Chapter 7

Crafting the Brand Positioning and Competing Effectively

In this chapter, we will address the following questions:

1. How can a firm develop and establish an effective positioning? (Page 107)
2. How are brands successfully differentiated? (Page 111)
3. How do marketers identify and analyze competition? (Page 112)
4. How can market leaders, challengers, followers, and nichers compete effectively? (Page 116)

Marketing Management at DirecTV

The direct-broadcast satellite service provider DirecTV faces competition from classic cable companies (Comcast), from other direct broadcast satellite service providers (Dish), and from providers of alternate ways to watch television digitally (Hulu, Netflix, and Amazon). DirecTV's positioning reflects its combination of features not easily matched by any competitor. Three pillars of that positioning are captured by its claims to "state-of-the-art technology, unmatched programming, and industry leading customer service." The company puts much emphasis on its sports packages, its wide array of HD channels, and its broadcast platform for enabling customers to access programming on home TVs, laptops, tablets, and cell phones. DirecTV has made a strategic targeting shift to focus on "high quality" subscribers: loyal customers who purchase premium services, pay their bills on time, and rarely call to complain.[1]

Creating a compelling, well-differentiated brand position, as DirecTV has done, requires a keen understanding of consumer needs and wants, company capabilities, and competitive actions. In this chapter, we outline a process by which marketers can uncover the most powerful

brand positioning. We also examine the role of competition and how to manage brands based on market position.

Developing and Establishing a Brand Positioning

All marketing strategy is built on segmentation, targeting, and positioning. A company discovers different needs and groups of consumers in the marketplace, targets those it can satisfy in a superior way, and then positions its offerings so the target market recognizes its distinctive offerings. By building customer advantages, companies can deliver high customer value and satisfaction, which lead to high repeat purchases and ultimately to high company profitability.

Understanding Positioning and Value Propositions

Positioning is the act of designing a company's offering and image to occupy a distinctive place in the minds of the target market.[2] The goal is to locate the brand in the minds of consumers to maximize the potential benefit to the firm. A good brand positioning helps guide marketing strategy by clarifying the brand's essence, identifying the goals it helps consumers achieve, and showing how it does so in a unique way.

One result of positioning is the successful creation of a customer-focused *value proposition,* a cogent reason why the target market should buy a product or service. Table 7.1 shows how three companies have defined their value proposition through the years with their target customers.[3]

Deciding on a positioning requires: (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 brand associations given that frame of reference, including emotional branding, and (3) creating a brand mantra summarizing the brand's positioning and essence.

Choosing a Competitive Frame of Reference

The **competitive frame of reference** defines which other brands a brand competes with and which should thus be the focus of competitive analysis. 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.

The range of a company's actual and potential competitors, however, can be much broader. To enter new markets, a brand with growth intentions may need a broader or more aspirational

TABLE 7.1	Examples of Value Propositions	
Company and Product	**Target Customers**	**Value Proposition**
Hertz (car rental)	Busy professionals	Fast, convenient way to rent the right type of car at an airport
Volvo (station wagon)	Safety-conscious upscale families	The safest, most durable wagon in which your family can ride
Domino's (pizza)	Convenience-minded pizza lovers	A delicious hot pizza, delivered promptly to your door

competitive frame. And it may be more likely to be hurt by emerging competitors or new technologies than by current competitors.

We can examine competition from both an industry and a market point of view.[4] An **industry** is a group of firms offering a product or class of products that are close substitutes for one another. Using the market approach, we define *competitors* as companies that satisfy the same customer need. For example, a customer who buys word-processing software really wants "writing ability"—a need that can also be satisfied by pencils, pens, or, in the past, typewriters. Marketers must overcome "marketing myopia" and stop defining competition in traditional category and industry terms.[5]

Once a company has identified its main competitors, and their strengths and weaknesses, it must ask: What is each competitor seeking in the marketplace? What drives each competitor's behavior? Many factors shape a competitor's objectives, including size, history, current management, and financial situation. If the competitor is part of a larger company, it's important to know whether the parent company is running it for growth or for profits or milking it. Based on all this analysis, marketers formally define the competitive frame of reference to guide positioning. 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 different forms, multiple frames of reference may be present.

Marketers should monitor these three variables when analyzing competitors:

1. *Share of market*—The competitor's share of the target market.
2. *Share of mind*—The percentage of customers who named the competitor in responding to the statement "Name the first company that comes to mind in this industry."
3. *Share of heart*—The percentage of customers who named the competitor in responding to the statement "Name the company from which you would prefer to buy the product."

In general, companies that make steady gains in mind share and heart share will inevitably make gains in market share and profitability. Firms such as Timberland, Jordan's Furniture, and Wegmans are all reaping the benefits of providing emotional, experiential, social, and financial value to satisfy customers and all their constituents.[6]

Identifying Potential Points-of-Difference and Points-of-Parity

Once marketers have fixed the competitive frame of reference for positioning by defining the customer target market and the nature of the competition, they can define the appropriate points-of-difference and points-of-parity associations.[7] **Points-of-difference (PODs)** are attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe they could not find to the same extent with a competitive brand. Strong brands often have multiple points-of-difference. Two examples are Nike (*performance, innovative technology,* and *winning*) and Southwest Airlines (*value, reliability*, and *fun personality*).

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

1. *Desirable to consumer.* Consumers must see the brand association as personally relevant to them.
2. *Deliverable by the company.* The company must have the resources and commitment to feasibly and profitably create and maintain the brand association in the minds of consumers. The ideal brand association is preemptive, defensible, and difficult to attack.
3. *Differentiating from competitors.* Consumers must see the brand association as distinctive and superior to relevant competitors.

Points-of-parity (POPs) are attribute or benefit associations that are not necessarily unique to the brand but may in fact be shared with other brands.[8] 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 category, although not necessarily sufficient conditions for brand choice. Category points-of-parity may change over time due to technological advances, legal developments, or consumer trends.

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."

Competitive points-of-parity are associations designed to overcome perceived weaknesses of the brand in light of *competitors'* points-of-difference. One good 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. For an offering to achieve a point-of-parity on a particular attribute or benefit, a sufficient number of consumers must believe the brand is "good enough" on that dimension.

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. 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 create one combined positioning robust enough to effectively address all. If competition is too diverse, however, it may be necessary to prioritize competitors and choose the most important set as the competitive frame. Try not to be all things to all people—that leads to lowest-common-denominator positioning, which is typically ineffective.

Occasionally, a company will be able to straddle two frames of reference with one set of points-of-difference and points-of-parity. Here 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, 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. If the points-of-parity and points-of-difference are not credible, however, the brand may not be viewed as a legitimate player in either category.

Choosing Specific POPs and PODs

To build a strong brand and avoid the commodity trap, marketers must start with the belief that you can differentiate anything. Michael Porter urged companies to build a sustainable competitive advantage.[9] **Competitive advantage** is a company's ability to perform in one or more ways that competitors cannot or will not match.

Marketers typically focus on brand benefits in choosing the points-of-parity and points-of-difference that make up their brand positioning. Brand attributes generally play more of a supporting role by providing "reasons to believe" or "proof points" as to why a brand can credibly claim it offers certain benefits. Multiple attributes may support a certain benefit, and they may change over time. The obvious, and often the most compelling, means of differentiation for consumers are benefits related to performance. To identify possible means of

differentiation, marketers have to match consumers' desire for a benefit with their company's ability to deliver it.

For choosing specific benefits as POPs and PODs to position a brand, perceptual maps may be useful. *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 with brand perceptions, marketers can reveal "openings" that suggest unmet consumer needs and marketing opportunities.[10]

For example, Figure 7.1 shows a hypothetical perceptual map for a beverage category. The four brands—A, B, C, and D—vary in terms of how consumers view their taste profile (light versus strong) and personality and imagery (contemporary versus traditional). Also displayed on the map are ideal point "configurations" for three market segments (1, 2, and 3). The ideal points represent each segment's most preferred ("ideal") combination of taste and imagery. Brand A is seen as more balanced in terms of both taste and imagery.

On Figure 7.1 are two possible repositioning strategies for Brand A. By making its image more contemporary, Brand A could move to A' to target consumers in Segment 1 and achieve a point-of-parity on imagery and maintain its point-of-difference on taste profile with respect to Brand B. By changing its taste profile to make it lighter, Brand A could move to A" to target consumers in Segment 2 and achieve a point-of-parity on taste profile and maintain its point-of-difference on imagery with respect to Brand C. Deciding which repositioning is most promising, A' or A", would require detailed consumer and competitive analysis.

FIGURE 7.1 Hypothetical Beverage Perceptual Map
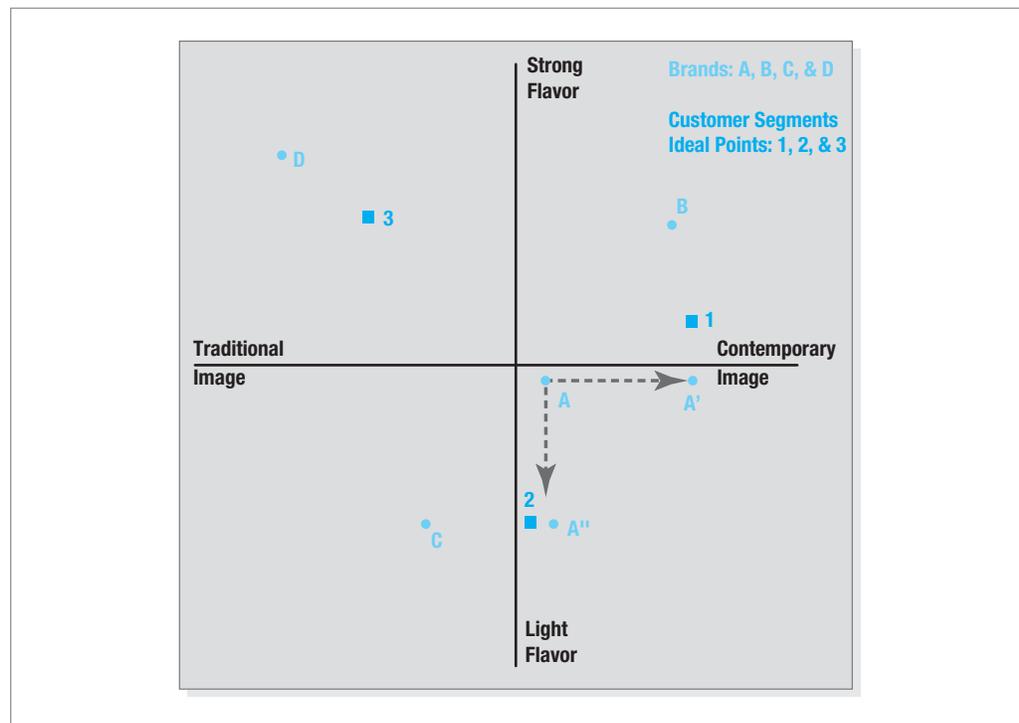
Emotional Branding

Many marketing experts believe a brand positioning should have both rational and emotional components. In other words, it should contain points-of-difference and points-of-parity that appeal to both the head and the heart.[11] A person's emotional response to a brand and its marketing will depend on many factors. An increasingly important one is the brand's authenticity.[12] 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.[13]

Authenticity also has functional value. Welch's, owned by 1,150 grape farmers, is seen by consumers as "wholesome, authentic, and real." The brand reinforces those credentials by focusing on its local sourcing of ingredients, increasingly important for consumers who want to know where their foods come from.[14]

Brand Mantras

To further focus brand positioning and guide the way their marketers help consumers think about the brand, firms can define a brand mantra.[15] A *brand mantra* is a three- to five-word articulation of the brand's heart and soul, closely related to other branding concepts like "brand essence" and "core brand promise." Brand mantras must economically communicate what the brand is and what it is *not*. What makes a good brand mantra? McDonald's "Food, Folks, and Fun" captures its brand essence and core brand promise.

A good brand mantra should communicate the category and clarify what is unique about the brand. It should also be vivid and memorable and stake out ground that is personally meaningful and relevant. For brands anticipating rapid growth, it is helpful to define the product or benefit space in which the brand would like to compete, as Nike did with "athletic performance" and Disney with "family entertainment." But for it to be effective, no other brand should singularly excel on all dimensions.

Establishing a Brand Positioning

Often a good positioning will have several PODs and POPs. Of those, often two or three really define the competitive battlefield and should be analyzed and developed carefully. 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.

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

1. *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.

2. *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 recognized category members like Calvin Klein.

3. *Relying on the product descriptor*—The product descriptor that follows the brand name is often a concise means of conveying category origin.

One common challenge in positioning, as noted above, is that many of the benefits that make up points-of-parity and points-of-difference are negatively correlated. Moreover,

individual attributes and benefits often have positive *and* negative aspects. Consider a long-lived brand such as Burberry. The brand's heritage could suggest experience, wisdom, and expertise as well as authenticity, or it could suggest being old-fashioned. Unfortunately, consumers typically want to maximize *both* the negatively correlated attributes or benefits. The best approach clearly is to develop a product or service that performs well on both dimensions.

To address attribute or benefit trade-offs, marketers can: launch two different marketing campaigns, each devoted to a different brand attribute or benefit; link 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; or convince consumers that the negative relationship between attributes and benefits, if they consider it differently, is in fact positive.

Clearly defined POPs and PODs are particularly important to small businesses. See "Marketing Insight: Positioning and Branding for a Small Business" for more on positioning and branding for a small business.

Alternative Approaches to Positioning

Some marketers have proposed other, less-structured approaches in recent years that offer provocative ideas on how to position a brand. These include brand narratives, storytelling, and cultural branding.

Brand Narratives and Storytelling   Rather than outlining specific attributes or benefits, some marketing experts describe positioning a brand as telling a narrative or story. Companies like the richness and imagination they can derive from thinking of the story behind a product or service. Randall Ringer and Michael Thibodeau see *narrative branding* as based on deep metaphors that connect to people's memories, associations, and stories.[16] They identify five elements of narrative branding: (1) the brand story in terms of words and metaphors, (2) the consumer journey or the way consumers engage with the brand over time and touch points where they come into contact with it, (3) the visual language or expression for the brand, (4) the manner in which the narrative is expressed experientially or the brand engages the senses, and (5) the role the brand plays in the lives of consumers.

Patrick Hanlon developed the related concept of "primal branding" that views brands as complex belief systems. According to Hanlon, diverse brands such as Google, MINI Cooper, the U.S. Marine Corps, Starbucks, Apple, UPS, and Aveda all have a "primal code" that resonates with their customers and generates their passion and fervor. Seven assets 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.[17]

Cultural Branding   Douglas Holt believes that for companies to build iconic, leadership brands, they must assemble cultural knowledge, strategize according to cultural branding principles, and hire and train cultural experts.[18] The University of Wisconsin's Craig Thompson views brands as sociocultural templates, citing research investigating brands as cultural resources. For example, American Girl dolls tap into mother–daughter relationships and the cross-generational transfer of femininity.[19] Experts who see consumers actively cocreating brand meaning and positioning refer to this as "Brand Wikification," given that wikis are written by contributors from all walks of life and points of view.[20]

Competitive Strategies for Market Leaders

Suppose a market is occupied by the firms shown in Figure 7.2 (on page 114). Forty percent is in the hands of a *market leader,* another 30 percent belongs to a *market challenger,* and 20 percent is

marketing insight

Positioning and Branding for a Small Business

Here are some branding guidelines for small businesses with limited resources.

- **Find a compelling performance advantage.** Meaningful differences in product or service performance can be the key to success. The online storage firm Dropbox.com carved out a strong competitive position at the start, partly by virtue of its single-folder approach to accommodate a user's multiple devices.

- **Focus on building one or two strong brands based on one or two key associations.** Small businesses often rely on one or two brands and key associations as points-of-difference, to be reinforced across the marketing program and over time. For example, Volcom has successfully adopted a "Youth Against Establishment" credo to market its music, athletic apparel, and jewelry.

- **Encourage trial in any way possible.** Use sampling, demonstrations, or other methods to engage consumers and encourage trial. See's Candies allows in-store customers to sample the candy of their choice. As one senior executive noted, "That's the best marketing we have, if people try it, they love it."

- **Develop a digital strategy to make the brand "bigger and better."** The Internet and mobile marketing allow small firms to have a big profile. Sales for Rider Shack surf shop in Los Angeles increased when the firm began using Facebook's special features to keep the brand in front of people.

- **Create buzz and a loyal brand community.** Word of mouth is important, as are cost-effective public relations, social networking, promotions, and sponsorships. Evernote has several dozen "power users" who spread the word about the brand.

- **Employ a well-integrated set of brand elements.** Small businesses should develop a distinctive, well-integrated set of brand elements—brand names, logos, packaging— that enhances both awareness and image.

- **Leverage secondary associations.** Secondary associations—any persons, places, or things with potentially relevant associations—are often a cost-effective, shortcut means to build brand equity.

- **Creatively conduct marketing research.** A variety of low-cost marketing research methods can help small businesses connect with customers and study competitors, such as working with students and professors at local colleges and universities.

Sources: Ashlee Vance, "It's a Doc in a Box," *Bloomberg Businessweek*, May 7, 2012, pp. 45–47; Victoria Barret, "Software's Boy Wonder," *Forbes*, March 4, 2013; Daniel Roberts, "The Secrets of See's Candies," *Fortune*, September 3, 2012, pp. 67–72; Jefferson Graham, "How to Ride Facebook's Giant Wave," *USA Today,* May 30, 2013, p. 5B; Rob Walker, "The Cult of Evernote," *Bloomberg Businessweek*, February 28, 2013.

claimed by a *market follower* willing to maintain its share and not rock the boat. *Market nichers,* serving small segments larger firms don't reach, hold the remaining 10 percent.

A market leader such as McDonald's has the largest market share and usually leads in price changes, new-product introductions, distribution coverage, and promotional intensity. Although marketers assume well-known brands are distinctive in consumers' minds, unless a dominant firm enjoys a legal monopoly, it must maintain constant vigilance. A powerful product innovation may come along, a competitor might find a fresh marketing angle or commit to a major marketing investment, or the leader's cost structure might spiral upward.

FIGURE 7.2 Hypothetical Market Structure
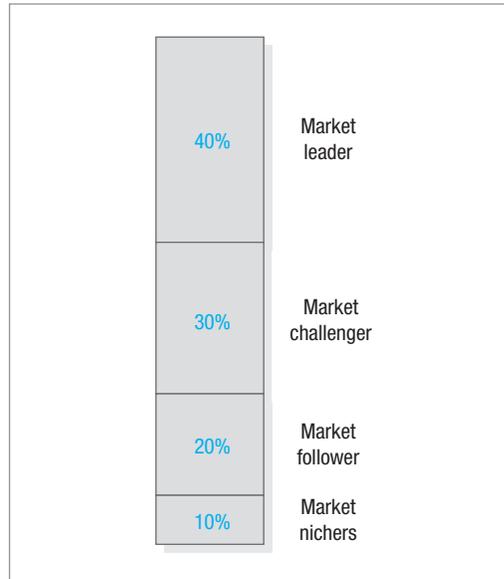
To stay number one, the firm must find ways to expand total market demand, protect its current share through good defensive and offensive actions, and increase market share, even if market size remains constant.

Expanding Total Market Demand

When the total market expands, the dominant firm usually gains the most. If Heinz can convince more people to use ketchup, or to use ketchup with more meals, or to use more ketchup on each occasion, the firm will benefit considerably because it already sells almost two-thirds of the country's ketchup. In general, the market leader should look for new customers or more usage from existing customers. A company can search for new users among three groups: those who might use it but do not *(market-penetration strategy),* those who have never used it *(new-market segment strategy),* or those who live elsewhere *(geographical-expansion strategy).*

Marketers can try to increase the amount, level, or frequency of consumption. They can sometimes boost the *amount* through packaging or product redesign. Larger package sizes increase the amount of product consumers use at one time.[21] Consumers use more of impulse products such as soft drinks and snacks when the product is made more available. Ironically, some food firms such as Hershey's have developed smaller packaging sizes that have actually increased sales volume through more frequent usage.[22] In general, increasing *frequency* of consumption requires either (1) identifying additional opportunities to use the brand in the same basic way or (2) identifying completely new and different ways to use the brand.

Protecting Market Share

While trying to expand total market size, the dominant firm must actively defend its current business: Boeing against Airbus, and Google against Microsoft.[23] How can the leader do so? The most constructive response is *continuous innovation.* The front-runner should lead the

industry in developing new products and customer services, distribution effectiveness, and cost cutting. Comprehensive solutions increase competitive strength and value to customers so they feel appreciative or even privileged to be a customer as opposed to feeling trapped or taken advantage of.[24]

Proactive Marketing   In satisfying customer needs, we can draw a distinction between responsive marketing, anticipative marketing, and creative marketing. A *responsive* marketer finds a stated need and fills it. An *anticipative* marketer looks ahead to needs customers may have in the near future. A *creative* marketer discovers solutions customers did not ask for but to which they enthusiastically respond. Creative marketers are proactive *market-driving* firms, not just market-driven ones.[25]

A company needs two proactive skills: (1) *responsive anticipation* to see the writing on the wall, as when IBM changed from a hardware producer to a service business, and (2) *creative anticipation* to devise innovative solutions. Note that *responsive anticipation* is performed before a given change, while *reactive response* happens after the change takes place. Accenture maintains that 10 consumer trends covering areas like e-commerce, social media, and a desire to express individuality will yield market opportunities worth more than $2 trillion between 2013 and 2016.[26]

Defensive Marketing   Even when it does not launch offensives, the market leader must not leave any major flanks exposed. The aim of defensive strategy is to reduce the probability of attack, divert attacks to less-threatened areas, and lessen their intensity. A leading firm can use one of six defense strategies.

- **Position defense.** This means occupying the most desirable position in consumers' minds, making the brand almost impregnable. Procter & Gamble "owns" the key functional benefit in many product categories, such as Pampers diapers for dryness.
- **Flank defense.** The market leader should erect outposts to protect a weak front or support a possible counterattack. Procter & Gamble brands such as Gain and Cheer laundry detergent have played strategic offensive and defensive roles in support of Tide.
- **Preemptive defense.** A more aggressive maneuver is to attack first, perhaps with guerrilla action across the market—hitting one competitor here, another there—to keep everyone off balance. Another is to achieve broad market envelopment that signals competitors not to attack.[27] Yet another preemptive defense is to introduce a stream of new products and announce them in advance.
- **Counteroffensive defense.** The market leader can meet the attacker frontally so the rival will have to pull back to defend itself. Another form of counteroffensive is the exercise of economic or political clout. The leader may try to crush a competitor by subsidizing lower prices for a vulnerable product with revenue from its more profitable products, or it may lobby legislators to take political action to inhibit the competition.
- **Mobile defense.** Here the leader stretches its domain over new territories through market broadening and market diversification. *Market broadening* shifts the company's focus from the current product to the underlying generic need, the way "petroleum" companies recast themselves as "energy" companies. *Market diversification* shifts the company's focus into unrelated industries.
- **Contraction defense.** Sometimes large companies can no longer defend all their territory. In *planned contraction* (also called *strategic withdrawal*), they give up weaker markets and reassign resources to stronger ones. P&G sold Pringles to Kellogg for almost $2.7 billion when it decided to focus on its core household and consumer products.[28]

Increasing Market Share

In some markets, one share point can be worth tens of millions of dollars, which is why competition is so fierce. Because the cost of buying higher market share through acquisition may far exceed its revenue value, a company should consider four factors first:

1. *The possibility of provoking antitrust action.* Frustrated competitors are likely to cry "monopoly" and seek legal action if a dominant firm makes further inroads. Microsoft and Intel have had to fend off numerous lawsuits and legal challenges around the world as a result of what some feel are inappropriate or illegal business practices and abuse of market power.

2. *Economic cost.* Figure 7.3 shows that profitability might *fall* with market share gains after some level. In the illustration, the firm's *optimal market share* is 50 percent. The cost of gaining further market share might exceed the value if holdout customers dislike the firm, are loyal to competitors, have unique needs, or prefer dealing with smaller firms. Pushing for higher share is less justifiable when there are unattractive market segments, buyers who want multiple sources of supply, high exit barriers, and few economies of scale.

3. *Pursuing the wrong marketing activities.* Companies successfully gaining share typically outperform competitors in three areas: new-product activity, relative product quality, and marketing expenditures.[29] Companies that attempt to increase market share by cutting prices more deeply than competitors typically don't achieve significant gains because rivals meet the price cuts or offer other values so buyers don't switch.

4. *The effect of increased market share on actual and perceived quality.* Too many customers can put a strain on the firm's resources, hurting product value and service delivery.

Other Competitive Strategies

Firms that are not industry leaders are often called runner-up or trailing firms. Some, such as PepsiCo and Ford, are quite large in their own right. These firms can either attack the leader and other competitors in an aggressive bid for further market share as *market challengers*, or they can choose to not "rock the boat" as *market followers*.

Market-Challenger Strategies

Many market challengers have gained ground or even overtaken the leader. A challenger must first determine a strategic objective (such as to increase market share) and then decide whom to attack. Attacking the market leader is a high-risk but potentially high-payoff strategy if the leader is not serving the market well. The challenger can attack firms its own size that are

FIGURE 7.3 The Concept of Optimal Market Share
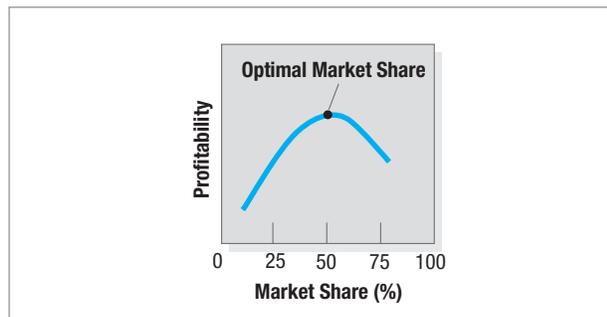
underperforming and underfinanced, have aging products, are charging excessive prices, or are not satisfying customers in other ways. Another option is to attack small local and regional firms. Or a challenger might attack an industry as a whole or a pervasive way of thinking that doesn't adequately address customer needs.

Given clear opponents and objectives, five attack strategies for challengers are:

1. *Frontal attack.* The attacker matches its opponent's product, advertising, price, and distribution. A modified frontal attack, such as cutting price, can work if the market leader doesn't retaliate and if the competitor convinces the market its product is equal to the leader's.

2. *Flank attack.* A flanking strategy is another name for identifying shifts that cause gaps to develop in the market, then rushing to fill the gaps. Flanking is particularly attractive to a challenger with fewer resources and can be more likely to succeed than frontal attacks. With a geographic attack, the challenger spots areas where the opponent is underperforming. Another idea is to serve uncovered market needs.

3. *Encirclement attack.* Encirclement attempts to capture a wide slice of territory by launching a grand offensive on several fronts. It makes sense when the challenger commands superior resources.

4. *Bypass attack.* Bypassing the enemy to attack easier markets offers three lines of approach: diversifying into unrelated products, diversifying into new geographical markets, and leapfrogging into new technologies. In *technological leapfrogging,* the challenger patiently researches and develops the next technology, shifting the battleground to its own territory where it has an advantage.

5. *Guerrilla attack.* Guerrilla attacks consist of small, intermittent attacks, conventional and unconventional, including selective price cuts, intense promotional blitzes, and occasional legal action, to harass the opponent and eventually secure permanent footholds. A guerrilla campaign can be expensive and typically must be backed by a stronger attack to beat the opponent.

Market-Follower Strategies

Theodore Levitt argues that a strategy of *product imitation* might be as profitable as a strategy of *product innovation.*[30] The innovator bears the expense of developing the new product, getting it into distribution, and informing and educating the market. The reward for all this work and risk is normally market leadership. However, another firm can come along and copy or improve on the new product. Although it may not overtake the leader, the follower can achieve high profits because it did not bear any of the innovation expense.

Many companies prefer to follow rather than challenge the market leader, especially in capital-intensive, homogeneous-product industries such as steel, fertilizers, and chemicals. The opportunities for product differentiation and image differentiation are low, service quality is comparable, and price sensitivity runs high. Short-run grabs for market share only provoke retaliation in such situations, so most firms present similar offers to buyers, usually by copying the leader, which keeps market shares stable.

Some followers are cloners, emulating the leader's products, name, and packaging with slight variations. Some are imitators, copying a few things from the leader but differentiating themselves on packaging, advertising, pricing, or location. The leader doesn't mind as long as the imitator doesn't attack aggressively. Some followers become adapters, taking the leader's products and adapting or improving them, perhaps selling them to different markets. Note that these three follower strategies are very different from the illegal and unethical follower strategy of counterfeiting. Counterfeiters duplicate the leader's product and packages and sell them on the black market or through disreputable dealers.

What does a follower earn? Normally, less than the leader. Some follower firms have found success, but in another industry.

TABLE 7.2	Niche Specialist Roles

- **End-user specialist.** The firm specializes in one type of end-use customer.

- **Vertical-level specialist.** The firm specializes at some vertical level of the production-distribution value chain.

- **Customer-size specialist.** The firm concentrates on either small, medium-sized, or large customers.

- **Specific-customer specialist.** The firm limits its selling to one or a few customers.

- **Geographic specialist.** The firm sells only in a certain locality, region, or area of the world.

- **Product or product line specialist.** The firm carries or produces only one product line or product.

- **Product-feature specialist.** The firm specializes in a certain type of product or product feature.

- **Job-shop specialist.** The firm customizes its products for individual customers.

- **Quality-price specialist.** The firm operates at the low- or high-quality end of the market.

- **Service specialist.** The firm offers one or more services not available from other firms.

- **Channel specialist.** The firm specializes in serving only one channel of distribution.

Market-Nicher Strategies

An alternative to being a follower in a large market is to be a leader in a small market, or niche. Smaller firms normally avoid competing with larger firms by targeting small markets of little or no interest to the larger firms. Over time, those markets can sometimes end up being sizable in their own right. The nicher achieves *high margin,* whereas the mass marketer achieves *high volume.* The risk is that the niche might dry up or be attacked, so nichers must seek to create new niches, expand existing niches, and protect their niches. *Multiple niching* can be preferable to *single niching* because strength in two or more niches increases the chances for survival. Table 7.2 shows the specialist roles open to nichers.

Executive Summary

To develop an effective positioning, a company must study competitors as well as actual and potential customers. Developing a positioning requires identifying a frame of reference—by locating the target market and the nature of the competition—and the optimal points-of-parity and points-of-difference brand associations. Industry- and market-based analyses both help uncover competitors and latent competitors. Points-of-difference are those associations unique to the brand that are also strongly held and favorably evaluated by consumers. Points-of-parity are associations not necessarily unique to the brand but perhaps shared with other brands.

Several approaches exist to position a product or service. Less structured, more qualitative approaches are based on concepts such as brand narratives, storytelling, and cultural branding. Market leaders stay number one by expanding total market demand, protecting current share, and increasing market share, even if market size remains constant. Firms that are not leaders can be challengers by attacking the leader and other competitors, or they can be market followers. An alternative to being a follower in a large market is to be a leader in a small market or niche.

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