment on its switch to the positioning of a modern digital bank.