



[Home](#)

[Welcome from the Anzmac](#)

[President](#)

[Welcome from the Conference](#)

[Chair](#)

[Keynote Speaker](#)

[Conference Papers](#)

[ANZMAC Conference](#)

[Committee](#)

[Special Sessions](#)

Welcome to the Australian and New Zealand Marketing Academy (ANZMAC) Conference 2007

Hosted by:	Department of Marketing, School of Business, University of Otago
Date:	3-5 December 2007 (Monday - Wednesday)
Venue:	University of Otago, Dunedin, New Zealand
Conference Chair:	Dr. Kenneth R. Deans.
Conference Proceedings Chair:	Dr Maree Thyne
Conference Editors:	Dr Maree Thyne Dr Kenneth R. Deans Associate Professor Juergen Gnoth
ISBN for Program and Abstracts	978-1-877156-28-0
ISBN for Proceedings CD	978-1-877156-29-9

The ANZMAC 2007 theme 3Rs - Reputation, Responsibility & Relevance seeks to bring to the fore a lively discussion on a number of issues and challenges facing our discipline. These challenges and issues were highlighted in a recent collection of essays published in the October 2005 Journal of Marketing. The issues brought to light include:

- Marketing's status and relevance within the modern organisation;
- More boundary spanning in research and practice, and taking advantage of cross-functional opportunities;
- More emphasis on strategy implementation;
- Broadening vision and goals;
- Ethics and social responsibility;
- Encouraging research that is relevant to society; and
- Researching markets outside the USA, UK and Europe.

In short, through addressing these issues, the Marketing discipline will maintain its reputation, responsibility and relevance. Through the conference we hope that delegates have developed valuable insights, a deeper understanding and a sense of how to advance our discipline.



© 2007

Readiness for Competitive Positioning: A Managerial Checklist

Anne-Maree Bustos, Sandra Burke, Macquarie Graduate School of Management

Abstract

Competitive positioning is improved by following best practices regarding analysis of competition, consumers, industry dynamics, SBU capabilities, market deliverables and fit, and profit potential of various positions. Only then can positions be identified that are relevant, worthwhile, achievable and defensible. Literature acknowledges the process requirements but few management tools are available to aid in this task. This paper proposes a readiness checklist that helps insure best practices are followed and is a precursor to development of a positioning readiness scale. In addition, a structural equation model is proposed to assess the overall and component-based effects of using the elements in the checklist on achieving strong market positions.

Introduction and Purpose

Choosing competitive positions is a critical step in developing marketing strategy and has been associated with strong market performance. Competitive positions combine a SBU's choice of target market with the differentiated value proposition it intends to create. Choosing a position that provides fit between the target segment's needs and the SBU's unique competencies increases the likelihood of strong market performance. Research suggests many analyses and steps are required to insure competitive positions are identified, assessed and built in effective and efficient ways (Hooley and Greenley, 2005; Juga, 1999; and Porter, 2001). However, there is little managerial literature and few tools designed to help systematically follow the precise steps and analyses SBU's must manage. Furthermore, there is no research that has considered the impact of following the recommended steps on market outcomes such as positioning strength or performance. This paper consolidates the literature regarding steps in effective positioning and proposes a readiness checklist to aid in insuring best practices are followed. Importantly, the degree to which following prescribed steps is associated with the achievement of strong market positions must be ascertained. A structural equation model is proposed to assess the overall effect of using the steps in the checklist and the importance weights ascribed to the various sections of the checklist (corresponding to the various analyses and steps) in terms of achieving market performance. Finally, the development of a validated positioning readiness scale is recommended,

Conceptual Development

Trying to be all things to all people is difficult and ineffective for SBU's operating in today's mature, fragmented, hypercompetitive markets. Competitive positioning involves choosing a target segment and a differentiated value proposition the SBU will offer to compete for that segment (Hooley and Greenley, 2005). While the need for positioning is widely accepted, managerial clarity regarding how to select and build strong competitive positions is lacking. For example, the Georgia Institute of Manufacturing (2005) conducted a study of nearly 650 manufacturing firms to demonstrate the importance of innovation as a competitive strategy.

The survey considers six competitive strategies a company may elect including ‘adapting products to customer needs.’ Yet, most research suggests that adapting products to fulfill customer needs is following basic principles of a market-focused organization (Kotler, 2004). It does not identify a target segment or how the firm will compete for the segment and as such is not even appropriate to consider as a competitive position.

To advance managerial understanding regarding the requirements of competitive positioning, a readiness checklist is proposed that addresses the six areas of analysis and assessment most commonly associated with developing relevant, worthwhile, achievable positions. The checklist recommends analyses examining 1) internal resources and capabilities, 2) competitive factors, 3) environmental scanning, 4) consumer segments and needs, 5) fit between alternative position requirements and the SBU capabilities, and 6) profitability attractiveness of the positions.

Internal Analyses

To choose competitive positions that can be achieved and defended, SBU’s must have a clear understanding of their resources, assets and capabilities in terms of value creation. Research suggests the need for a middle-ground between pure market-based and pure resource-based perspectives of positioning in that a match between resources and positional advantages is key to achieving optimal market performance (Henderson and Mitchell, 1997; Hooley and Greenley, 2005; Hunt and Morgan, 1996; Juga, 1999). However, research also suggests that while SWOT analyses can be useful, they are not sufficient and rarely done in ways that lead to diagnostic findings. “Traditional SWOT analyses often yield only shallow extemporaneous inventories that are as likely to detract from critical issues as illuminate them” (Valentin, 2001). SBU’s must have evidence-based data on their true assets and resources relative to those of competition. They must also understand the relationships between their assets and resources as sources of capabilities, and their capabilities as sources of competitive advantage (Grant, 1991). How they combine their assets and resources to create value for their target segments and build beneficial, difficult to imitate, leverageable core competencies (Hamel and Prahalad 1990) is the basis of competitive positioning (Grant 1991). Thus, section 1 of the readiness checklist incorporates a comprehensive and accurate assessment of internal assets, resources and capabilities (relative to competition) that can be deployed for value creation.

External Analyses – Competitive and Environmental Dynamics

Competitive identification is an integral part of competitive positioning as SBU’s must recognize competitors’ skills and capabilities to determine opportunities for sustainable advantage (Porter, 2001). While many SBU’s assume their competitive set is a given, determining which competitors should be considered in strategic analysis is a key first step. It is becoming increasingly difficult to precisely define where an industry begins and ends (Hamel and Prahalad 1994) and who are direct and indirect competitors. Most research agrees that competition is a matter of degree in that who competes with whom is determined in the minds of consumers (Day, Shocker and Srivastava, 1979; Kotler, 2004). If key competitors are left out of analyses, it could lead to misleading findings and poor planning. However, if the boundaries are too broad, analytical tasks can be cumbersome and less relevant (Porac and Thomas, 1990). Burke (2007) suggests that competitive sets are defined by consumers, are specific to usage occasions and have a fuzzy structures based on the degree to which competitors similarly fulfil multiple needs. Managers must classify direct and indirect competitors by assessing which alternatives most frequently accompany their brands

in consideration sets across segments and usage occasions and monitor changes in the competitive structure over time. Section 2 of the checklist incorporates an assessment of competitive identification and categorization.

Once competition is categorized, analysis is required to gain deep competitive intelligence and insight regarding the assets, resources, capabilities, strategies and likely behaviours of key competitors. Understanding key strengths and current strategies of direct competitors aids in identifying whether competitive positions are now or could easily be better achieved by competitors due to superior key capabilities. Yet, many SBU's fail to consider competitive reactions and strengths when choosing positions. The importance of doing so is gaining recognition as demonstrated in a recent (May 2007) Australian Financial Review marketing survey of 163 Australian Marketing Executives in which most mentioned monitoring competitor activity as a top priority. In fact, a number of large organizations have begun initiating dedicated Competitive Intelligence (CI) teams. Thus section 2 of the readiness checklist also assesses the level of comprehensive competitive intelligence.

In addition to competitive analyses, SBU's must also do external analysis to identify any trends which may affect their consumers and businesses. Miller (1987) showed that systematic scanning of the environment, analysis and rational strategic decision making were factors that distinguished high performing firms from low-performing firms. Macro environmental analyses examining changing political, natural, social, demographic, cultural, legal, economic and technological realms can identify trends affecting the market and changing/emerging competitive positions. Thus, section 3 of the readiness checklist addresses environmental trend assessment and intelligence.

External Analyses – Markets and Segments

Effective competitive positions must include a value proposition that is not only differentiated from competition but also relevant and meaningful to consumers. A clear understanding of what consumers seek in terms of value is critical. More importantly, to avoid the pitfall of trying to be all things to all people, understanding how different groups of consumers will be differentially affected by various value propositions (what different values they seek when choosing a provider) is necessary. Thus, effective segmentation and value proposition formulation is another requisite step in developing strong positioning. Best practice for segmentation, grouping consumers with similar needs and characteristics into homogeneous segments (Wind 1978), is still debated. Much recent research in segmentation calls for methods that consider how consumers differ in terms of the needs they seek to fulfill via the consumption of the product (Aaker 1995, Allenby and Fennell 2002, Christensen, Cook and Hall 2005) rather than traditional demographic based segmentation. In fact, some research suggests segments of one as the most effective method (Kotler, 2004). Many studies also suggest that different segmentation methods must be considered to insure the method used matches the strategic question being addressed (Bock and Uncles 2002, Dibb 1999, Sausen, Tomczak and Herrmann 2005). While methods vary, the concept that segmentation is necessary to address the varying value segments in the market is widely recognized. Thus section 4 of the readiness checklist assesses segmentation processes and consumer intelligence.

Analysis of Fit of Position Requirements and SBU Capabilities

Research suggests that positioning processes that are too outwardly focused on changing opportunities in the market, without consideration of whether the firm has the resources and capabilities to win the opportunity, result in organizational responsiveness but not

effectiveness or profitability. Conversely, if positioning efforts are too inwardly focused on development and utilization of resources and capabilities, the organization may achieve operational performance but offer something from which the market has shifted away or does not want (Hooley, Saunders and Piercy, 2004). According to Hooley, Broderick and Moller (1998) "by giving equal weight to market demands and capability profiles when selecting targets and implementing positioning strategies, firms can ensure an enduring match between their offerings and their markets." Marketing strategy dictates that SBU's assess various competitive market positions based on their overall fit to be successful and sustainable versus competition (Hamel and Prahalad 1994, Collis and Montgomery 1995). Fit considers the attractiveness of the position from both external and internal (resources required to fulfil the deliverables/target needs) perspectives. Burke (2006) proposes a tool that considers the interrelationships and linkages among consumer expectations and firm assets, resources and capabilities across alternative positions. On one hand, the tool incorporates choice modelling to identify target segment's critical requirements and trade-offs between attributes and qualities for a given position. On the other hand, it uses systems dynamics to link the requirements to the ultimate organisational assets and resources necessary to create them. Section 5 of the readiness checklist assesses resource-based intelligence and SBU consideration of fit between positional requirements and firm capabilities.

Alternative Position Attractiveness

While some competitive positions may be more achievable than others based on a firm's capabilities, whether positions are attractive from an external profitability standpoint must also be considered. Using both the concepts of fit and attractiveness is likely to achieve a better organizational performance than either one alone (Leavy 2003). Organizations must assess for each competitive position being considered the size, growth, likely margins and structural attractiveness of the opportunity. Thus, section 6 of the readiness checklist addresses attractiveness assessments.

Readiness for Positioning Checklist

Based on the conceptual development, a checklist is proposed that suggests SBU's should consider the following when developing and choosing competitive positions.

- 1) Internal Intelligence – Does the SBU have a clear view of its strengths and weaknesses versus competition? Is the view evidence-based? Does the SBU have a clear view of its capabilities and the various value offers it can create for consumers? Does the SBU have a sustainable competitive advantage?
- 2) Competitive Intelligence – Does the SBU have a clear categorisation of direct, indirect and substitute competitors? Is the view based on recent market review and consider multiple segments and usage occasions? Does the SBU have a clear view of competitive strengths, weaknesses, capabilities and strategies? Does the SBU review the competitive structure on a regular basis?
- 3) Environmental Intelligence - Does the SBU have a clear view of environmental trends likely to impact their customers and businesses over the next 3-5 years? Does the SBU conduct regular environmental scans?
- 4) Consumer Intelligence – Does the SBU have a clear idea of consumer value requirements? Is the view based on recent market data? Does the SBU use effective, relevant methods for segmenting the market based on variables such as differential needs and motivations that lead to varying reactions to offers?

- 5) Deliverable Intelligence – Does the SBU understand the key success factors and deliverables required to achieve various positions and win segments in the market? Are the requirement assumptions based on market data? Does the SBU assess their capabilities and resource gaps relative to creating the value offers associated with the positions?
- 6) Position Attractiveness Knowledge – Does the SBU consider size, growth and structural attractiveness of alternative positions? Does the SBU assess the likelihood of profitability across positions?

Conclusion and Future Research

This paper proposes a checklist to guide managers in following best practices to develop strong competitive positions. It is based on a consolidation of methods proposed in strategic marketing and management literature to improve the effectiveness of competitive positioning efforts. While the checklist fills a gap in the management toolbox relative to positioning initiatives, its application can be further advanced by 1) empirically validating whether use of the methods in the checklist is associated with superior performance, and 2) developing a validated positioning readiness scale based on the proposed dimensions to be used in other research.

To validate the checklist and assess the effect of using the best practices on market positioning and performance (and that of each of the checklist components/stages of positioning) a market-based investigation will be employed. The checklist will be administered to either the strategy manager, general manager or managing director (as they are best equipped to provide accurate information on the broad range of issues) of 100 SBU's of public companies representing a range of consumer product categories. Strength of the SBU's positioning relative to competition and market performance measures will be collected from secondary data (annual reports, secondary published analyst reports and industry expert opinion) and via consumer perception panels. Effects of using the best practices proposed in the checklist on market performance will be assessed based on correlation measures between SBU scores on the readiness checklist and overall performance across market measures. Partial Least Squares structural equation modelling will assess predictive power and importance in terms of building strong positions of each component of the checklist.

Finally, while the checklist proposes dimensions of importance in terms of developing strong competitive positions, use of the tool in future research will be enhanced by developing and validating a positioning readiness scale using rigorous scale development methods. To that end, the checklist constructs' dimensionality will be further specified and field tested across multiple samples. The constructs will be purified and assessed for internal, concurrent, and nomological validity, reliability and generalizability using accepted methods and criteria. The scale can then be used in future research examining antecedents or effects of managerial positioning methods.

References

- Aaker, David A., 1995. *Strategic Market Management*, Wiley, NY, USA.
- Allenby, Greg., G. Fennell., A. Bemmaor., V. Bhargava., F. Christen., J. Dawley., P. Dickson., Y. Edwards., M. Garratt., J. Ginter., A. Sawyer., R. Staelin., S. Yang, 2002. "Market Segmentation Research: Beyond Within and Across Group Differences," *Marketing Letters*, 13:3.
- Bock, Timothy., Mark Uncles., 2002. "A Taxonomy of Differences Between Consumers for Market Segmentation," *International Journal of Research in Marketing*, Vol 19 Sept.
- Burke, Sandra J., 2006. "Linking Competitive Positions, Success Requirements and Capabilities," ANZMAC 2006 Conference Proceedings
- Burke, Sandra J., 2007. "Fuzzy-Needs" Based Competitive Sets: Structure and Use," SSRN 2006 and European Marketing Association Conference Proceedings 2007
- Christensen, Clayton., Scott Cook., Taddy Hall., 2005. "Marketing Malpractice," *Harvard Business Review*, Dec.
- Collis, D. J., C. Montgomery., 1995. "Competing on Resources," *Harvard Business Review*, July-Aug
- Day., George., Allan D. Shocker., Rajendra K. Srivastava., 1979. "Customer-Oriented Approaches to Identifying Product-Markets," *Journal of Marketing*, Fall.
- Dibb, Sally., 1999. "Criteria Guiding Segmentation Implementation: Reviewing the Evidence," *Journal of Strategic Marketing* 7 107-129.
- Fornell, Claes., 1987. "A Second Generation of Multivariate Analysis: Classification of Methods and Implications for Marketing Research," in M. J. Houston (ed.), *Review of Marketing 1987*. Chicago: American Marketing Assoc., 407-450.
- Grant, R. M., 1991. "The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formulation," *California Management Review*, 33 Spring 114-35.
- Grant R. M., 1995. "Contemporary Strategy Analysis," 2nd Edition, Cambridge MA: Blackwell Business.
- Hamel, Gary., C. K. Prahalad., 1990. "The Core Competence of the Corporation," *Harvard Business Review*, May-June.
- Hamel, G., C. K. Prahalad., 1994. "Competing for the Future" Boston: Harvard Business School Press.
- Henderson, R., W. Mitchell., 1997. "The Interactions of Organizational and Competitive Influences on Strategy and Performance," *Strategic Management Journal*, 18, 5-14.

- Hooley, G., A. Broderick., K Moller., 1998. "Competitive Positioning and the Resource-Based View of the Firm," *Journal of Strategic Marketing*, 6 97-115.
- Hooley, G., G Greenley., 2005. "The Resource Underpinnings of Competitive Positions," *Journal of Strategic Marketing*, 13 93-116 (June).
- Hooley, G., Saunders, J. A., Piercy, N. F., 2004. "Marketing Strategy and Competitive Positioning," 3rd Ed. Hemel Hempstead: Prentice Hall International
- Hunt, S. D., R. M. Morgan., 1996." The Resource- Advantage Theory of Competition: Dynamics, Path Dependencies and Evolutionary Dimensions," *Journal of Marketing*, 60 (4), 107-14.
- Juga, J., 1999. "Generic Capabilities: Combining Positional and Resource-Based Views for Strategic Advantage," *Journal of Strategic Marketing*, 7 3-18.
- Kotler, Phillip., 2004. *Marketing Management*, Pearson Prentice Hall , New Jersey
- Leavey, B., 2003. "Assessing Your Strategic Alternatives From Both a Market Position," *Strategy and Leadership*, 31 29-35.
- Porac, Joseph F., Howard Thomas., 1990. "Taxonomic Mental Models in Competitor Definition," *Academy of Management Review*, Vol 15, 224-240.
- Porter, Michael E., 2001. "Strategy and the Internet" *Harvard Business Review*, March.
- Sausen, Karsten, Torsten Tomczak., Andreas Herrman., 2005. "Development of a Taxonomy of Strategic Market Segmentation: A Framework for Bridging the Implementation Gap Between Normative Segmentation and Business Practice," *Journal of Strategic Marketing*, 13 151-173.
- Valentin, E. K., 2001. "SWOT Analysis From a Resource-Based View," *Journal of Marketing Theory and Practice*, Spring.
- Wind, Y., 1978. "Issues and Advances in Segmentation Research," *Journal of Marketing Research*, 15, Aug.