

Chapter 3

Positioning services in competitive markets

“To succeed in our overcommunicated society, a company must create a position in the prospect’s mind, a position that takes into consideration not only a company’s own strengths and weaknesses, but those of its competitors as well.”

Al Reis and Jack Trout

“The essence of strategy is choosing to perform activities differently than rivals do.”

Michael Porter

Learning objectives

- 3.1 Demonstrate the meaning of positioning strategy in a service context
- 3.2 Identify strategies to achieve competitive advantage through the four focus strategies
- 3.3 Identify and select target segments
- 3.4 Distinguish between important and determinant attributes
- 3.5 Develop an effective positioning strategy using market, internal and competitor analysis
- 3.6 Demonstrate how positioning maps help to analyse and respond to the dynamics of competitive positioning

Medical tourism in South-East Asia is positioned to attract foreign patients

CASE

Exasperated with the healthcare systems in their home countries being too expensive, the wait too lengthy or the establishment not trustworthy in terms of medical aptitude, rates of 'medical tourism' are increasing annually. Every year, 1.3 million medical tourists from Asia, the Middle East and the USA fly to Singapore, Thailand or Malaysia for medical treatment.

Medical tourism is growing steadily as a big business in Asia, and is expected to grow from about US\$500 million now to \$4 billion by 2012. As the sector of medical tourism grows, so do share prices in South-East Asian hospital operating companies such as Raffles Medical (Singapore) and Thailand's Bumrungrad Hospital, which have risen to record highs in recent years. This is due to encouragement from governments throughout the region to foster this flourishing medical tourism industry and the development of regional economies.

In sum, the Asian medical market, now surpassing its typically superior American and European counterparts, offers myriad benefits. Singapore is well known for experience in complicated surgeries like liver and heart transplants, while Thailand offers low costs for treatment and surgery. According to Macquarie Research, a heart bypass operation costs about US\$12 000 in Bangkok, compared to \$20 000 in Singapore and \$150 000 in the USA. Both countries offer the opportunity to avoid long waits, with patients able simply to call and make an appointment without a referral.

For Thailand in particular, the offshore marketing of medical and health-related services has been one of the amazing success stories in recent years. The Thai tourism and health industry recently joined forces with the first Thailand Health travel mart, organised by the Tourism Authority of Thailand (TAT). With Thailand having well-trained medical practitioners, a reputation for exceptional customer service and highly competitive prices for health services, TAT is capitalising on a worldwide trend towards health



Bumrungrad Hospital in Bangkok—with the appearance of a five-star hotel, it has successfully positioned itself as an international hospital for patients from the Middle East and the USA, as well as other parts of Asia

holidays: a trend that includes stressed-out yuppies moving beyond physical fitness centres into more therapeutic treatment designed to prevent, relax and rejuvenate, rather than cure. Hotels have set up health clinics offering hydrotherapy, aromatherapy, nutritional advice, traditional Thai massages, beauty treatment with traditional herbs and other services. Hospitals are offering everything from medical check ups to laser eye surgery and sex change operations, at a fraction of the cost charged elsewhere. The cost of medical check ups in Thailand is eight times less than in the USA, five times lower than Europe and three times cheaper than Singapore or Australia. Thai hotels, hospitals and clinics, all hit by an excess capacity, are tapping into new sources of customers, with the majority of the new customers coming from overseas. The Thai government even gave clearance for elderly persons from Japan to stay up to one year on a single visa, opening up further health-related opportunities. However, most hospitals had no idea how to package and market their service overseas effectively—so collaboration with hospitality tour operators offered mutual advantages, including exposure at international trade shows.

Bangkok's Bumrungrad International Hospital, in particular, has positioned itself as an 'international' hospital. It resembles a five-star hotel, allows online appointments from overseas and the in-hospital experience is enhanced by the typical Thai hospitality of nursing and administrative staff, but in an efficient manner. There are international cafés and restaurants and the ambience is decidedly Western to attract foreign patients. It attracts around 40 per cent of its patients from overseas and services patients from 190 countries and is managed by a team of experienced hospital administrators from the USA, Australia, Singapore, Thailand and the UK.

Sources: Based on Deloitte Center for Health Solutions (2010), 'Medical tourism—consumers in search of value', Report; Winnie So (2010), 'The cutting edge: how surgery has become a top Asian attraction', CNN, 18 March; Raffles Medical Group, <www.rafflesmedicalgroup.com/hospital/overview.aspx>; <www.bumrungrad.com>, accessed 21 January 2011.

Introduction

The opening case illustrates well how new medical services in South-East Asian countries are being created in response to changing characteristics, circumstances and requirements of markets. Moreover, it illustrates how Bumrungrad Hospital in Bangkok has repositioned itself to the point where it looks like a five-star hotel, and has successfully targeted well-to-do overseas patients from the Middle East, USA and other parts of Asia. It also demonstrates how the selection of target markets and a firm's positioning strategy are fundamental to choosing a value proposition (see Figure 1.3 in Chapter 1). Marketing strategy is fundamentally built on STP—**S**egmentation, **T**argeting and **P**ositioning. A successful organisation understands the different needs of groups (segments) in the marketplace, targets those needs of groups that it can satisfy in a superior manner, and positions its offering so that the target market recognises the firm's (brand) distinctive product (service) attributes and value. Any firm (brand) that does a poor job of communicating its position will confuse the market. If a company can develop (and communicate) a clear positioning, then it can work out the balance of its marketing strategy based around its positioning strategy.

In this chapter we explain how STP (segmentation, targeting and positioning), as well as understanding and meeting customer expectations, enable a marketer to compete effectively and successfully.

Positioning and the search for competitive advantage

LEARNING OBJECTIVE 3.1

Demonstrate the meaning of positioning strategy in a service context

In the 21st century, with competition intensifying globally in the service sector, it becomes more important for service organisations to differentiate their offering(s) in meaningful ways from those of competitors. Banking, insurance, hospitality, fitness centres, accounting and education are examples of mature service industries characterised by intense competition and frequently imperceptible difference between the offerings of competitors. In many industries growth can often only be generated by growing the market; increasing one's share at the expense of domestic competitors; by niche specialisation or focus; or by diversifying into international markets, as demonstrated by major hotel chains such as Hyatt, Novotel, Hilton, Sheraton and the Mandarin Oriental Hotel Group. Firms should be selective about where and against whom they choose to compete and about markets targeted, and distinctive in the way they present (i.e. position) themselves. Indeed competitive advantage is often grounded in decisions about where and against whom to compete, and how superior customer value will be created and delivered to one or more markets to be served.

What makes consumers or institutional buyers select—and remain loyal to—one supplier over another? Terms such as 'service' typically subsume a variety of specific characteristics, ranging from how fast a service is delivered to the quality of interactions between customers and service personnel; and from avoiding errors to providing desirable 'extras' to supplement the core service. Likewise, 'convenience' could refer to a service that's delivered at a convenient location, available at convenient times or easy to use. Without knowing which product features are of specific interest to customers, it's hard for managers to develop an appropriate strategy. In a highly competitive, global environment, there's a risk that customers will perceive little real difference between competing alternatives and so make their choices based on who offers the lowest price.

Positioning strategy is therefore concerned with choosing, creating and communicating distinctive differences (refer back to Figure 1.6) that will be noticed and valued by those customers with whom the firm would most like to develop a long-term relationship. Successful positioning requires managers to understand their target customers' preferences, their conception of value and the characteristics of their competitors' offerings. Price and product attributes are two of the 7 Ps of services marketing that are most commonly associated with positioning strategy. For services, however, positioning often relates also to other Ps of the services marketing mix, including service processes (e.g. their convenience, ease of use), distribution systems, service schedules, locations, the service's environment and service personnel.

Positioning strategy can take many different routes, but as George Day has observed:

First and foremost, a business must set itself apart from its competition. To be successful, it must identify and promote itself as the best provider of attributes that are important to target customers.¹

Day implies here that thorough knowledge, understanding of and a meaningful response to the ever-changing characteristics, needs and requirements of customers who may be subsequently targeted with a particular offering is vital. In the particular case of services this means considering what opportunities may exist for providing a service that may not presently be available, providing a distinctive and appealing alternative to similar services already available, and/or delivering services in novel ways and places.

LEARNING OBJECTIVE 3.2

Identify strategies to achieve competitive advantage through the four focus strategies

Competitive strategy—the need for focus

A market is defined as the set of all actual or potential buyers of a particular core product. However, it is usually unrealistic for any one firm to try to appeal to all buyers in that market—or at least to all buyers in the same way—for in most instances, buyers, whether they be individuals or corporations, are too numerous, too widely scattered and too varied in their needs, purchasing

behaviour and consumption patterns. Furthermore, different service firms vary widely in their abilities to serve different types of customers. Hence, rather than trying to compete unilaterally in an entire market, perhaps against superior competitors, each firm needs to focus its efforts on those customers it can serve best. This implies market segmentation and a decision about which segments to target and cater for.

In marketing terms, *focus* means providing a relatively narrow product mix for a particular market segment—a group of buyers who share common characteristics, needs, purchasing behaviour or consumption patterns. In the opening case, Bumrungrad Hospital in Bangkok has a clear focus on well-to-do customers (patients) in the USA, Asia and the Middle East seeking better value and a more pleasant experience in their medical treatment. Likewise, Cathay Pacific and Singapore Airlines have for the past five or more years been voted by frequent travellers as being the best international airlines, primarily due to their customer service focus. This concept is at the heart of virtually all successful service firms, which have identified the strategically important elements in their service operations and have concentrated their resources on them. The extent of a company's focus can be described along two dimensions—market focus and service focus.² *Market focus* is the extent to which a firm serves few or many markets, while *service focus* describes the extent to which a firm offers few or many services. These two dimensions define the four basic focus strategies shown in Figure 3.1.

The four focus strategies are:

- *Fully focused.* A fully focused organisation provides a limited range of services (perhaps just a single core product) to a narrow and specific market segment. Developing recognised expertise in a well-defined niche may provide protection against would-be competitors and allows a firm to charge premium prices. An example of a fully focused firm is Air Asia. Another is Shouldice Hospital in the USA, which performs only a single surgery (hernia) on otherwise healthy patients (mostly men in their 40s to 60s). Because of their focus, their surgery and service quality are superb.
- *Market focused.* A market-focused company concentrates on a narrow market segment, but has a wide range of services. Some insurance companies offer a full range of insurance products but focus on retirees only.

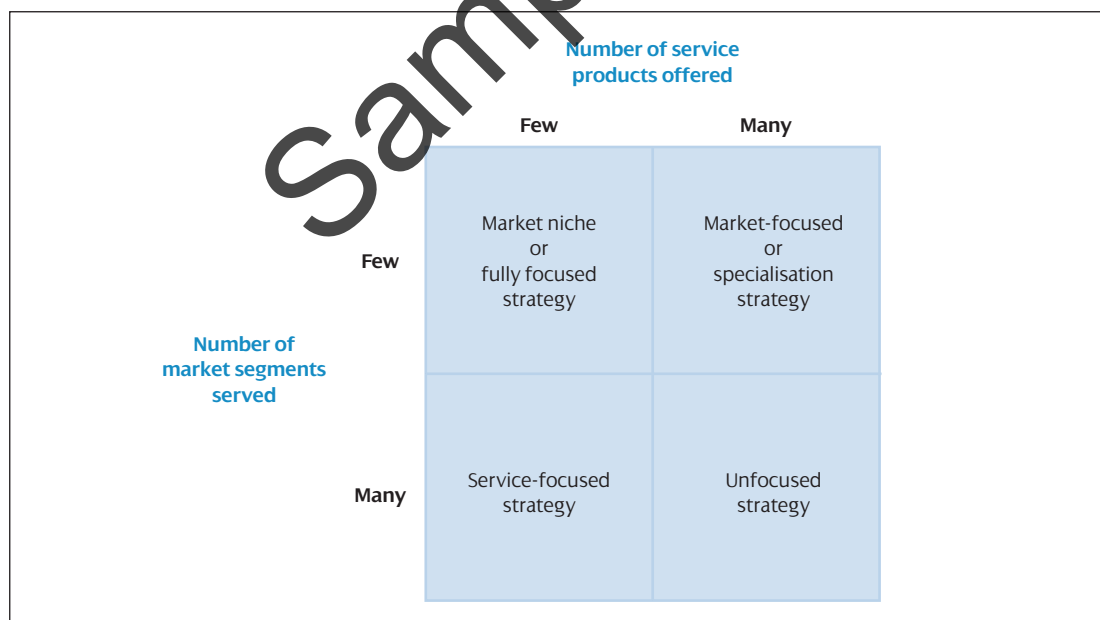


Figure 3.1 Basic focus strategies for services

Source: Adapted from Robert Johnston (1996), 'Achieving focus in service organizations', *The Services Industries Journal*, 16(1), January, pp. 10–20.

- *Service focused.* Service-focused firms offer a narrow range of services to a fairly broad market. However, as new segments are added, firms need to develop knowledge and skills in serving each segment. Lasik eye surgery clinics and hospitals which specialise in orthopaedic surgery follow this strategy, serving a broad customer base with a largely standardised product.
- *Unfocused.* Finally, many service providers fall into the unfocused category, because they try to serve broad markets and provide a wide range of services. The danger with this strategy is that unfocused firms often are ‘jacks of all trades and masters of none’. In general, that’s not a good idea, although public utilities and government agencies may be obliged to do so. A few full-line departmental stores followed this strategy, and as a result have been struggling against more focused competitors (e.g. hypermarkets and specialty stores).

How should a firm select which of the three alternative ‘focused’ strategies to pursue? Adopting a fully focused strategy presents both risks and opportunities. Developing recognised expertise in a well-defined niche may provide protection against would-be competitors and allows a firm to charge premium prices. The biggest risk is that the market may be too small to generate the volume of business needed for financial success. Other risks include the danger that demand for the service may be displaced by generic competition from alternative products, or that purchasers in the chosen segment may be very susceptible to an economic downturn.

Let’s consider the failure of Starbucks in Australia (it closed 75 per cent of its Australian stores in 2008) as an illustration. Starbucks originally adopted a fully focused strategy but in recent times moved to a market-focused strategy as it extended its range of products. Originally, with a narrow product/service range, and a premium-priced position, it was vulnerable to niche competitors in the form of many small independent cafés which began opening all over Australia. These independent cafés provided a similar core product (coffee, cakes, etc.) in an intimate yet authentic setting, where the operator engaged with regular customers and at a slightly cheaper price.

One reason why firms with a narrow product line elect to serve multiple segments (a service-focused strategy) is their need to create a portfolio of customers that hedges against such a risk. However, as new segments are added, the firm needs to develop expertise in serving each segment, which may require a broader sales effort and greater investment in marketing communication—particularly in business-to-business (B2B) markets.



Air Asia clearly positions itself to compete on price (and minimal service) in the leisure segment

Offering a broad product line to a narrowly defined target segment often looks attractive, because it offers the potential of selling multiple services to a single purchaser. But before adopting a market-focused strategy, managers need to be sure that their firms have the operational capability to do an excellent job of delivering each of the different services selected. They also need to understand customer purchasing practices and preferences. In a B2B context, when trying to cross-sell additional services to the same client, many firms have been disappointed to find that decisions on purchasing the new service are made by an entirely different group within the client company.

Because each person or corporate purchaser has distinctive (even unique) characteristics and needs, any prospective buyer is potentially a separate target segment. Some personal, professional and business services are, indeed, customised to the needs of individual buyers. A dentist treats the needs of each patient on the basis of their specific dental condition; an architect may design a unique house or office building for a wealthy client; an investment advisor prepares plans and portfolios to suit the needs and requirements of individual clients; and management consultants tailor solutions and advice to individual client needs. The majority of service businesses, however, do not find such micro-segmentation worthwhile in their industries. Instead, they look to achieve economies of scale by marketing to all potential customers within a specific market segment and serving each in a similar fashion.

Defining and profiling market segments

Prior to reading this text, it is likely that you have already gained some understanding of the concept of market segmentation and how marketers go about creating and profiling market segments.

By way of a brief refresher: a market segment is composed of a group of buyers who share common characteristics, needs and reasons to purchase, purchasing behaviour and consumption patterns. Effective segmentation consists of grouping buyers into segments in ways that result in as much similarity as possible in the relevant characteristics within each segment, but dissimilarity in those same characteristics between each segment.

Business-to-consumer (B2C) market segments are usually profiled with reference to a mix of demographic, geographical, psychographic and behavioural variables. For instance, a department store might define one particular customer group according to age, occupation and disposable income (demographic variables), where they live (geographical variable), degree of price sensitivity (behavioural characteristics) and degree of personal service and attention sought from staff (psychographic, attitudinal and behavioural characteristics). Service firms that are developing strategies based on using technology recognise that customers can also be segmented according to their degree of competence and comfort in using technology-based delivery systems.³

Because competing retailers in these same cities might define this segment in much the same way—that is, with reference to the same characteristics—the department store would then need to consider whether this segment was worth targeting, what it would take to do so effectively and successfully, what share of the market it could realistically expect to achieve and how lucrative or profitable this could be for it. B2B market segments, however, are commonly profiled with reference to different variables and considerations that may include the industry type, the respective size, location and strategic importance of different firms, the nature of the purchasing situation, anticipated purchasing volume and requirements and the potential for reciprocal purchasing and alliances. Most, if not all, of these factors would be likely to be taken into account, for example, by a major international hotel chain intent upon targeting and fostering reciprocal business relationships with selected travel agents and wholesalers and conference and event promoters—each representing a broad potential target market that would then warrant further analysis and evaluation.

Many service organisations now also use profitability or potential yield as a further segmentation variable. In other words, the potential revenue and profitability that is likely to be contributed by one segment—consumer or business—as opposed to another is often an

LEARNING OBJECTIVE 3.3

Identify and select target segments

important consideration for service firms faced with the decision of which segments in particular to focus their attention on, and what service products to offer them. Large accountancy, legal and management consultancy practices have been doing this for some time.

Information about these, along with a mix of demographic, lifestyle and psychographic profiling data, provide a marketer of a service with the means of determining not only who to target but also, and more importantly, how. As we see elsewhere in this book, this has important implications for the nature of the total service offering as well as its place and manner of provision. In other words, in a service setting, these data inform key decisions that need to be taken in relation to the creation and management of the customer's whole service experience, and to how the sum value of what is offered is defined, communicated and delivered. In Managerial insight 3.2, you will see that Tourism Queensland segmented the domestic tourism market on the basis of travellers' lifestyles (psychographics) and benefits into six segments. Tourism Queensland then identified (and in some cases developed) services and accompanying communications strategies for each segment. We also emphasise here a point raised earlier in Chapter 2. Different cultural values, customs and behaviours may be expected to play a greater or lesser role in the process of defining and profiling segments in one country as opposed to another. In a vast and culturally diverse country such as China these differences also occur by region. Particular sensitivities, the importance of family influences and conformance, for example, may require careful consideration in profiling, understanding and then responding effectively to a segment in one country or regional area as opposed to another where their demographic characteristics might appear to be otherwise shared or very similar. By identifying and adequately accommodating these differences a service provider will be better prepared to define the precise nature of the value offering and how best to communicate this.⁴

MANAGERIAL INSIGHT 3.1

Market disruption in the fitness centre industry

Historically, the fitness club industry in Australia was dominated by large full-service gyms such as Fitness First and California Fitness, with a variety of offerings such as state-of-the-art cardio machines, weights, group fitness classes, pools, saunas and massage. These full-service gyms were positioned at the high end of the market, charging a high initial joining fee and relatively high monthly membership fees for their premium locations, spacious gym areas and large number of fitness machines, managers and employees. For example, Fitness First typically operates in a building of 2250 square metres with many casual fitness instructors, reception staff, management and a sales team, requiring between 3000 and 5000 gym members to reach a financial break-even point. Despite high upfront investments and overheads, the premium added extras such as a huge variety of group fitness classes, pools and sauna are the core differentiating services that large full-service gyms emphasise. Pete Manuel, the managing director of Fitness First, argues,

'We strongly believe that is part of our offering. It's part of what separates us from the competition and we believe that prospective members and consumers do value it.'

Today, however, low-cost operators have emerged and created a market disruption in the fitness club industry, taking market share away from complacent, large full-service gyms. These low-cost operators, including Contours, Jetts Fitness and Anytime Fitness, are attracting a growing number of customers with the technology that enables 24-hour access, direct debit payments that are linked to members' access cards, and minimal labour and maintenance costs from having no extras such as a pool and sauna. Based on the marketing research that found most people do not have enough time to utilise the extra services offered by full-service gyms, the low-cost operators have limited their offerings to basic cardio and weights with low-priced membership and no contracts or joining fee. Requiring only between 600 and 700 members to break

MANAGERIAL INSIGHT 3.1 *continued*

even, low-cost operators' positioning strategy has been transformed into a major threat to the full-service gyms' competitive advantage and survival. Brendon Levenson, the founder and managing director of one of the fastest growing franchises in Australia, Jetts Fitness, says, 'We looked at what the big chains were doing from a customer service and value for dollar standpoint and decided to do the exact opposite. Our policies were designed to reflect what customers wanted, with a focus on delivering outstanding value in conjunction with clean, convenient workout facilities.'

As a response to the fast-growing emergence of low-cost gyms, Pete Manuel emphasises the need for providing more services that are differentiated from a full-service provider's standpoint. He says, 'I'm looking at every option. I believe in consumer segmentation ... perhaps that's going to be a more viable option for us (Fitness First). We have a limited outdoor program today. That's an opportunity.' Customer segmentation and offering more unique and highly personalised and

customised services may be the future strategy for full-service providers to defend their market share. However, exploring other positioning strategies should be implemented after deeply understanding the needs of customers first.

Paul Patterson, of the Australian School of Business, states that 'a mature industry where nobody has thought outside of the box for a long time may be vulnerable to new positioning approaches such as the low-cost positioning. You only have to look at the airline industry with low-cost carriers such as Air Asia grabbing a large market share, in particular segments, in a short time.' As shown in this example, effective positioning has the power to bring about the market disruption, and to seriously challenge the market leaders.

Sources: Jessica Gardner, 'The gloves are off', *BRW*, 31 August 2011, <http://www.brw.com.au/p/the_gloves_are_off_F8kFY66Y9ak3c9zTzOVHXJ>, accessed 11 September 2012; Jetts Fitness, <www.jetts.com.au/media/247-fitness-chain-officially-leading-way-Australia>, accessed 10 October 2012.

Top gym chains, then and now

2006	Type	Locations	2011	Type	Locations
Curves	Women's circuit	153	Curves	Women's circuit	346
Fernwood Women's Health Clubs	Full-service fitness club	64	Contours	Women's circuit	144
Fitness First	Full-service fitness club	53	Jetts Fitness	24-hour fitness club	136
Zest Health Clubs	Full-service fitness club	34	Fitness First	Full-service fitness club	93
Beachhouse Fitness Centre	Full-service fitness club	21	Anytime Fitness	24-hour fitness club	76

Target market selection

Following an analysis of market segments, the selection of target markets (segments) implies prior market and competitor analysis, and insight, and recognition that some market segments offer better opportunities than others. In other words, the decision about which markets (i.e. market segments) to target should be thoroughly informed, strategic and insightful. As you saw in Managerial insight 3.1, low-cost fitness centres target price-conscious consumers, and those who simply do not have enough time to use all the facilities of a full-service gym. The target market wanted a fitness workout but without all the expensive 'bells and whistles'.

Target segments should be selected not only on the basis of their sales and profit potential, and yield, but also according to the firm's ability to match or exceed competing offerings directed at the same segment. This also implies strategic fit with an organisation's resources, business strategy and other markets served. For example, the travel agency used by one of the authors concentrates on the business traveller segment, leaving the general travel and holiday market to other firms. Hence, the agency does not have a street-level office but operates from facilities in a high-rise office block in the city.

Target market understanding

In order to define, select and target segments effectively, managers need research-based insights into how the various components (or attributes) of a service are valued by current and prospective customers of different types according to their respective characteristics, needs, wants, aspirations, attitudes, perceptions, motivations and expectations. Managerial insight 3.2 shows the profile of six target markets for the domestic tourism market in Queensland. These data are essential in order to work out how to define and communicate the value offering, and how best to position this offering in such a way that it will register within the target customer's evoked set. For example, the attributes of the travel agency mentioned above might be price, prompt service (because business clients' time is valued highly), delivery of tickets, staff product knowledge and an intimate understanding (and recall) of each regular client's needs. Other key considerations include:

- What level of quality and performance is required for each attribute?
- Are there significant differences between segments in the importance that customers attach to different attributes?
- How well do competing service products meet customer requirements?
- Can a service be redesigned, provided in a different way, place or time so that it meets customer needs more closely and is superior to competing offerings?

EXAMPLE

In a study of the Australian management consultancy industry,⁵ six key attributes were found to be highly valued by clients. These were: the methodology employed, the service provided by the consultant (i.e. reliability in meeting deadlines, responsiveness, a professional

approach in all their communication with the client), the ability to establish a good working relationship with the client, access to a global network of information sources and, of course, successful assignment completion—the promise of outcome.

Important versus determinant attributes

LEARNING OBJECTIVE 3.4

Distinguish between important and determinant attributes

Consumers usually make their choices between alternative service offerings on the basis of perceived differences between them. But the attributes that distinguish competing services from one another are not always the most influential ones in consumer decision making. For instance, many travellers rank 'safety' as their number one consideration in air travel. But since major airlines are generally perceived as equally safe (unless one has recently had a well-publicised crash!), safety, despite its importance, is not usually an attribute that influences consumer choice between several large carriers. What this means is that *importance attributes* are those which have to be met by all competing service providers in order to be in the prospective customer's evoked set and pre-purchase evaluation process, and in order to satisfy any preconceived perceptions of risk, but they alone do not necessarily sway the purchase decision in favour of one service provider as opposed to another.

Determinant attributes (i.e. those that actually determine buyers' choices between competing alternatives) are often some way down the list of service characteristics that are important to purchasers, but they are the attributes by which customers see significant and compelling differences between competing alternatives. Food and beverage service on board the aircraft, flight schedules and their punctuality, the nature of ground facilities and support services and the courtesy of reservations personnel are all examples of determinant attributes in the airline industry.

The marketer's task in any service business is to identify which attributes are determinant and to be aware of how well each competing service performs on these determinant attributes. This necessitates investigating and understanding the attitudes, perceptions and expectations of prospective customers or customer segments that have already been identified and profiled with reference to the variables discussed above. Findings from such research form the necessary basis for working out which market segments to target, and how to attract and appeal to them in a competitively differentiated and superior way.

MANAGERIAL INSIGHT 3.2

Understanding our consumers: Tourism Queensland

Today's tourists are active and confident, with increased online access to information and social connection (Facebook) available. Moreover, diversity in consumers' needs is increasing rapidly. To understand tourists' insights and get a competitive edge, market segmentation is used to divide prospective tourists into groups that share something in common such as needs, interests and lifestyle, and benefits sought. As noted earlier in this chapter, consumers in the same segment potentially respond to marketing activities in a similar way.

Recently, Tourism Queensland (TQ), a government agency responsible for promoting holiday travel in the state, conducted a market segmentation study to gain insights into Australians' holiday needs and wants. Based on consumer psychographics (i.e. lifestyles), TQ developed a profile of holiday visitors. The study found six segments, including *connectors*, *social fun-seekers*, *unwinders*, *self-discoverers*, *active explorers* and *stylish travellers*. Details of each segment follow.

Connectors (32%)

I seek to reconnect with people I care most about (e.g. family or friends).



The biggest segment of potential traveller is 'Connectors'. People in this segment prefer to share their holiday with family or friends. A holiday is a chance to reconnect and bond with others. They are friendly, supportive, caring and sociable. They like to go on a day trip, drive to the holiday destination and visit an interesting attraction both in the city and countryside. This segment tends to travel with their partner. They are happy to have a short break at least once a year without the kids. A standard hotel room or self-contained house with cooking facilities is their preferred accommodation. Ideal dining experiences during the holiday are about getting together with family or friends in order to enjoy good meals.

Social fun-seekers (25%)

I seek to have and share an impressive, fun experience with friends.



A fun time during holidays is a vital part of this segment. Consumers tend to share travelling experiences with friends and other holidaymakers via several physical activities (e.g. visiting tropical islands or exploring the coast). Consumers in this group are carefree, friendly, adventurous and positive. They seek fun and excitement, and escape from ordinary life. They like to take part in adventure activities, to meet and mix with other people, and to have package holidays. Exploring the world with fun is their goal. They plan a new destination for their holiday every year. Moderate, clean and comfortable accommodation is suitable to this group.

Unwinders (15%)

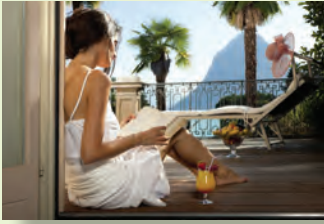
I seek a peaceful holiday and to leave the cares of the world behind.



For this segment having a holiday is a way to escape from their busy lives. They seek unorganised, flexible holidays that do not limit their relaxation at the destination. They are calm, reliable, trustworthy and casual. They seek to relax, feel calm and have nostalgic experiences. Activities that they prefer include visiting waterfalls, going on a day trip, sightseeing, experiencing casual dining, exploring the countryside and watching wildlife in its natural environment. This segment tends to enjoy spending a relaxing time in one place rather than travelling around. They prefer to travel with their partner or family. Affordable accommodation is suitable to their preference.

MANAGERIAL INSIGHT 3.2 *continued***Self-discoverers (12%)**

I seek to feel enriched and to satisfy my curiosity and personal discovery.



Self-discoverers are organised, well-educated, focused, intelligent and responsible. They seek a broad variety of experiences via a well-organised holiday. Having a break allows them to discover and enrich themselves both physically and intellectually. They tend to have an overseas trip at least once every few years. They prefer to stay in a luxury, well-furnished hotel or apartment with up-to-date technology (e.g. wireless Internet) with excellent service. This segment's preference is partly similar to 'stylish travellers'; but it is different in activity interpretation. They rest and relax in a destination to gain personal insight or a sense of well-being, such as dining out at local restaurants, going to wineries, natural world heritage sites and art galleries.

Active explorers (11%)

I seek to challenge myself via physical activities and to explore the world.



Consumers in this segment focus on exploring new things and challenging themselves with physical activities. They enjoy the company of others and seek to feel alive, free and easy. They like to escape from their day-to-day busy lives. They prefer to engage in adventure activities, such as hiking, bushwalking, scuba diving, whitewater rafting, camping, fishing, snorkelling, snow skiing and horse riding. They tend to stay in backpacker hostels, eco-lodge resorts or camping grounds. This segment is closely similar to 'social fun-seekers', but they are more active, adventurous and energetic through different challenging activities.

Stylish travellers (5%)

I seek a broad variety of experiences and am confident with trying new things.



Having a holiday is a chance to demonstrate their achievements both to themselves and others. They love exploring new things and achieving their goals. Unique and exotic experiences make them feel different, sophisticated, successful and stylish. Their needs are closely similar to 'self-discoverers' in that they like to have a well-organised holiday pattern, go sightseeing, attend festivals, experience the local food/wine culture and attend festivals or cultural events. Stylish travellers prefer luxury accommodation with impressive facilities (e.g. big balconies, a day spa and a swimming pool). This segment is inclined to travel as part of an adult couple. They have a flexible work pattern, and so can take holidays whenever they prefer.

Source: Tourism Queensland, <www.tq.com.au>

Note that some attributes are easily quantified whereas others are qualitative and highly judgmental. Price, for instance, is a straightforward quantitative measure. Punctuality of transportation services can be expressed in terms of the percentage of trains, buses or flights arriving within a specified number of minutes from the scheduled time. Both of these measures are easy to understand and therefore generalisable. But characteristics such as the quality of personal service or a hotel's degree of luxury are more qualitative and therefore subject to individual interpretation. This means that care must be taken in ensuring that both quantitative and qualitative attributes are defined from the customer's perspective.

Consider the case of two major competing travel agents, both offering similar and comparable services in the form of destination choice and access, airlines and fares, all of which would be regarded as *importance* attributes. What, however, might well swing the decision in favour of one agent as opposed to the other might hinge on the nature of client interaction and response time, the supplementary information provided or their preparedness to help map out recommended itineraries—*key determinant* attributes. This example also serves to illustrate that the customer's assessment of value offered and received is frequently likely to be based on a mix of both importance and determinant attributes.

Competitive positioning

Once we have segmented the market and established our target markets, and understood determinant attributes and related service levels, we need to see how we can best *position* our service in a competitive market. The essence of a good positioning follows four principles:⁶

- 1 A company must establish a position in the minds of its targeted customers.
- 2 The position should provide one simple and consistent message.
- 3 The position must set a company apart from its competitors.
- 4 A company cannot be all things to all people—it must focus its efforts.

Positioning then is about designing a product (service) offering and accompanying image that occupies a distinctive place in the mind of the target market vis-à-vis competing brands (Table 3.1). The goal is to locate the brand in the mind of the target market consumers in order to maximise the potential benefit to the firm. A good brand positioning strategy provides a foundation and guides the development of the rest of a brand's marketing strategy.

Examples of distinctive positioning abound but we have chosen two for illustrative purposes here: Singapore Airlines and the Mandarin Oriental Hotel Group. The former is now synonymous with 'The Singapore Girl' and is so well established that she is a featured exhibit in Madame Tussaud's wax museum in London. Created as a symbol some 45 years ago by Ian Batey, the Singapore Girl embodies the exemplary service and personal attention provided by the airline cabin staff, and the ambience of the service experience offered. Air Asia, on the other hand, is clearly positioned as a no-frills, low-cost airline. Similarly, the Mandarin Oriental Hotel Group's fan logo was employed to represent values steeped in the Orient, a symbol that it believes embodies luxury, elegance and comfort. Interestingly, in addition to the corporate logo, each individual hotel in the group has its own unique fan to reflect its particular individuality.

Understanding the concept of positioning is central to developing an effective competitive posture. This concept is certainly not limited to services—indeed, as you probably know, it had its origins in packaged goods marketing—but it offers valuable insights by forcing service managers to analyse their firm's current offerings and to provide specific answers to the following questions:

- 1 What does our firm currently stand for in the minds of current and prospective customers?
- 2 How do our customers perceive us, what do they expect from us and how well do we understand and fulfil these expectations?

LEARNING OBJECTIVE 3.5

Develop an effective positioning strategy using market, internal and competitor analysis



The Oriental Hotel is a good example of a brand that has a clear, distinctive position in the minds of its target audience, and indeed even non-customers

Table 3.1 Example of positioning and value proposition

Company and service	Target customer	Benefits	Position (and value proposition)
<i>Cathay Pacific</i>	Quality and service-conscious travellers	An overall very enjoyable pre- and in-flight experience	Better value; superior customer service in a somewhat commoditised industry
<i>Flight Centre (Australian travel agency)</i>	Price-conscious travellers	Cheaper price	Best price guaranteed with adequate service from experienced consultants
<i>Starbucks</i>	Those seeking a different, relaxing in-café experience and superior coffee	Third place concept—a place after home and the office to come to and relax	A premium-priced, upmarket coffee experience with excellent service and intimate servicescape; expanding in Asian countries; and consistency of products and experiences across international borders
<i>Domino's Pizza</i>	Convenience-minded pizza lovers	Speedy and reliable delivery	A good pizza delivered to your home (office) within a specified time, at a fair price



The Singapore Girl in the traditional sarong has over the years become a symbol of the excellent service quality which has become a hallmark of the Singapore Airlines brand identity

- 3 What customers do we now serve and which ones would we like to target for the future?
- 4 What are the attributes and benefits of our current service offerings (core products and their accompanying supplementary service elements), and how do they compare with competitive offerings?
- 5 In each instance, how do our service offerings and levels of service⁷ differ from those of the competition, and how compelling are those differences?
- 6 Are there weaknesses or vulnerabilities in competing offerings that we exploit to our advantage?
- 7 According to customers in different market segments, how well does each of our service offerings meet their needs?
- 8 What changes do we need to make to our offerings to strengthen our competitive position in the market segment(s) of interest to our firm?

■ The building blocks of a successful positioning strategy (and customer value proposition)

Points of difference, points of parity and points of contention⁸

Once a firm has determined a competitive strategy and market focus as well as an understanding of its target markets and the nature of competition, it should determine points-of-difference, points-of-contention and points-of-parity associations that become the foundation of a successful positioning strategy (Figure 3.2).

Points of difference

Points of difference (PODs) are service attributes or benefits consumers positively associate with a brand, but have a belief that they could not find these attributes, at least to the same extent, in competitive brands. Strong, favourable and unique brand associations make up points of difference and may be based on many types of attribute(s) or benefit(s). Examples are FedEx (guaranteed overnight delivery), HSBC Bank (Hong Kong Shanghai Banking Corporation) (service, prestige) and Air Asia (price). Creating strong, favourable and unique associations as points of difference is certainly a challenge, but essential in terms of competitive brand positioning. The retailer IKEA is a good example.

Points of contention

These are *attributes* about which the firm and its customers disagree regarding how its performance (functional or emotional) or service quality compares with those of competitors. To compete effectively, marketers must understand how customers perceive their positioning claims on various attributes.

Points of parity

Points of parity (POPs), on the other hand, are associations that are not necessarily unique to a brand but may in fact be shared with competing brands. As researchers Keller and colleagues have noted,⁹ these types of associations come in two basic forms: category and competitive.

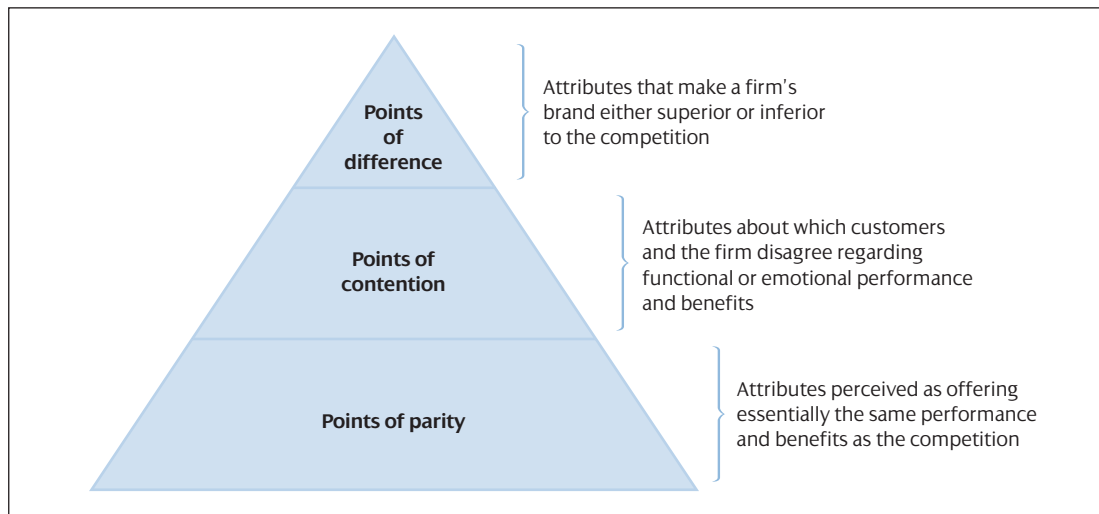


Figure 3.2 Points of difference, points of contention and points of parity

EXAMPLE IKEA

The Swedish retailer IKEA took a high-involvement product—home furnishings and furniture—and made it a reasonably priced, value for money, alternative for the mass market. IKEA complements its low prices by using customers as 'co-producers' of the service by using self-service in the store, and having them deliver and assemble the products themselves. But IKEA also gains a point of difference through its total product (service) package. As one observer noted, 'IKEA built

its reputation on the notion that Sweden produces good, safe, well-built things for the masses. It has some of the most innovative designs at the lowest costs out there.' It also operates an excellent restaurant in each store (rare among furniture stores); offers childcare services while the parents shop; offers a membership program entitling members to special discounts on their purchases beyond the normal low price; and mails out millions of catalogues featuring the latest furniture.

Category points of parity are associations consumers view as essential for an offering to be legitimate and credible within a certain product or service category. They represent necessary—but not necessarily sufficient—conditions for brand choice. Consumers might not consider a travel agency to be truly a travel agency unless it is able to make air and hotel reservations, provide advice about leisure packages and offer various ticket payment and delivery options. Of course category points of parity may change over time due to shifts in industry structures, technological advances or consumer trends.

Competitive points of parity are designed to negate competitors' points of difference. If consumers perceive a brand attribute designed to be the competitor's point of difference is as strong for a brand as for competitors *and* the brand is able to establish another association as strong, favourable and unique as part of its point of difference, then the brand should be in a superior competitive position. In other words, if brand A can match competitors on attributes where the competitor is trying to find an advantage but can achieve advantages in other areas, then brand A should be in a strong competitive position, that is, it has achieved product or service differentiation in the eyes of its target market.

Points of parity versus points of difference

To establish a point of parity on a particular attribute or benefit, a sufficient number of consumers must believe that the brand is 'good enough' on that dimension. There is a 'zone of tolerance' (somewhat similar to the 'zone of indifference' around consumer expectations discussed in Chapter 12) with points of parity. If consumers feel that a brand does well enough on a particular attribute(s) or benefit, they may be willing to base their choice decisions on other factors

Conclusion

Most service businesses face active competition. Marketers need to find ways of creating substantial competitive advantages for their service product offerings. This advantage is grounded in our understanding of markets to be served, and how this enables us to attract and appeal to customers better, that is, more cogently, than other providers can. In this chapter we have discussed how market segments are created, defined and analysed, and what key data are necessary to understand and appeal to particular segments to be targeted. As we show in the ensuing chapters of this book, these data are crucial to developing a service product strategy, and to making key decisions relating to the place and manner of service provision, and the customer experience that is purposefully created.

The concept of positioning is central to any marketing strategy because it provides the grounds for advantageous competition. Service product positioning also forces explicit recognition of the different attributes comprising the overall service concept and the value offered by this, and emphasises how important it is for marketers to understand which attributes determine customer choice behaviour. Positioning maps provide a visual way of summarising research data and show how different firms' performances on key attributes are compared. When combined with information on the perceptions, preferences and expectations of different segments, including the level of demand that might be anticipated from such segments, positioning maps can show opportunities for creating new services or repositioning existing ones to take advantage of unserved market needs. If offering such a service is seen as compatible with the organisation's resources and values, then the firm may be able to develop a profitable niche for itself in the market.

MasterCard® and PayPass™

MINI CASE

Smartphone manufacturers are now preparing their hardware for the next phase of the 'all-in-one' converged device, by enabling mobile phones to securely store payment card details that can be used, like a credit or debit card, to buy various goods and services at the point of sale. As part of the consumer education process on emerging payment technologies, MasterCard recently launched a television campaign series to promote its contactless payment technology *PayPass*, which utilises near field communication (NFC) technology as part of MasterCard's 'Priceless' positioning strategy. The advertising targeted busy professionals and high-income earners.

The 'Tap & Go™' technology (similar to NFC-enabled swipe cards) allows customers to simply tap their enabled card on an electronic reader (as shown in the photo) to pay for purchases under A\$100 without the need to enter a PIN or provide a signature. A sense of convenience and control is the benefit of this innovation, as customers can avoid having to queue, remember a PIN number or wait to sign a credit slip at the point of sale. MasterCard *PayPass* was

initially launched in areas where speed, and therefore convenience, was considered a determinant attribute, such as petrol stations, cafés, supermarkets and convenience stores.¹⁹

Questions for discussion

- 1 What other market segments do you think MasterCard should target? Why?
- 2 How do you currently perceive the MasterCard brand?
- 3 Do you think such an advertising campaign will alter people's perceptions of the MasterCard brand?



Review questions

- 1 Briefly explain the STP process.
- 2 Why is market segmentation and selective targeting particularly important to service organisations?
- 3 How do service organisations gain competitive advantage by deciding who to target?
- 4 Distinguish between importance and determinant attributes, and consider the role that each plays in defining the value offered by a service.
- 5 Why should service firms focus their efforts? Describe the basic focus strategies and provide examples of how they work.
- 6 Demonstrate your understanding of points of difference, points of contention and points of parity.
- 7 What are the five questions for developing an effective positioning strategy?
- 8 What are the managerial benefits of positioning maps?

Application questions

- 1 Select a service firm of your choice and carry out each of the following tasks:
 - a Define and profile its main market(s).
 - b Identify what you believe to be the determinant attributes for each target market.
 - c Summarise the nature of its positioning strategy in relation to each target market served.
 - d Define the value offered to target markets served.
- 2 Find examples of companies that illustrate each of the four focus strategies discussed in Figure 3.1.
- 3 Travel agencies are losing business to passengers booking their flights directly on airline websites. Identify some possible focus options open to travel agencies wishing to develop new lines of business that would make up for the loss of airline ticket sales.
- 4 Choose a service industry that interests you and:
 - a draw a positioning map that suitably accommodates each of the main competitors in that industry; and
 - b describe the positioning of each of the main competitors.
- 5 How did you choose the dimensions used to describe the positions of the various organisations in Question 4? Why?

Further reading

- Jahn Benedikt and Werner Kurtz (2012), 'How to transform consumers into fans of your brand', *Journal of Service Management*, 23(3), pp. 344–61.
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Endnotes

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