DIFFERENTIATION AND POSITIONING STRATEGY: A TOSS OF THE SAME COIN

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ABSTRACT

The increasing rate of the incidence of globalization of market, and the attendant intense competition amongst local business organizations in rapidly developing economies has taken a shift from price competition strategy (to avoid price war) to non-price competition strategy in terms of product/service differentiation and positioning to achieve the same objectives of preventing declining sales-turnover, profitability, and market-share and by extension secure market/competitive advantage over competitors. Differentiation and positioning have each been separately discussed in marketing literature; however, this paper represents an attempt to view same as a toss of the same coin.

Key Words: Positioning, differentiation, strategy, product, consumer perception, positioning statement, buying behavior.

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INTRODUCTION

The fundamental structure of competition in many of the world’s industries is rapidly changing. The pace of this change is relentless to the extent that determining the boundaries of an industry has become complex and challenging. The conventional sources of enhancing competitive advantage such as economies of scale and huge advertising budgets are not as effective as they use to be. Moreover, the traditional managerial mind-set is unlikely to lead a firm to strategic values as regard flexibility, speed, innovation, integration, and the challenges that evolve with constantly changing business environment. Therefore, developing and implementing differentiation and positioning strategy remains an important element of success in this environment. It allows for strategic actions to be planned and provide a basis for competitive advantage.
Attention to product quality and service represent the major routes for firms to build competitive advantage via differentiation and positioning strategies. For example, firms may improve a product’s quality or performance characteristics to make it more distinctive in the customer’s eyes, as Lexus does with its sleek line of automobiles. The product or service can also embody a distinctive design or offering that is hard to duplicate, thus conveying an image of unique quality. Successful differentiation and positioning strategies also depend on imaginative and creative approach to the marketplace. For example, Multichoice Digital Satellite Television (DSTV) introduced family bouquet along with another subscription option to accommodate the low income earner.

Today’s markets represent the surplus market, with wide varieties of product available for companies to sell and a huge product offering for consumers to choose from. Mobile telephone for example, has more than dozen brands and each brand has at least 4 or 5 varieties. Also, as the competition in a market intensifies, products begin to look more and more similar in function, making it difficult for buyers to know that differences exist. Companies must therefore deploy strategies, which will differentiate their products from competitors. According to Ladipo (2008) “the differentiation process has assumed the following dimensions”:

- Physical differentiation of the product.
- Psychological differentiation of the product.
- Differentiation of the purchase environment.
- Differentiation by virtue of physical distribution capability.
- Differences in their purchase assurance of satisfaction in use.
- Differences in price and terms of purchase.

Product differentiation is the incorporation of features/attributes, such as quality, features or price, into a product to encourage the customers to perceive it as distinct and desirable (Kotler and Armstrong, 2006). In other word, it is the act of designing a set of meaningful differences to distinguish the company's offering from the competition (Rao and Monroe, 1989). Toyota establishes itself with a differentiation strategy that consumers have recognized over time with a powerful appeal to the hearts and minds of buyers when it comes to safety. By differentiating the marketing mix to do a better job in meeting customers’ needs, Toyota has succeeded in building a competitive advantage (Spear and Bowen, 1999).

Aside from creating a differentiation strategy through new and innovative product other approaches for pursuing a differentiation strategy include: timely response to customers inquiries and delivery, warranties and return policies, price and payment conditions, maintenance and after-
sales services, salesperson skill in relationship-building, reordering responsiveness, process technology, and strong distribution network.

Positioning is the act of designing the company’s offering and identity so that they can occupy a meaningful and a distinct competitive position in the target customer’s minds (Kotler and Keller, 2006). The goal of positioning strategy is the creation of a market-focused value proposition, in the form of a simple clear statement of why the target market should buy the company product.

Whether in the consumer market or in the industrial market, after the selection of a specific target market, companies should also specify which position they want to occupy. Consumer perceptions are very important here, because when consumers choose between competing products, they prefer the most advantageous for them which have the most important features they expect (Ampuero O.V.N., 2006).

Although, the concept of positioning was popularized during the 1960s and 1970s in private sector marketing with pioneers such as Alpert and Gatty (1969) and (Ries and Trout, 1972; Ries and Trout, 1981). Although, (Ries and Trout, 1972) articles formed the foundation for much of the body of research in use today and are widely quoted. Many scholars stated that positioning is derived from Rosser Reeves’ 1961 concept of a unique selling proposition (Lewis and Nelson, 1998; Kotler and Keller, 2006).

However, since the 1990s, positioning strategies are increasingly considered by other organizations as a way to distinguish themselves in increasingly competitive and challenging business environments. For example, a simple thought of an expensive Mobile Phone will readily bring to mind such brands as Blackberry, Samsung Galaxy or I-Phone 4S, whilst by contrast, a thought of cheaper brands might readily bring to mind such brands as Techno, G-Tide or Asha phone. The examples simply sited seek to explain the concept of ‘positioning’ in marketing literature. The examples also explain how the brands are positioned in the mind of the consumer which by extension represents the brand image of these products. Therefore, the litmus test of a company’s positioning strategy is the consumer answer to the question, ‘what brand did you buy (or use)?’ (Aaker and Joachimsthaler, 2000).

The entire concept of strategic positioning hinges on doing a better job of serving the chosen market than competitors do. Positioning goes well beyond slogans and image-making and often express personality traits along key attributes regarding their background: for instance, many German and Japanese products are preferred because of their thoroughness and attention to detail. Italian brands flourish because of their sense of style and distinctiveness. British brands are imbued with a sense of humour. Therefore, any company that strives to be different merely by
looking different is staking its future on a wrong foundation. True positioning is the process of distinguishing a company or product from competitors along real dimensions—benefits or values that are not only important but meaningful to customers—to become the preferred company or product in a market.

This article is not intended as an encyclopedic review of previous work, because differentiation and positioning strategy are marked by several research traditions and perspectives (Porter, 1991; Mas-Colell et al., 1995; Myers, 1996; Carroll and Green, 1997; Alden et al., 1999; Green et al., 2000; Browning et al., 2003; Varian, 2003; Perloff, 2004; Ries and Ries, 2004; Pindyck and Daniel, 2005; Lane and Suttcliffe, 2006) to mention a few. Nevertheless, in spite of the fact that many of these areas of discussions on differentiation and positioning strategies have reached relative maturity, these results have not sufficiently established a relationship between differentiation and positioning strategies and are scantly backed by industry best practices, particularly in the developing countries.

Based upon the discussion above, the purpose of this paper is threefold: (1) to address some of the gap identified in the literature by establishing a relationship between differentiation and positioning strategy, (2) to identify traditions and paradigm that have shaped the two concepts since inception, and (3) to highlight how positioning statement conveys meanings to differentiation and positioning strategies.

**LITERATURE REVIEW**

**Differentiation Strategy**

According to Porter (1980) differentiation is one of the generic strategies that a firm can adopt to gain a competitive advantage in the marketplace. Differentiation involves offering something that is distinct from competitors, such as superior service, higher quality or an attractive design. Differentiation serves two purposes: it provides customers with a reason to choose the company's product over a competitor's and it allows a firm to charge a premium price, because consumers are willing to pay more for products they perceive as providing specific benefits that are lacking in competing products. There are many different tools available to the company to achieve competitive advantages. The main variables which offer differentiation are product, service, personnel, channel and image. Product related attributes provide a good basis for differentiation strategy. However, product differentiation varies depending on the nature of the industry. For example, commodity products are difficult to differentiate on appearance where as automobiles present an opportunity with plenty of different options.
Service plays an important role in differentiation particularly, where differentiation is difficult based on physical features of the product. Differentiation in service can be achieved based on ordering procedures and timing, customer service intimacy, after sales customer service. One step forward in service differentiation is on the basis of the quality of personnel. By exhibiting a professional, reliable, quick and courteous response to customer enquiries, a company can achieve significant differentiation over competitors. The distribution channel also plays its part as a differentiation tool and can be a source of competitive advantage. For example, Dell computer through direct selling approach delivers computer system right at the door step of homeowners and offices. Another important differentiation tool is image. There are various ways to achieve image differentiation depending on industry and market segment. For example, prompt responses to customer enquiries, sponsoring of events and causes is another way of building up image among consumers.

**Off-Core Differentiation**

Opportunities for differentiation are abundant in virtually every industry. Exploration of differentiation strategies has led to the development of ways in which a product, service or firm might create a unique offering that commands a price premium. Advances in technological innovation offer a natural route to pursue differentiation strategy. For example, Sony has recorded remarkable success in its Playstation video game systems. However, Nintendo adopts a similar technology to compete with Sony, because the technological innovation is a key factor and it is impossible to compete in the video game market without technological innovation.

A successful differentiation is not easily imitated by competitors and it results into significant unmistakable success with consumers. Core benefits are more than the essential product benefits and it revolves around everything that the consumers expect from the product (Herman, 2004), for instance, Volvo succeeded because it emphasizes safety, but other automobile industry like Toyota follows the trend and emphasize safety as a value proposition to customers, Procter and Gamble equally position Crest soap as ‘Total’ which shares the same core benefit with Colgate Palmolive soap. Therefore, in order to create a differentiation that competitors cannot easily copy, companies must look beyond the core benefits that are already considered important in the target market. The company must seek differentiation that cannot be easily copied, this differentiation can only be achieved through core competence; doing what others cannot do or by doing better what others are doing.

Sometimes an off-core differentiation strategy may eventually become a core benefit. For example, most mobile telephone manufacturers pursue a similar strategy in term of technology and this has resulted into the use of sophisticated design as a core benefit. However, off-core differentiation is a potent strategy to become a market leader, because they cannot easily be
imitated by competitors. It is also a strategy to give a group of consumers a good reason to be committed to the company.

**Criteria for Establishing Differentiation Strategy**

A quest for differentiation or distinctiveness implies a proactive and imaginative approach aimed at constantly striving to maneuver competitors. Differentiation strategy makes company's brands desirable over other brands in its category. For example Ferrari's legacy of motor racing provides the brand with an authencity that are enviable by other supercar brands such as Masserati, Cooper, Alfa Romeo, and Aston Martin to mention a few.

While a company can create many differences, each different option has a cost as well as a consumer benefit. A difference is worth establishing when the benefit exceeds the cost. More generally, a difference is worth establishing if it satisfies the following criteria:

- **Important**: the difference delivers a highly valued benefit to a sufficient number of buyers.
- **Distinctive**: the difference either isn't offered by others or is offered in a more distinctive way by the company.
- **Superior**: the difference is superior or better to the ways of obtaining the same benefit.
- **Communicable**: the difference is communicated and visible to the buyers.
- **Preemptive**: the difference cannot be easily imitated by competitors.
- **Affordable**: the buyer can afford to pay the higher price.

**Positioning Strategy**

Several authors acknowledged that a positioning strategy is a key component of the strategic marketing planning process (Kotler and Andreasen, 1996; Hooley et al., 1998), and aligns with organizational goals/objectives, resource capabilities and external market opportunities (Lovelock and Weinberg, 1989; Lovelock et al., 1996). The positioning strategy consists of three major inter-related components: the choice of target audience(s), the choice of generic positioning strategy, and the choice of positioning dimensions that the organization adopts to distinguish itself and to support its generic positioning strategy (Hooley et al., 1998; Chew, 2005). The positioning strategy also provides the framework upon which to develop, coordinate and implement the marketing mix elements (Lovelock and Weinberg, 1989; Lovelock et al., 1996), and to communicate the desired position to the target market. Positioning strategy also entails the expression of brand purpose in order to assert its function to consumers. For instance, Phillips expresses its intention as 'let's make things better', BMW is 'the
ultimate driving machine”, and Cathay Pacific Airways claims, to be ‘the heart of Asia ’thereby leveraging Asia service perceptions.

**Developing a Positioning Strategy**

A successful positioning strategy enables companies to make a superiority claim over competitors in many ways: we are more efficient, we are faster, we are more reliable, we are cheaper, we are more stable, we are more intimate, we offer the best value for money ... and the list continues. Companies often try to differentiate by offering products positioned as “complete”. Such products by implication contain most or all capabilities available in the category instead of a single position. Aquafresh toothpaste, for example claims offer trio benefits: fights decays, whitens teeth, and provide a cleaner breathing (Kotler and Keller, 2006). Total Colgate uses the positioning “Total” in its toothpaste line to position itself as full feature toothpaste. (Ries and Trout, 2001), however, emphasized the requirement of selecting one of them, because, that single point will be able to stay in the recipient’s mind. According to (Crawford and Mathews, 2001) a company is likely to fall below the optimal value if it tries to be the best in more than two positioning options. There are seven different positioning strategies or themes. These are:

i. Attributes positioning: the message highlights one or two of the attributes of the product.
ii. Benefit positioning: the message highlights one or two of the benefits to the consumer.
iii. Use/application positioning: claims the product to be the best for some application.
iv. User positioning: claims the product as best for a group of users.
v. Competitor positioning: Claims that the product is better than that of a competitor.
vi. Product category positioning: Claims as the best in a product category.
vii. Quality/Price positioning: claims' best value for price.

**Relationship between Differentiation and Positioning Strategy**

In order for a product or service to be successful in the marketplace and attract customers, it is important for the seller to ensure that the product or service stands out. Sellers should consider what makes their products or services different from others in the market and how this can be displayed through an identity or marketing campaign. Positioning can be described according to the specific features, benefits or the usage of the product or developed directly against the major competitors(Kotler and Keller, 2006). Positioning strategy is not an arbitrary concept; the product should be designed with a planned position in mind; which should be decided right from the product conceptualization stage.

Differentiation is the process of adding more meaning to the product by highlighting attributes beyond the central product or service theme. The task of differentiation is to highlight the
important benefits of a product/service in a distinctive manner which cannot be easily imitated by competitors and provide profitable benefits to the company. Differentiation should be considered as an offer of a bundle of benefits or value package involving product, price, service, delivery and the entire mix of a firm's supporting capabilities. Therefore, to be successful over the long term a firm's products and services must be well positioned in the market place. The essence of the differentiation and positioning strategies is communicated through a positioning statement, often a short sentence or phrase that conveys meanings to differentiation and positioning strategies. This statement is used as a marketing tool by which to judge all marketing communications and to assess if they are in tune with the strategies. It is also used as a control mechanism to make sure all marketing campaigns convey the essence of how the product is differentiated and positioned against competition.

Positioning is the result of differentiation decisions (Rao and Monroe, 1989). A firm starts by differentiating its offering, and then positions the brand accordingly. For instance, British Airways differentiate itself on the basis of quality and service. And on the basis of this positioning it declares itself to be ‘The world’s favourite airline'.

**METHODOLOGY AND METHODS**

**Correlational/Descriptive Research Method**

From the viewpoint of the study objectives, the study utilized correlational/descriptive research method, using qualitative research approach. The study explored and established the existence of relationship/interdependence between differentiation and positioning strategy. The review covers academic publications as well as the most prominent and relevant industry practices on the subject matter. A clear benefit of using secondary information is that much of the background work needed has already been carried out and have been already used elsewhere (Harris, 2001). Furthermore, secondary information can also be helpful in the research design of subsequent primary research. Therefore, it is a wise idea to begin any research activity with a review of secondary data (Schutt, 2006).

**DISCUSSIONS**

Differentiation strategies are based on providing buyers with something that is different or unique, and makes the company’s product or service distinct from that of its rivals. The major assumption behind a differentiation strategy is that customers are willing to pay a premium price for a product that is distinct (or at least perceived as such) in some important way. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in any perceived way. Differentiation strategies
offers highly profitable when the price premium exceeds the costs of distinguishing the product or service. Examples of companies that have successfully pursued differentiation strategies include Mercedes and BMW in automobiles, American Express in travel services, J.P. Morgan Chase in investment banking etc.

The cost structure of a firm pursuing a differentiation strategy must be carefully managed, although attaining low-unit costs is not the overriding priority. A firm pursuing differentiation strategy must therefore aim at achieving cost parity or, at the very least, cost proximity relative to competitors by keeping costs low in areas not related to differentiation and by not spending too much to achieve differentiation. Also, differentiation is not an end in itself; companies must continue to search for new ways to improve the distinctiveness or uniqueness of their products/services.

Any potential source of increasing customer value represents an opportunity to pursue a differentiation strategy. Buyer value can be increased or made more distinctive through several approaches, including (1) lowering the buyer’s cost of using the product, (2) increasing buyer satisfaction with the product, and (3) modifying the buyer’s perception of value. Nevertheless, the increasing buyer value on any dimension usually require a need to reconfigure or to improve other activities within the firm’s value chain.

The effective positioning strategy helps firms attract new customers in the short run, and helps build customer-brand loyalty in the long run. In addition, effective positioning essentially decreases direct competition and offers potential customers choices in the market (Porter, 1980; Levitt, 1991). While most firms acknowledge the need to differentiate their product or service from competitive offerings, executing an effective positioning strategy can be difficult. First, the dynamic of today’s business environment make positioning more difficult and complex, and perhaps less amenable to previously used positioning strategies. The flow Information is very fast than in the past, which exposes the similarities between competitive offerings, and also provides firms with opportunities to quickly duplicate successful product or service improvements.

Coming up with the “right” positioning strategy is not something that ‘just happens’ by chance. The formulation of positioning strategy is an extremely time-consuming and difficult task. First, because it demands a great deal of marketing research and analysis in order to understand the marketplace fully, and second because there are no rules; no right ways or wrong ways to interpret it. The way a company view the marketplace is the way it is. Devising an appropriate positioning strategy is usually influenced by such factors as the competitive marketplace, specific corporate goals and organizational strengths and capabilities. It is often a process driven by the desire to occupy a unique position among competitors as well as to satisfy corporate sales.
objectives. The positioning strategy decisions are conceptualized as comprising of three interrelated components: choice of target audiences/segments to serve, choice of generic positioning strategy, and positioning dimensions to differentiate the organization/offerings from the competition (Hooley et al., 1998; Chew, 2005).

Positioning is a composite of the first two principles – market segmentation and differential advantage. Positioning is the image the seller is trying to create in the eyes of the customers. It helps in market segmentation as the positioning determines the seller market position (i.e. Low, medium or high end). This will also determine the relative position of the company in term of market share (market leader, market follower or the niche). The major goal of positioning is the target market segment the business seeks to serve and the differential advantage with which it will compete with rivals in that segment. For example, Ferrari positions in the prestige segment of the car market with a differential advantage based on high performance and exclusivity. Much of the literature emphasized that positioning is about differentiation or making your product stand out from the competition (Porter, 1991; Ries and Ries, 2004). The essence of positioning is about differentiating the brand and creating competitive superiority over competing product (Lane and Suttlecliffe, 2006).

Product differentiation, positioning and positioning statements go together one after the other. Once it is decided how best to differentiate the product based on customer needs and wants, the next step is to determine how to position same in the marketplace. The positioning statement then follows the positioning strategy. Positioning strategy, in general, can be expressed as the applications of defining a product and brand to customers and obtaining a specific location against competitors in consumers mind. In marketing management, positioning strategies play a significant role. Because it deals with consumer’s perception which is exposed by continuous communication efforts, that defines a brand and makes it distinct (Mueller, 1987).

CONCLUSION

In a competitive business world, companies should constantly examine and re-examine their products and services in order to serve their customers better. The strategies that worked and improved performance last year may not work well this year. Product differentiation and positioning are key parts of a company's marketing strategy and are necessary to keep ahead of competition. They also require an innovative spirit coupled with careful analysis.

One major issue with many differentiation strategies today is inflexibility. These strategies often lack provision for the possibility of competitive response and, once in place, cannot easily adapt to a changing marketplace. And since customer needs change over time, companies must constantly
scrutinize the market landscape, assess their core strengths in meeting changing needs (relative to competitors’) and, if necessary, change their differentiation-positioning strategy to stay ahead of the competition.

In reality, the primary goal of firms pursuing a differentiation strategy is not only to differentiate their products or to offer consumers variety, but to produce a better product that the consumers would buy in preference to competitor’s products. In effect differentiation enhances competitive advantage by making customers more loyal and less price-sensitive to a given firm’s product. Additionally, consumers are less likely to search for alternative products once they are satisfied with the firm’s product(s). It can therefore be concluded that sustainable competitive advantage revolves around differentiating the firm’s product from the competitors along attributes that are important to consumers (Barone and DeCarlo, 2003).

Companies developing positioning strategies should first determine attribute and images of competitor exactly and accurately. Then they must designate a positioning strategy for the product to make it distinct and desirable. The goal is not only to produce products that are not in competition with others but are desired by consumers. In doing this, the company must provide answers to the following questions: What kinds of differences exist in the products and services offered to target market from the competitors? What is their strength and preference for consumers? Answers to the above questions will guide the formulation and implementation of strategic planning regarding the choice of differentiation and positioning strategy. In a nutshell, differentiation and positioning are important to the consumer perception of companies and by implication the financial success of firms. If a firm does not differentiate its offerings and position them distinctly in the minds of consumers, then the option available is price competition rather than non-price factors (such as product characteristics, distribution strategy, or promotional variable).

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