



2.07 Market Research & Branding

Differentiating Your Business

“Changing Lives One Workplace at a Time”

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Differentiating Your Business

Overview

In marketing, “position” refers to the place your products/services and your business occupy in the minds of your customers and prospective customers. It consists of the general perception held by their conscious and unconscious minds.

“Positioning” involves your intentional actions to create desired perceptions in the minds of your customers and prospective customers.

This booklet guides you through the process of developing an effective “Positioning Strategy.” Based on your Positioning Strategy, you will then create a “Unique Selling Proposition,” or USP.

Finally, you’ll restate the USP by writing a “Positioning Statement,” using more literal terms and concrete language.

Process for Identifying Your Target Markets

Determine General Classification of Your Product/Service



Determine Your Relative Standing



Determine Gratification Mode and Purchase Preference



Identify Other Psychographic Characteristics



Redefine Your Product



Write Positioning Strategy



Develop Unique Selling Proposition



Develop Positioning Statement

Key Points

Customers perceive products in three basic ways: A “true” product is one of a kind or has very little competition. A commodity seems just like all the rest. A “brand,” has substantial competition but appears different from the others. Your “relative standing” determines whether your Positioning Strategy should include:

Prestige identification:

positions your products and business as “the best,” “the most,” “the only”

Preemptive persuasion:

identifies your product with the desired emotional gratification

Brand/product imagery:

uses images that stimulate favorable emotions

Your customers’ “gratification mode” tells you what type of emotional gratification to emphasize in your positioning:

Interpersonal:

emphasize personal interactions

Objective:

emphasize things, information, systems

Introverted:

show you’ve handled the details so buyers can be free to pursue their ideas

Your positioning should also appeal to the “purchase preference” of your target market:

Experimental:

emphasize the new, the innovative

Performance:

emphasize reliability and quality

Value:

emphasize price and value

A good positioning strategy also takes into account your target market’s key psychographics and redefines your products by focusing on one or more of the six key product attributes: functionality, sensory impact, unconscious associations, conscious mind conclusions, price/value perceptions, and perceived access/convenience.

What is “Positioning” and Why Is It Important?

Positioning refers to the customer’s general perception of your business and its products/services. It always takes place in the mind. If your positioning takes full advantage of customer perceptions and you communicate it effectively, it sets you apart from your competition and establishes a solid first link in the Purchase Decision Chain

— awareness. Remember, the awareness link shapes the whole relationship between a business and its customers, and often the unconscious mind makes the real purchase decision on the basis of awareness long before the customer completes the actual sales transaction. Good positioning makes for favorable awareness, and that sets you up for success right from the start.

Positioning can be tricky: You control it, yet you don’t. To the extent that customers already have perceptions about

your products, business, and industry, those perceptions already are your positioning. You need to learn about them because you can change your positioning — and thus change customer perceptions — with effective communications, an appropriate sensory package, and behavior consistent with the image you’re trying to project.

Positioning has to be genuine. It must remain consistent with the reality of your business, and the perceptions of your target markets, or your customers won’t believe it. Positioning based on false claims or misunderstanding your target markets becomes a liability. It turns away prospective customers and weakens relationships with existing customers.

Differentiation Is More than Simply Being Different

Mahatma Gandhi, Mother Theresa, and Martin Luther King, Jr. differentiated themselves from the rest of the population. So did Al Capone and Attila the Hun. It’s not enough to differentiate yourself, you need to differentiate yourself preferentially. And that’s the purpose of positioning.

In this booklet, you’ll find a systematic process for developing effective positioning for your business. It’s a step-by-step process, but it isn’t automatic.

It requires careful thinking and a lot of insight from you. It necessitates that you know your target markets thoroughly. And it takes time. But with a proper understanding of your target markets, you have a foundation in place for building a Positioning Strategy that will draw your target customers to you.

The Positioning Development Process

To begin the process, you need all the worksheets you completed in previous marketing processes, including your Central Demographic Model worksheets, your Central Psychographic Model worksheets, and your trading area materials. You need them for your primary target market and for your flanker markets, because you will be developing a different Positioning Strategy for each primary and flanker market. The positioning process involves eight steps:

1

Determine the general classification of your products and services.

You can classify any product or service in one of three ways: as a true product, a commodity, or a brand (these words have special meanings, which we'll define a little later). Think about what you sell, which category it falls into, and how that affects the way you're positioned in the minds of your prospects and customers.

2

Determine your relative standing in the market.

Your relative standing is how the market sees you compared to your competitors. This affects how you develop your marketing communications as you either reinforce your current relative standing or try to change it.

3

Determine the dominant gratification mode and purchase preference of your target market.

You actually determine these psychographic characteristics in the Customer Perceptions and Behavior. In this process you identify your customers' primary gratification mode as interpersonal, objective, or introverted and their purchase preferences as experimental, performance, or value. Now you'll apply this information as you create your positioning.

4

Identify other key psychographic characteristics of your target market.

Study your CPM worksheets looking for clues to customer perceptions that will help shape your Positioning Strategy.

5

Re-define your product.

Begin setting yourself apart and creating a unique place in your customers' minds by defining your product/service in terms of the features and emotional factors that matter to them.

6

Write your Positioning Strategy.

This brief paragraph for each target market segment provides an overview of your positioning by "pulling together" all of the key positioning elements.

7

Develop your Unique Selling Proposition (USP).

More than just a slogan or tagline, your USP communicates what it is about your business' service or product that matches your target market's unconscious needs. A powerful USP ties into the most emotionally stimulating elements of your customer's experience with your business. It should be short, catchy, and easy to remember.

8

Develop your Positioning Statement.

This more explicit, expanded version of your USP identifies what your business does, the result customers can expect, and how you're going to achieve that result.

Your General Classification: Product, Commodity, or Brand?

The Purchase Decision Chain shows us that before a sale can take place, customers must first accept the basic product, then accept your version of that product — your brand. First, the product, then the brand. But there's a little more to it than that.

A “product” is anything your business

sells. This generic term includes services for sale. Products fall into three categories that each require a different strategy: true product, commodity product, and branded product—or more simply, product, commodity, and brand.

PRODUCT.

When a company introduces a new product into a market, or when a one-of-a-kind product has little or no competition, we call it a “true product.” With true products, marketers need to worry primarily about product acceptance, and they need to focus marketing on the functional and emotional product attributes important

to prospective customers. True products usually, but not always, appeal to buyers with an “Experimental” purchase preference. Most of the time, products don't stay true products for long. Competition moves in quickly, and competition changes the picture.

COMMODITY.

As more and more competing products enter the market and customer acceptance of the primary product increases, customers begin to see the product as a commodity. They begin to believe, “They're all the same.” The product now appeals to buyers whose purchase preference falls under “Performance.” Now an essential marketing issue becomes differentiation — getting prospective customers to prefer your product over others in the market. If you cannot differentiate the product, your customers continue to perceive it as a commodity. In this case, you must compete based on price or convenience.

Think of the banking industry. Banks want to differentiate themselves and pour huge amounts of money into advertising to do so, but they haven't been able to break out of the commodity category. Customers still perceive banks and banking services as essentially the same everywhere. Banks compete successfully on price (high-interest rates for savings accounts, low-interest rates for loans) and convenience (a branch on every corner, teller machines available 24 hours a day, online banking and bill pay, and remote deposit). Nevertheless, customer perceptions rule and customer perceptions say “commodity.”

BRAND.

As the market matures, it becomes more and more difficult for new competitors to enter the field. The growth potential for the product line as a whole begins to level off. The remaining players in the market must differentiate themselves — make their products stand out in the minds of their customers — to thrive.

It becomes a brand when you can differentiate the product by altering customer perceptions of its product attributes. At this point, you begin to attract “Value” buyers. “Branding” offers tremendous benefits because branded products enjoy higher profit margins and greater customer loyalty than commodity products of the same type. You should attempt a branding strategy if your products have reached the commodity stage. If you cannot “brand” your products, then you must use the commodity strategy — competing on price and convenience.

Take as another example the automobile industry. Objectively, you would expect customers to perceive automobiles as commodities based on their features and functions. They all operate the same, look very much the same, and for the same class of cars, they cost about the same. But the automobile industry has been highly successful at branding its products. As a result, they have created huge perceived differences in the minds of their customers.

Very few products cannot be branded in some way. Even products that seem inherently commodity-like, such as fresh vegetables, gasoline, and hardware, can be branded with the proper packaging and advertising that shifts branding to the business itself. Thus Whole Foods grocery stores, Chevron gasoline, and Ace hardware extend the benefits of store brands to the commodity types of products they sell.

In summary, you have three positioning strategies for your product's general classification. First, you can use the product acceptance strategy when your product is unique or has little competition. Once your product has reached the commodity stage in your customers' perceptions, you should use the brand preference strategy. And if branding is not viable, you must use the remaining option: commodity selection — competing on low price and convenience.

Your Relative Standing in the Market

Unless you have the only business of your type in your target markets, you need to consider your competition. The good news is that while everyone would like to be “number one,” you don't have to be number one to succeed. There are effective positioning strategies available for every level of competitor.

You can use three general positioning strategies to strengthen or shift your relative standing:

- ✓ Prestige identification
- ✓ Preemptive persuasion
- ✓ Brand or product imagery

Prestige identification—leadership position.

If you have the best products, if you sell the most products, if you are the most respected, if your product has some distinctive product attribute, if you can promise some special status— if in the customer's mind, you can make a legitimate claim to being number one in some important respect (or if no one else has) — you can make “prestige identification” part of your positioning.

Well-known products that use prestige identification effectively include Budweiser (the king of beers), John Deere (nothing runs like a Deere), and Wheaties (breakfast of champions).

Pre-emptive persuasion — instant association.

If you can establish a link in the customer's mind between your product and the emotional gratification the customer is seeking, when the need or desire surfaces, the customer automatically thinks of your product. You have “preempted” the competition. Remember the commercials for Roloids, the antacid? “How do you spell relief? R-O-L-A-I-D-S.” When you need relief, you know that Roloids is relief. How about the well-known “Got Milk?” campaign? Part of the success of the campaign (and one of the reasons why others imitate it so often) lies in the fact that it doesn't overtly promise any specific emotional gratification. However, it does cause prospective customers to think about their unique reasons for needing milk. The consumers then feel compelled to purchase milk to satisfy their needs — whatever those needs might be.

In both the Roloids and the milk example, the product makes no leadership claims but does create a direct link with the emotional gratification sought by the customer.

When pre-emptive persuasion works well, the brand name becomes the name for the product type in the minds of customers. Think of Google, FedEx, Jell-O, Kleenex, and Xerox. However, pre-emptive persuasion also has a dark side. If you take it too far, the customer may no longer realize that a word refers to a specific brand. Aspirin, thermos, escalator, yo-yo, zipper, and kerosene all started out as trademarked brands but have become common nouns.

Certain words often signal the beginning of preemptive persuasion statements: “Because,” “When,” “The” (with emphasis), “If,” “For,” “To,” and the like. They seem to suggest a certain exclusivity and imply that something special is about to happen. They imply that the product satisfies an emotional need that the customer wouldn’t want to miss; and that if they use the product, they will experience that emotional gratification at some point.

Brand or product imagery — sensory stimulation and emotional associations.

Images loaded with sensory stimulation and the potential for emotional associations provide the key to brand/product imagery positioning. This type of positioning says little or nothing about the product and makes no explicit statement of uniqueness. The sensory package communicates practically nothing more than an unexplained stimulating sensation. Examples include “The Pepsi Generation,” “Just do it,” “Miles from ordinary,” “I’m lovin’ it,” and almost any soft drink, automobile, or beer commercial you’ve ever seen.

Advertising communicates brand/product imagery through exciting graphics and sounds that maximize sensory impact.

Convention says that a successful brand/product imagery must rely on high-end design, advertising, and other communications/images that require production and media costs. But if you’ve got some design and production expertise, you might try a smaller-scale brand/product imagery approach, even if you have a small budget. Remember that the key is to create some sensory image — usually sight and/or sound — that customers will automatically associate with your product.

Gratification Mode and Purchase Preference: How They Affect Your Positioning

The particular gratification mode and purchase preference associated with your Central Demographic Model- guides the choice of language you use to position

your product, service, and business in the minds of your potential customers. It works like this:

| If the dominant gratification mode is: | Use language that emphasizes: |
|--|---|
| Interpersonal | People and social situations |
| Objective | Information, systems, tangible items |
| Introverted | How you will handle the details and make it easy for customers, so they can be free from unwanted involvement to pursue their ideas |

Remember, you want your marketing and sales activities to connect with your most probable customer’s dominant source of emotional gratification. It works similarly for the purchase preference component of your Central Psychographic Model.

| If the dominant purchase preference is: | Use language that emphasizes: |
|---|--|
| Experimental | Newness, innovation, cutting-edge quality, being first |
| Performance | Reliability, dependability, quality |
| Value | Best price, sense of value |

Key Psychographics of Your Market

Here's where you get to be a detective. Every market segment has its own unique set of psychographic characteristics. Review the worksheets you've completed and look for the unique, high-impact characteristics that correspond to the attributes of your business and its products/ services. You're looking for a "mental marriage": Anything that builds a bridge of positive perceptions from your business and its products into the minds of your prospective customers. It's hard to say what that might be. But, you already have the necessary tools: worksheets from prior booklets in this module, your own factual and instinctive knowledge of your business, plus your common-sense understanding of your market and human nature and an openness to seeing the possibilities.

How might you go about the thought process? That depends completely on you. You might, for instance, notice

that in target market "A" people tend to be suspicious of the motives of business people. You might then couple that with an observation that they tend to be a low self-esteem group and that their dominant gratification mode is interpersonal. That paints a picture of a group of people who look for personal interactions with businesses but don't have much self-confidence and mistrust the people they deal with. That presents you with the opportunity to position your business as friendly and filled with employees who enjoy helping customers. Or you might notice that target market "B" values honor and has a "performance" purchase preference (they focus on reliability, dependability, and quality). This could lead you to position your business as one that "goes the extra mile to make it work right for you." Once you learn to apply this approach, the possibilities are unlimited!

Re-defining Your Products

With so many similar and competing products and services out there, re-defining yours so that it stands out from all the rest becomes an important part of your Positioning Strategy. You need to describe your product in terms of its key attributes as perceived by the customer. For purposes of positioning, you don't have to create a detailed product description — just a few words to identify the kind of product, plus a few phrases describing the one, two, or three attributes that make it stand out from all others.

Key product attributes include:

FUNCTIONALITY.

What the product does, especially what it does for the customer.

SENSORY IMPACT.

The sensory experience of the product. What does it look like? Sound, feel, taste, and smell like?

UNCONSCIOUS ASSOCIATIONS.

What common unconscious associations might the product trigger, and what emotional responses will those associations stimulate?

CONSCIOUS-MIND CONCLUSIONS.

What logical, rational judgments and conclusions might the conscious mind reach regarding this product?

PRICE/VALUE.

Is the price of the product perceived as high, moderate, or low, and is the product worth its price?

ACCESS/CONVENIENCE.

Do customers have access to the product? How easily can they get it? Is it convenient — nearby, no hassles, minimal effort?

Consider these examples of products that have been “re-defined.” (We’ve noted the key product attributes used for the redefinition.) How do you respond to them?

- ▶ Not just a car, but *the ultimate driving machine*. (sensory impact, unconscious associations)
- ▶ Not just a paper towel, but *the quicker picker-upper*. (functionality, conscious-mind conclusions, access/convenience)
- ▶ Not only food, *it’s what’s for dinner*. (sensory impact, unconscious associations)
- ▶ More than a military branch, we’re *the few, the proud*. (sensory impact, unconscious associations, conscious-mind conclusions.)

As you think about ways to re-define your product, keep in mind: 1) the product and company attributes that are most important to your customers; and 2) the attributes that make you stand out from your competition. You’ll find it helpful to keep in mind the Central Psychographic Model — the type of buyer in your market segment — while also staying aware of what sets your business and its products/services apart from the competition.

You need to consider all these product attributes in the context of why people buy and how they get their emotional gratification.

Developing Your Positioning Strategy

You should have a written Positioning Strategy for each of your target markets. A good Positioning Strategy contains all six components we’ve just covered in the first half of this booklet, in addition to an opening sentence. The six components are:

- ✓ General classification
- ✓ Relative standing
- ✓ Gratification mode
- ✓ Purchase preference
- ✓ Key psychographic characteristics
- ✓ Key product attributes

It's best to write your Positioning Strategy in two steps, which the worksheet at the end of this booklet demonstrates. First, identify the generic components of your Positioning Strategy, then translate them into the specific language and wording that apply to your target markets.

You'll find it works best, especially the first time, if you keep this booklet handy so you can refer to the section that discusses each component. When you're done, you'll have a list of the generic components and a lot of written comments about how each component applies to the positioning of your business.

That provides the raw material for your Positioning Strategy. Next, you'll compose a brief, tightly written paragraph that summarizes the essence of the raw material you just gathered. It will probably take more than one draft until you're satisfied that you've captured the right positioning for your market.

When you write your Positioning Strategy, you should use, as much as possible, the exact words and style to which your customers will respond best, given their preferences and perceptions. You will later use those same words in your marketing and sales processes. In fact, everything you do in your marketing and selling efforts springs from this Positioning Strategy. The written Positioning Strategy gives everyone in your company a feel for your positioning, and will make them more effective in the way they communicate with customers.

You probably won't find it easy to write your Positioning Strategy the first time. This becomes second nature with time and practice. The Worksheets section has an example for The Outer Edge Company, to help you understand the process before you do it yourself.

Your Unique Selling Proposition:

The Essence of Emotional Gratification

Your Unique Selling Proposition, or USP, is a short phrase that conveys how your business brings emotional gratification to the customers in your target markets. The most successful USPs say nothing sensible to the conscious mind, but speak volumes to the unconscious mind. They are sufficiently vague to allow the unconscious mind to “read into them” any number of meanings and stimulate a wide variety of unconscious associations.

Remember Coca-Cola’s “It’s the real thing”? What thing? What does real mean? What does any of that have to do with soft drinks? Logically, “It’s the real thing” makes no sense. But it gives the unconscious mind free rein to make lots of associations and imagine any kind of emotional gratification. The only logical part is it’s positive, upbeat tone and feeling. That feeling allows the advertising- g to stimulate positive emotions and associations.

Here’s another tagline from Avis, the automobile rental company. “We try harder.” When it first launched the campaign, Avis couldn’t claim the number one position — Hertz had that locked up. But Avis turned its number two position into a plus. While vague, “We try harder” clearly says that Avis will do more for its customers. What would they do? That’s for the unconscious minds of their customers to imagine.

A good USP may be so vague that it seems to have nothing at all to do with the kind of company it represents. “It’s the real thing,” and “We try harder” give no hint of the nature of the commodity but successfully attracted customers to Coke and Avis.

However, the USP cannot conflict with well-entrenched perceptions in the market. Some years ago, the National Cash Register Company, which had made a major commitment to computers, created the USP, “NCR means computers,” an attempt at preemptive persuasion. The problem was that in the minds of people everywhere, NCR meant cash registers. IBM meant computers! Of course, NCR’s Unique Selling Proposition fell flat. The real power of a Unique Selling Proposition comes from

its connection to the unconscious mind. You have already dedicated a great deal of careful thought to understanding the collective minds of your target markets, and you have concentrated that understanding into your Positioning Strategy. To craft a powerful USP, then, make sure it ties into the most emotionally stimulating elements of your Positioning Strategy (which you will capture in Part 1 of your Positioning Strategy worksheet). So how do you go about it? How do you capture the essence of your Positioning Strategy in a USP of a few words, make it vague, yet still keep it focused on the promise of an emotional gratification that’s important to your target market?

You do it by following these seven important rules:

Make it short — a phrase, not a sentence.

Keep it vague enough to leave room for the imagination.

Convey a positive feeling.

Give it impact, punch, and emotion.

Avoid defining your product/service as a commodity.

Focus on the promise of emotional gratification, the result or benefit, not the technical work or feature(s) you offer.

Make it consistent with your positioning strategy's relative standing, gratification mode, and purchase preference components.

In the Worksheets section of this booklet. There is a set of USP guidelines for your reference. It gives you some examples you can use for your Unique Selling Proposition, based on various combinations of relative standing, gratification mode, and purchase preference.

There's no foolproof process for creating your USP, but an example should be helpful. Let's consider the USP of L'eggs pantyhose: "Nothing beats a great pair of L'eggs." This Positioning Strategy uses the following:

- ✓ Relative standing: Prestige identification
- ✓ Gratification mode: Interpersonal
- ✓ Purchase preference: Performance

Let's look at the L'eggs USP in detail and see how it embodies the essence of the Positioning Strategy. The words "Nothing beats" address the prestige identification standing (nothing beats them; therefore, L'eggs are the best). Second, while it doesn't explicitly say what constitutes a great pair of legs, it states that the customer will experience greatness — however, she perceives it — that addresses the performance purchase preference. Third, the tagline serves the interpersonal gratification mode by implying the emotional gratification of being admired by others for great legs. The customer has free reign to imagine whatever sensory images appeal to her, and the word "great" conveys a positive tone.

If you're not satisfied that you have found the right USP, you probably have not yet reached a sufficient in-depth level of understanding of your target markets.

The more profound your understanding, the easier it will be to write your USP. Just remember to build your USP around your promise of emotional gratification. Ask yourself, "What emotion am I selling?"

Your Positioning Statement

Making the USP More Explicit

Just as a picture may have a caption to help the observer understand it, your Unique Selling Proposition should have a caption to make it more explicit. It's called your "Positioning Statement." The Positioning Statement re-states and expands on the promised gratification of the USP. It uses more literal terms and concrete language that should resonate with the people in your target market (your CDM). However, your Positioning Statement should focus more on emotional gratification than on your product or service details. It elaborates on the USP to draw the customer's interest by re-defining your product or service in an emotionally appealing way. The Positioning Statement also forms a bridge from the USP to all the other marketing and sales communications you will use.

The Positioning Statement may have as many as three elements: product, problem, and result.

PRODUCT. The Positioning Statement almost always identifies the product or service provided by your company, usually redefining it in a way that sets it apart from competing products and services. For instance, you could say "We manufacture widgets," or "We manufacture the nation's finest widgets." You could also re-define your product by saying, "We're widget applications experts."

In addition to helping differentiate your product, the redefinition approach also prevents the customer from pigeonholing you as "just another widget company." It creates the impression that you have a lot more to offer than just widgets.

PROBLEM. You can make your Positioning Statement more powerful by describing a problem that your product solves. Whenever possible, try to "package" your solution and make it memorable by giving your product or service a name that ties to a promise of emotional gratification. For example: "We're widget applications experts, and we've found that many widget buyers overbuy and waste money on unnecessary purchase and inventory costs. So we've developed the 'Perfect Purchase Program' to deliver exactly what you need, when you need it, at the lowest cost possible."

RESULT. This aspect of the Positioning Statement describes a result your product can achieve for the customer that he or she should find emotionally gratifying.

Continuing the widget example, "We're widget applications experts, and we've developed a way for you to meet your production deadlines with lower costs and less effort than you're expending now."

Good Positioning

The Foundation of Any Effective Marketing Strategy

When you complete this lesson plan, you'll have developed a Positioning Strategy, a Unique Selling Proposition, and a Positioning Statement for each of your target markets.

Just as importantly, you'll have all the information and worksheets you used to do this positioning work, not to mention a well-developed set of insights about your target markets. Your hard work will prove indispensable when you create your marketing strategy (and later as you create your lead generation, lead conversion, and client fulfillment systems).

Remember, positioning happens whether you do anything about it or not. If you do nothing, then you become positioned in whatever way strikes the fancy of a prospective customer. If you position yourself carelessly, you can easily create the opposite perceptions of those you want.

Your positioning first turns a customer's head in your direction. Positioning also creates the groundwork for successfully moving the customer through every link of the Purchase Decision Chain, and it ultimately sets you apart from your competition.

Good positioning forms the foundation of any effective marketing strategy.

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