



CATHEDRAL CONSULTING GROUP, LLC

Market Positioning

In the second half of the year, experience shows that our attention should turn to strategic thinking in preparation for the next year. For most companies, August can be a period of lighter business activity, giving us a breather that can be used to start these reflections. Many of us use this time for holidays, vacations or preparing for the fall push. We want to encourage you in August to use a part of the time for strategic planning, laying the foundation for long-term strategic planning in September, next year's budget in November, and December year-end maximization.

A simplistic view of your market position evaluates why your target market would purchase from you rather than the competition. Market positioning starts with a clear definition of your market. Defining your market means defining who your customer target group is, defining what the current customer needs are for the product or service that you offer, and defining how your product meets these needs. Next we evaluate the growth potential in the defined market. Finally we analyze the competition in the market. So how do you determine your market position?

I. Market Definition

A. Defining the target market

In order to determine your position in the market, you first need to define what market you are targeting. Markets are about customers, therefore this definition must center on your customers and potential customers. While this may begin with a review of the industry, it should also include an evaluation of geographic, demographic, and psychographic factors. For example, as the owner of a floral shop you would first evaluate the florist industry, and then the specific factors for the community that you are serving.

Factors will include an ideal customer profile. Such a profile should cover:

- a. Location
- b. Demographics
 - For retail customers: age, income, family situation, etc.
 - For company customers: size, needs, etc.
- c. Innovation orientation – are the customers looking for new ideas or a stable service/product offering.
- d. Capacity to pay – this includes income levels and financial strength
- e. Communication orientation is a new aspect of customers. The use of e-mail for ordering and marketing can be a distinction.

This will allow you to define your market, target segment, and begin carving out your specific niche in the market.

How do you do this? The best way is to start with your existing customers. Profiling them against a set of factors such as those listed above will give a good indication of who your market is. Current clients represent the best quick assessment of your market position.

B. Defining the needs

In order to position your product it is very helpful to understand the needs of your target segment. Needs are straight forward as to why the customer is buying. Starbucks is a good example of a product/service that meets specific needs. High priced coffee would not seem to be a need, so it may be better to define need as a customer want that they will pay a certain amount to satisfy. For Starbucks it is a blend of food desires, location/convenience, image, and ambiance. If you are not aware of why your customers buy from you, ask them. You might be surprised at why they chose to give you their business.

What are your customer's needs? The following are some factors that can be used to evaluate the needs that cause purchases:

- a. *Location* – This is physical location and with the internet and shipping, location can be less of a need.
- b. *Convenience* – with shipping convenience can be met in a variety of ways, but it can be a critical need. An important example is Just-in-Time inventory management.
- c. *Brand image* – Here include women-owned business as well as true product branding.
- d. *Product offering* – How much variety does the customer want?
- e. *Quality* – Often we think that the best is the key. Yet many customers want a balance between quality, predictability and price. Predictability is generally the most important aspect of quality.
- f. *Accessibility/hours* – Many smaller retailers feel squeezed by “big box” retailers. Yet, the reason is big boxes are open more convenient hours.
- g. *Levels of customization* – How much customization does your customer base desire? Do they order special items regularly?
- h. *Price* – Note here that price is last. Most market analyses find that price is an important factor, but comes after the above are satisfied. A low price cannot overcome a closed retail outlet due to short hours. Yet, a high service and customization orientation can allow premium pricing.

All of this data should be “top of mind” as you think of your customers. Doing a schedule listing these factors and scoring them from 1 to 5, with 1 being the lowest and 5 the highest is a quick way to do this assessment.

II. Market size and growth potential

Now we come to a more complex area of the analysis – market size and whether it is growing or declining. Industry research is a good place to start on whether a particular market is growing or declining. Trade associations will have this data. Trade associations have websites where much of this can be found. Now we need to consider the specific market you serve. This is more challenging because it means local demographics. A key distinctive of larger companies and smaller companies is being able to gather and use local market information.

Where can local market data be found? Once the customer needs and customer profile are set, then government demographic data bases can be used to gather much of this information. The

U.S. Census gives trends on consumers for an area. Local states and municipalities have similar studies done for school and infrastructure needs. More advanced and expensive are data available from credit card companies on spending patterns. On the industrial customer side, the industry trade associations will have much of this kind of information. But the industry trade associations may be your customer's trade association rather than your association.

The sense of market size is to show the following:

- a. Total spending in the market you are targeting,
- b. Total number of customers in the market - are they increasing or decreasing
- c. Growth trends in the market – is the volume increasing or decreasing
- d. Longer-term prospects for this target market – international implications can apply here, innovation applies here, spend level changes apply here.

As a result of this data, you can determine what your share of the market is. It is easier to go from a 5% share to 10% share of a market, than it is to go from a 50% share to a 60% share. The competitive analysis below is also part of helping define the size of the market and your position.

III. Competitive Analysis

A strong understanding of your market position allows you to analyze the competition and realize their strong points of differentiation.

A competitive analysis begins with identification of current and potential competition, both direct and indirect. The floral shop might evaluate the other local florists as well ProFlowers.com and other online floral providers. This evaluation should be conducted from two perspectives of the customer's viewpoint:

1. Group competition by those competing for your customer's dollar (i.e. what gifts or chocolates might be purchased in lieu of flowers for the same occasion).
2. Group competition according to their strategies (i.e. luxury market with high level of customization vs. standard arrangements ordered online at lower price point).

Each competitor should be examined for their strengths and weaknesses against your company's. A simple matrix based upon the customer profile developed above can help to jump start this evaluation.

Competition Comparative Capabilities					
	Competitor A	Competitor B	Competitor C	Competitor D	Your Company
Location	High	High	Low	High	High
Convenience	Low	Med	High	Med	High
Brand Image	Med	Low	Med	High	Low
Product offering	Med	Med	Med	Med	High
Quality	High	High	Med	High	High
Accessibility/Hours	Med	Med	High	High	Med
Level of Customization	Low	Low	Low	Med	High
Price	Med	Med	Med	High	High
Total Estimated Revenue	\$	\$	\$	\$	\$
Financial Strength/Profitability	\$	\$	\$	\$	\$
Key	High	Med	Low		

Breaking inertia is a key component of the business strategy and needs to be understood as a big competitor. This may take the form of a newer product that customers need, but have lived without. A clear strategy must be established in order to determine the feasibility of breaking into this market segment.

In evaluating the size of the market the total activity of competitors in the market should be estimated. Keep in mind that the competitor with inertia may or may not represent available market. Your market share is now your revenue as a % of the total competitor revenue. The profitability factor points to the strength of your market. If everyone is struggling, like the airlines, success is generally not going to be easy. If everyone is doing well, it does mean that you have a better shot at doing well.

The key to market success is the ability to differentiate yours products or services from your competition. The creation of your Unique Selling Proposition (USP) tells the customer what is in it for them. Further discussion of USP is contained in our January topic on Marketing.

IV. Positioning Your Company

Having developed the above data, you can reflect on how you meet your customer's needs as compared to your competitors, instead of focusing on what you do. For example, most companies in your industry may utilize fair pricing, quick service, and reliability. These are expectations that customers have for this product or service, not necessarily points of differentiation for your company to gain the top position in that market.

Jack Welch, former CEO of General Electric, made it clear to managers that each GE business needs to be number one or two in its market. If it ranked lower than that it needed to be evaluated and fixed, sold, or shut down.¹ How you position your company will be the competitive strategy that allows you to be at the top of your market. Strategy to achieve better long-term position will be our September topic.

¹ "Jack Welch and General Electric." NYU Stern School of Business Mini-Case, September 10, 2002. <http://pages.stern.nyu.edu/~lcabral/teaching/ge.pdf>

Articles for Further Reading

1. "These Simple Strategies for Positioning your Small Business are a Must." Duct Tape Marketing. http://www.ducttapemarketing.com/strategies_for_positioning.htm
2. "Now That's Positioning of a Different Color." Duct Tape Marketing. <http://www.ducttapemarketing.com/blog/2003/11/11/now-thats-positioning-of-a-different-color/>
3. Welborn-Nichols, Jan. "Market Positioning." <http://www.tenonline.org/art/mm1/9305.html>
4. <http://www.entrepreneur.com/formnet/marketingforms.html>. The Competitor Analysis Worksheet and Industry Analysis Checklist are especially helpful.

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