

## 7.5: Differentiation and Positioning

### Learning Objectives

1. Explain differentiation and positioning.
2. Explain why differentiation and positioning are so important for an online marketing strategy and an onground marketing strategy.
3. Understand that a successful differentiation strategy cannot be copied by competitors.
4. Understand that there are many ways to differentiate a product or a service.
5. Understand that successful positioning of a small business or its brand is built on a well-defined target market combined with solid points of differentiation.

Differentiation and positioning considerations are relevant to each element of the marketing mix as well as to onground and online marketplaces. The small business should be working toward a **competitive advantage**—“the ability to perform in one or more ways that competitors cannot or will not match.” Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 276.

### Differentiation

Differentiation, setting yourself apart from the competition, is one of the most important and effective marketing tools available to small business owners. Bonny Albo, “Making a Business Stand Out from Its Competitors,” *Entrepreneurs @ Suite 101*, August 9, 2009, accessed December 1, 2011, [bonny-albo.suite101.com/marketing-strategy-differentiation-a136498](http://bonny-albo.suite101.com/marketing-strategy-differentiation-a136498). Effective differentiation can put a business (or a brand) in the top position among the competition, but an ineffective differentiation strategy can leave a business buried in the middle or at the bottom of the pack. Kim T. Gordon, “Dare to Be Different,” April 1, 2005, accessed December 1, 2011, [www.entrepreneur.com/article/76736](http://www.entrepreneur.com/article/76736). A successful differentiation strategy cannot be imitated by competitors—but it can bring you great success with consumers. Dan Herman, “The Surprising Secret of Successful Differentiation,” *Fast Company*, June 7, 2008, accessed December 1, 2011, [www.fastcompany.com/blog/dan-herman/outsmart-mba-clones/surprising-secret-successful-differentiation?](http://www.fastcompany.com/blog/dan-herman/outsmart-mba-clones/surprising-secret-successful-differentiation?)

### Video Clip 7.5.1:



*Differentiation is everyone's goal, but few are able to achieve it.*

Small businesses, whether business-to-consumer (B2C) or business-to-business (B2B), can differentiate their companies or brands in many different ways: quality, service, price, distribution, perceived customer value, durability, convenience, warranty, financing, range of products/services offered, accessibility, production method(s), reliability, familiarity, product ingredients, and company image are all differentiation possibilities. Bonny Albo, “Making a Business Stand Out from Its Competitors,” *Entrepreneurs @*

*Suite 101*, August 9, 2009, accessed December 1, 2011, [bonny-albo.suite101.com/marketing-strategy-differentiation-a136498](http://bonny-albo.suite101.com/marketing-strategy-differentiation-a136498). There are others as well, limited only by the imagination. One way to uncover differentiation possibilities is to examine customer experience with a product or a service by asking the following questions: Ian C. MacMillan and Rita Gunther McGrath, "Discovering New Points of Differentiation," *Harvard Business Review*, July–August 1997, 133–145, as cited in Philip Kotler and Kevin Lane Keller, *Marketing Management* (Upper Saddle River, NJ: Pearson Prentice Hall, 2009), 277.

- How do people become aware of their needs for a product or a service?
- How do customers find a company's offering?
- How do customers make their final selection?
- How do consumers order and purchase the product or the service?
- What happens when the product or the service is delivered?
- How is the product installed?
- How is the product or the service paid for?
- How is the product stored?
- How is the product moved around?
- What is the consumer really using the product for?
- What do consumers need help with when they use the product?
- What about returns or exchanges?
- How is the product repaired or serviced?
- What happens when the product is disposed of or no longer used?

No matter what the bases are for differentiating a company or a product, the decision should be made carefully with the expectation that the difference cannot be imitated. When customers are asked whether they can tell the difference between a particular small business and its closest competitors, the answer will hopefully be yes.

#### Video Clip 7.5.2:

*The "Murals Your Way" Advantage*



*How Murals Your Way sets itself apart from other wall mural companies.*

#### Video Link 7.5.3:

*Bedbug Dog Sniffs Up Profits*

*An unusual means of differentiation.*



## Positioning

Positioning is about the mind of the consumer: placing a company or a brand (sometimes they are the same, e.g., Carbonite, CakeLove, and Sugar Bakery & Sweet Shop) in the consumer's mind in relation to the competition. Al Ries and Jack Trout, *Positioning: The Battle for Your Mind* (New York: McGraw-Hill, 2001), 3.

The positioning decision is often the critical strategic decision for a company or a brand because the position can be central to customers' perception and choice decisions. Further, because all elements of the marketing program can potentially affect the position, it is usually necessary to use a positioning strategy as a focus for developing the marketing program. A clear positioning strategy can ensure that the elements of the marketing program are consistent and supportive. David A. Aaker and Gary Shansby, "Positioning Your Product," *Business Horizons*, May–June 1982, 56–62.

Both big and small businesses practice positioning, but small businesses may not know it as positioning. The small business owner thinks about positioning intuitively, does not use the terminology, and does not always know how to promote the position. Additionally, in many if not most small businesses, "the positioning of products is based on the opinions of the business owner, his or her family, and selected friends and family." "Product Positioning," *Inc.*, accessed December 1, 2011, [www.inc.com/encyclopedia/product-positioning.html](http://www.inc.com/encyclopedia/product-positioning.html). This notwithstanding, an understanding of positioning should be in every small business owner's tool kit.

### Video Clip 7.5.4:

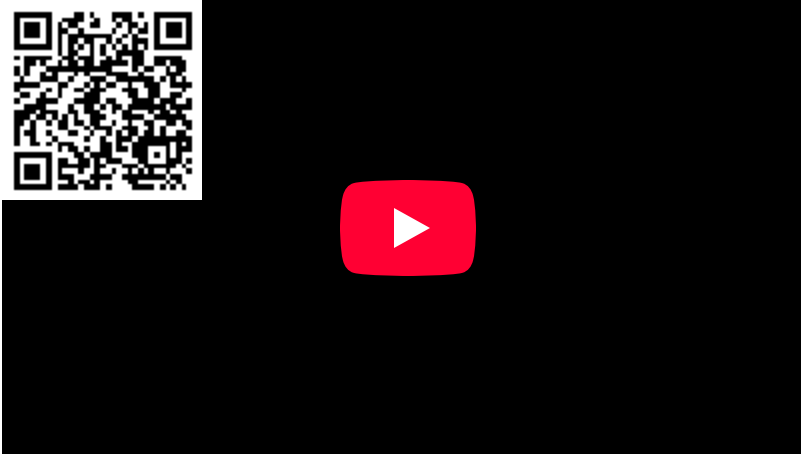
*Small-Business Market Position*



*Small-business owners must figure out how the company should be positioned.*

## Video Clip 7.5.5:

What Is Market Positioning?



*A discussion of positioning.*

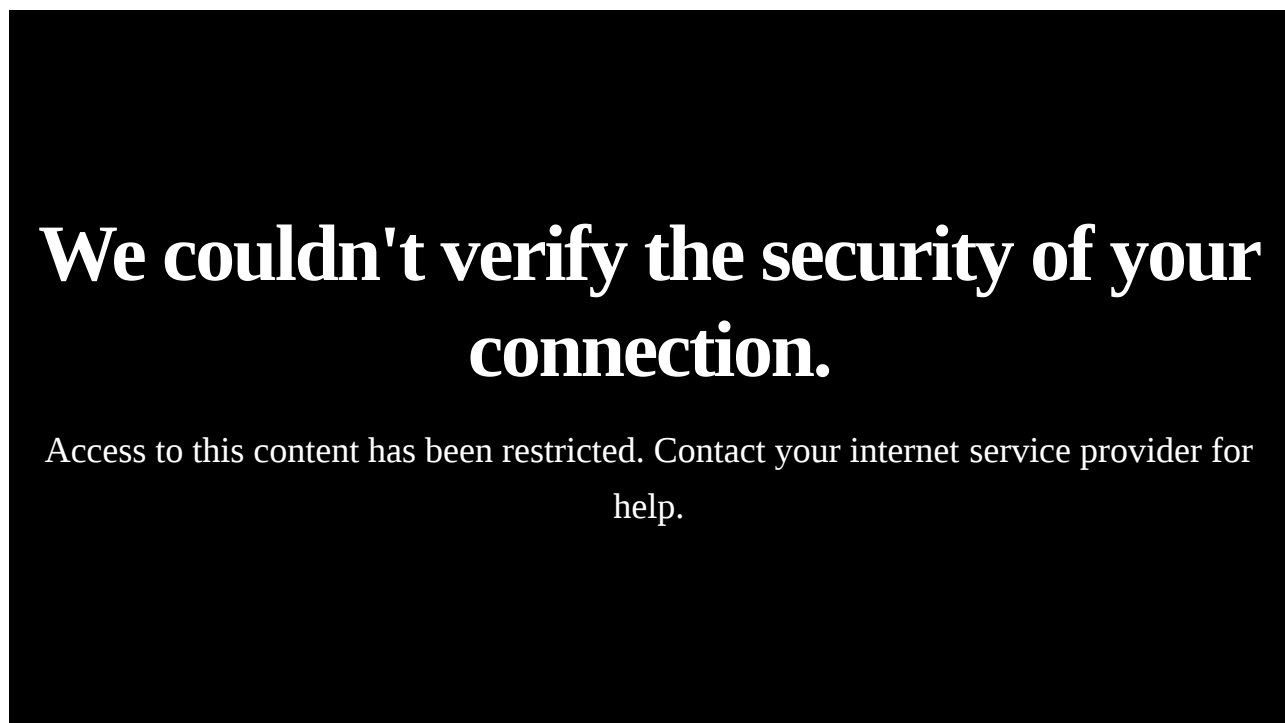
Successful positioning of a small business or its brand is built on a well-defined target market combined with solid points of differentiation. There are six approaches to positioning that the small business owner should consider: David A. Aaker and Gary Shansby, “Positioning Your Product,” *Business Horizons*, May–June 1982, 56–62.

1. **Positioning by attribute.** The most frequent positioning strategy. The focus is on a particular attribute, a product feature, or customer benefit. [CakeLove](#) in Maryland positions itself as “cakes from scratch” with natural ingredients (not the least of which is butter, lots of it).

## Video Link 7.5.6:

Welcome to CakeLove

An introduction to CakeLove bakery.



Welcome to CakeLove (3 min) from Warren Brown on Vimeo.

2. **Positioning by price/quality.** A very pervasive approach to positioning. Some small companies and brands offer more in terms of service, features, or performance, and a higher price serves to signal this higher quality to the customer. As an example, Derry Church Artisan Chocolates are very expensive, but they position themselves as having the very high quality that justifies a high price. Jim T. Ryan, “Sweet Strategy: Artisan Chocolatier Eyes Internet, Corporate Giving for Growth,” *Central Penn Business Journal*, November 26, 2010, 3–6.
3. **Positioning by use or application.** Focuses on how a product is used or different applications of the product. A solitary custom tailoring shop located in a downtown professional office area could position itself as the only tailor where you can conveniently go “for lunch.”
4. **Positioning by product user.** The focus shifts from the product to the user. [KIND Snacks](#) are cereal bars positioned as a snack bar for those who are interested in a snack that is wholesome, convenient, tasty, healthy, and “economically sustainable and socially impactful.” “Our Story,” *KIND Healthy Snacks*, accessed December 8, 2011, [www.kindsnacks.com/our-story](http://www.kindsnacks.com/our-story). It is a great snack for hikers and campers.
5. **Positioning by product class.** Focuses on product-class associations. A cleaning service that uses only green products and processes can position itself as the green choice in cleaning services. [Healthy Homes Cleaning](#) is an example of a green cleaning business.
6. **Positioning with respect to a competitor.** Comparing a small business brand to its competitors. Some comparisons will be very direct; others will be subtle. Dana-Nicoleta Lascu and Kenneth E. Clow, *Essentials of Marketing* (Mason, OH: Atomic Dog Publishing, 2007), 181. A small manufacturer that does not miss delivery times and makes products that are free of flaws can position itself on the basis of timely delivery and manufacturing excellence. Lisa Nielsen, “Product Positioning and Differentiation Strategy,” *Chron.com*, accessed June 1, 2012, [smallbusiness.chron.com/product-positioning-strategy-3350.html](http://smallbusiness.chron.com/product-positioning-strategy-3350.html).

### Joe's Redhots' Business Positioning Strategy

*Joe's Redhots* will sell premium-quality hot dogs and other ready-to-eat luncheon products to upscale business people in high-traffic urban locations. *Joe's Redhots* will be positioned versus other luncheon street vendors as “the best place to have a quick lunch.” The reasons are that *Joe's Redhots* have the cleanest carts; the most hygienic servers; the purest, freshest products; and the best value. Prices will be at a slight premium to reflect this superior vending service. *Joe's Redhots* will also be known for its fun and promotional personality, offering consumers something special every week for monetary savings and fun. “Positioning Strategy Statement,” *Business Owner's Toolkit*, accessed December 1, 2011, [www.toolkit.com/small\\_business\\_guide/sbg.aspx?nid=P03\\_7003](http://www.toolkit.com/small_business_guide/sbg.aspx?nid=P03_7003).

The challenge for a small business is to decide which approach to positioning a company or a brand is the best fit. This decision “often means selecting those associations which are to be built upon and emphasized and those associations which are to be removed or de-emphasized.” David A. Aaker and Gary Shansby, “Positioning Your Product,” *Business Horizons*, May–June 1982, 56–62. In the process of writing a positioning statement, something that is encouraged as a way to keep the business on track, be aware of the difference between a broad positioning statement and a narrow positioning statement. A broad statement should encompass enough to allow a company to add products without the need to create a new positioning statement on a frequent basis; a narrow positioning statement puts a company in a “specialist” position in its market. Andy LaPointe, “Is Your Positioning Statement Confusing Your Customers?,” *Small Business Branding*, May 13, 2007, accessed December 1, 2011, [www.smallbusinessbranding.com/714/is-your-positioning-statement-confusing-your-customers](http://www.smallbusinessbranding.com/714/is-your-positioning-statement-confusing-your-customers). The following are some examples:

- **Broad position statement.** “Professional money management services for discerning investors”
- **Narrow position statement.** “Equity strategies for low risk investors”
- **Broad position statement.** “Elegant home furnishings at affordable prices”
- **Narrow position statement.** “Oak furniture for every room in your house” Andy LaPointe, “Is Your Positioning Statement Confusing Your Customers?,” *Small Business Branding*, May 13, 2007, accessed December 1, 2011, [www.smallbusinessbranding.com/714/is-your-positioning-statement-confusing-your-customers](http://www.smallbusinessbranding.com/714/is-your-positioning-statement-confusing-your-customers).

### KEY TAKEAWAYS

- Differentiation and positioning considerations are relevant to each element of the marketing mix as well as the onground and online marketplaces.
- Differentiation and positioning can contribute to the competitive advantage of a small business.
- Differentiation is one of the most important and effective marketing tools available to a small business owner.
- Small businesses, both B2B and B2C, can differentiate their companies or brands in many different ways.
- Ideally, differentiation should be done in a way that cannot be imitated by the competition.

- Positioning is about placing a company or a brand in the mind of the consumer in relation to the competition. It is always comparative.
- Small businesses practice positioning as much as larger companies do, but they may not use the terminology.
- All small business owners should understand what positioning is and how they can use it to their advantage.

### EXERCISES

1. Although Frank's All-American BarBeQue has a very loyal following in Fairfield, Connecticut, developing a marketing plan and strategy for the Darien store will require specific statements of differentiation and positioning. What should they be? Remember that the Darien market may be similar to the Fairfield market, but the two markets should not be seen as identical.
2. Continuing with the scenario about the small manufacturer of hair-care products for children, how would you differentiate and position the product for competitive advantage?

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