WHAT IS A PRODUCT?

**Benefit Delivery Systems**

People buy benefits, so once again this concept takes center stage in our discussion. Thus far, we’ve discussed product categories, competition, and customers in terms of benefits and this discussion will not depart from that theme. If categories, competition, and customers can all be conceptualized in terms of benefits, it follows that products should too. After all, it is through the product that markets express their real understanding of what customers want; and what customers want are benefits.

Therefore, as we said earlier this semester, a useful way to view products is as “benefit delivery systems.” Products become the means by which desired benefits are experienced; they make the experience of these benefits possible. Recall three things about benefits. First, they are defined as the positive consequences of using or consuming a product. One student once said in class that benefits are simply, “what you get.” Second, customers get essentially three types of benefits: resource (saving time and money, primarily), sensory (what we get through our five senses), and psychological (how the product makes us feel). Third, products frequently deliver an array or bundle of benefits to customers. Thus, when we purchase, use, or consume a product, that product may deliver many of any of the three types of benefits.

**Total Market Offering**

As marketers, you should understand that the concept of “product” is really very complex. Although we treat it as a single component in the marketing mix, the reality is that products occupy the central position in the marketing mix because all other components of the mix are offered through or about the product. Therefore, benefits from all components of the marketing mix are captured by customers in the products they buy. Think about it. Price reflects the initial cost to customers of obtaining the product; physical distribution is about the availability of the product; promotion transmits information and offers deals for the product. So the product lies at the heart of the marketing mix, and therefore represents the totality of what companies offer to their customers because it acts as the conduit through which other marketing mix elements are experienced by customers.

The product itself can be woven into other parts of the marketing mix by considering the “levels” of the product that make up much of the total market offering. This should be something of a review from material you learned in MKT 301, but it bears repeating. Exhibit 1 shows the three levels a product can assume. By themselves, none of the concepts in Exhibit 1 are terribly complicated. A customer recognizes some problem that a product purchase may be able to solve. The central desired benefit that
motivated the purchase would constitute the core product. For example, suppose a person needed a pair of athletic shoes for running. More basically, the person needed foot coverings when he or she runs. That would be the core product; the central and essential desired benefit. Suppose this person bought a pair of Nike running shoes. The shoes have particular physical properties such as color, styling, performance, and comfort. These represent the actual product. The actual product also includes such attributes as brand and how having that brand makes the customer feel psychologically. Finally, suppose the shoes come with a warranty and perhaps even a phone app to track mileage run in the shoes. These additions would be part of the augmented product. As product categories get crowded with competitors, very often competitive actual products and even some of their augmentations start to resemble each other. In those cases, companies look to additional creative augmentations to help compete and differentiate competitive products from each other.

**POSITIONING THE PRODUCT**

**Positioning Basics**

Meaning of Positioning. Product or brand positioning is the perception that a target market has of a brand relative to its competitors. This definition raises two points. First, positioning is perceptual. In other words, positioning is not factual; instead it pertains to influencing customer perceptions of your product. Second, companies cannot position brands in isolation; they must be positioned relative to one or more competitors. By nature, human beings learn by making comparisons. When we learn new
information, one way we remember and use that information is by mentally comparing it to existing information. Therefore, it’s only natural for people to develop perceptions of one brand that are relative to other brands. When we say what our brand is, whether we like it or not, we also imply what our competitor is not. When we say what our brand is not, we imply what our competitor is. (Let me add a point here based on answers to past exam questions about positioning. Positioning is a term to describe a psychological process; it does not refer to how products are physically distributed or “positioned” on store shelves.)

How Positioning Works in Memory. The term “positioning” implies that brands are “placed” in memory. Importantly, marketers wish to influence “where” a brand is remembered relative to competitive brands. To understand how this works, some basic knowledge of human memory might be helpful. As noted above, people remember new concepts when they compare them to other concepts – generally ones already stored in memory. Groups of related concepts form what psychologists refer to as “memory schema.”

People continuously structure and restructure memory schema as they learn new things. Because memory schema are learned, they can be taught. Therefore, marketers can influence the structure of customers’ memory schema in ways they hope will be favorable to their brand. Indeed, effective product positioning suggests to consumers ways of structuring their memories and reinforces that structure over time.

Through advertising and other marketing communications, marketers make statements about their products (and their competitors) that attempt to “teach” people how to think about their brand. Generally speaking, the necessarily simplistic nature of most consumer-oriented marketing communications means that marketers cannot teach consumers complicated or intricate schema. Quite the contrary, marketers encourage consumers to develop schema that essentially divide a group of competitive products into two categories: the marketers’ brands and all others.

Trout and Ries write extensively on positioning. In their classic 1971 book, they describe positioning as “battle” for customers’ minds. Their description underscores the competitive nature of positioning. Even as one firm encourages a particular schema among a group of current and potential customers, other firms are encouraging alternative views of the product category.

Analyzing Brand Positions with Perceptual Mapping

In the web notes on identifying competition, we looked at distance perceptual mapping as a means of grouping together brands within a category based on their perceived similarities. That approach to perceptual mapping is referred to as distance perceptual mapping. The idea was to build a visual depiction of the perceived distances between brands based on the perceived similarities of a sample of consumers. The survey data were input into a statistical program such as SPSS and the resulting perceptual map gave us the image of these perceptions. The goal with distance perceptual mapping is to identify competition within your product category.

With product or brand positioning, perceptual mapping differs in goal, estimation method, and appearance. So for our purposes, we’ll refer to perceptual mapping done to position products or brands as position perceptual mapping. The purpose of position perceptual mapping is not only to find out how
brands in a category are perceived with respect to similarity, but also to compare the dimensions of similarities and differences. We wish to know how to position our brands in the memory schema of consumers. Position perceptual mapping does not typically use multidimensional scaling as is the case with distance perceptual mapping. More often, position perceptual mapping relies on a technique called factor analysis. This statistical procedure finds shared and unshared variance among variables and places variables into groups called factors based on the shared variance. The information contained in these statistical factors is used to build position perceptual maps.

Data for Position Perceptual Mapping. Position perceptual mapping uses scaled questionnaire data, like so many of the techniques we’ve discussed in this class and in MKT 450. While position perceptual mapping does not require respondents to make comparisons across pairs of brands, it does require consumers to rate competing brands on many attributes or characteristics. Focus groups may be helpful for developing a list of attributes or characteristics that can be used for questionnaire items.

Let’s consider an example. Suppose marketers for a drink company were considering how to position their drink against competing products. After conducting focus groups to devise a list of relevant product characteristics, they developed a questionnaire to administer to a sample of people who would be members of possible target markets. The questionnaire could look like the one in Exhibit 2. These questions would be repeated for every product or brand in the analysis.

Please indicate how well each of the following statements describes cola soft drinks.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Does Not Describe At All</th>
<th>Describes Very Well</th>
</tr>
</thead>
<tbody>
<tr>
<td>They are youthful.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are healthful.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are sweet.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are sparkling.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are for adults.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are natural.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are available.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are good for you.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are light.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are refreshing.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are filling.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
<tr>
<td>They are thirst quenching.</td>
<td>1 2 3 4 5</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 2. Attribute Ratings

Interpreting Results in Positioning Perceptual Maps. The responses to the attribute ratings are used as input to the factor analysis and the resulting position perceptual map. An example is shown in Exhibit 3 on the following page. As you can see, this perceptual map is more complex and contains more information than the distance perceptual maps we looked at previously in the discussion about competition. The position perceptual map focuses less directly about the mental distance between products and more on how the products are perceived relative to particular attributes.
Exhibit 3. Position Perceptual Map

One feature of the position perceptual map above that is central to its interpretation is the presence of the attributes from the sample questionnaire in Exhibit 2 on the previous page. These attributes are represented by the blue arrows in the position perceptual map above. Note that these arrows differ in length. The difference is intended to capture the amount of statistical variance contained by the attribute. Longer arrows mean that the attribute explains more variance in where the products are located in the map. Shorter arrows mean the attribute explains less variance. Also note that the arrows point in different directions away from the origins. The angles and proximity of the arrows one to another represent the degree to which the attributes correlate with each other. Highly correlated attributes are shown by arrows that are close together. Uncorrelated arrows are shown far apart. The black axes in the map were added to help make the map easier to describe but do not have any particular interpretive meaning.

Interpreting the visual results of the position perceptual map are only modestly more complicated than those of a distance perceptual map. Exhibit 4 on the following page shows the basics of interpretation. Look first at the arrow for the “sparkling” attribute in the upper right quadrant of the map. The arrow
Exhibit 4. Interpreting the Results of Position Perceptual Maps

is shown in purple. The position of the arrow near the “youthful” arrow shows that these two attributes positively correlate together pretty strongly. The length of the “sparkling” arrow indicates that this attribute explained a substantial amount of the variance in the actual positioning of the products. To read the attributes of any particular beverage, simply draw a line perpendicular to the attribute arrow from the beverage. For example, cola, also shown in purple, rates high on the sparkling category, meaning that the word “sparkling” describes the coal drink well according to the respondents.

Products can also be measured for fit onto the short arrows, which do not explain much variance. Look at the attribute “good for you,” shown in red in Exhibit 4. The solid part of the line represents the length of the original arrow (see Exhibit 3), which suggests that it does not explain much of the variance in the placement of products. However, we can still see how products rate on the dimension. To do this, simply extend the line out, as shown with the dashed line in red. Bottled water, as you would expect, rates high on this dimension, meaning that “good for you” describes bottled water well. That said, rating products on attributes that explain little variance must be done with caution. Think of it this way. Short arrows depict attributes that explain little variance, which means conversely that most of the
statistical error in placing the products occur in these attributes. For example, look at orange juice and grapefruit juice, both in the upper left hand quadrant of Exhibit 4. One would expect these drinks would be considered very health conscious and good for you. However, the fact that both beverages map behind the plot origin from these two attribute arrows suggests that they rate very low on those attributes. This is almost certainly not the case in reality. The explanation for these results is the presence of statistical error in these two attributes, which, given their small role in explaining variance (i.e., short arrows), is reasonable and understandable.

Another aspect of interpreting the data is how the attribute arrows group together. Understanding groups of attribute arrows help marketers describe the meanings of the horizontal and vertical axes in the map. Look at the cluster of arrows in the lower right quadrant of Exhibit 3. The general direction of the arrows is to the right. The content of the arrows may be interpreted to mean that the right of the horizontal axis may pertain to health and wellness. By definition, the left of the horizontal axis would be the opposite. The meaning of the vertical axis is more difficult to discern in this example. Sweet, sparkling, and youthful, the three attributes explaining the most variance in the group, may represent a kind of naivety or innocence, while the lower part of the vertical axis would represent the opposite.

From an overall strategic perspective, what does the position perceptual map tell us? First, it tells us what attributes tend to drive mental positioning. The longer arrows explain more variance, so they are most responsible for the physical locations of the products. Marketers could take this two logical ways. First, they could focus on positioning their products on attributes that strongly determine position. This invites competition, but for superior products, this could be a good thing. In other words, if you have a better product and can make a compelling case for it, then there’s nothing wrong with being aggressive. Just be sure you have the resources to fight the battle. Second, marketers could look at attributes that do not explain much variance in position (i.e., short arrows), position their product on those attributes, and devote resources to convince consumers that these attributes should matter more. This usually helps avoid competition, at least for a while. We will look at some position perceptual maps in class and consider the positioning implications.

**Major Positioning Decisions**

Assuming that the position perceptual map has provided useful information about how to position a brand in the minds of prospective customers, several decisions need to be made to act on that information. Remember what what’s being accomplished here. When positioning brands, marketers are encouraging customers to think about their brands in particular ways compared to competitors. The output of these positioning decisions is usually a “positioning statement” that outlines how the brand is to be communicated to target markets. The positioning statement generally does not contain advertising slogans or promotional materials. The positioning statement is the strategy behind the branding, advertising, and promotion. The positioning statement is the rationale for how the brand is communicated to target audiences. Remember this when we turn to the material on advertising and promotion. In the absence of sound strategy, the cleverest advertising is meaningless.

**Category Positioning Decision.** Rossiter and Percy (1997) suggest that the first decision related to positioning that marketers need to make is the category positioning decision. This decision forces marketers to choose one of two basic paths for how to position their brands against other brands in
their categories. Keep in mind that, while positioning may involve all aspects of the marketing mix, the category positioning decision tend to revolve primarily around product and price.

*Position Centrally in the Category.* The first positioning option is referred to as “central positioning” or “positioning centrally in the category.” To understand central positioning, we must first understand the concept of what is termed a “category prototype.” In consumer products, virtually all product categories have a category prototype. This is the brand that in essence defines the product category in the minds of consumers. Often the brand that actually created the product category (i.e., the category “pioneer”) becomes the category prototype. In other instances, the brand with the greatest market share in the category (i.e., the category “leader”) becomes the category prototype. Because the category pioneer often enjoys an early advantage being category’s only brand and can use this advantage to build brand loyalty among consumers, the pioneering brand also becomes the category leader. Whatever the case, consumers perceive the category prototype as representative of the entire product category.

Category prototypes often hold top of mind awareness among the product market. Top of mind awareness simply means that a brand is listed first when consumers are asked to list brands in a particular product category. This is to be expected in cases where the category prototype is the category leader. People in the product market who use brands other than the category leader often list the category leader second when asked to list brands in the product category.

The idea behind positioning centrally is to have consumers either view your brand as the category prototype or as just as good as the category prototype but at a lower price. To do so, create a marketing mix such that your brand is perceived by consumers to deliver all of the main benefits normally thought of as characteristic of the category. This is not to imply that a brand positioning itself centrally in the category offers only the benefits characteristic to the category, just that it offers all characteristic benefits.

Not all brands are well suited for positioning themselves centrally in the category. Positioning a brand as central to the category works best for brands in two circumstances. First, the brand is the recognized category leader. As noted earlier, this brand may also be the category pioneer, who by virtue of being first represents the category in the minds of consumers. In other cases, it may be a brand that, for whatever reasons, overtook the pioneer brand and came to be the market leader. An example of the latter is Wal-Mart. Wal-Mart did not pioneer the large chain discount retailer. Arguably, the category as it exists today was pioneered by K-Mart. However, when one thinks of discount retailers, Wal-Mart seems to define the category. Another example is Budweiser, the “King of Beers.” Clearly the brand is defining itself as the one to which all other brands are compared.

Second, the brand is a so-called “me too” brand that delivers all of the same benefits as a category prototype, but features a significantly lower price. Attempting to occupy a central position in the category under these circumstances can be a very risky approach and one that often fails. A me too brand positioning centrally must often compete directly against the category leader. Such competitors often possess extremely strong reputations and an abundance of resources. For the “me too” brand, the key to positioning centrally is to assure consumers that the benefits offered by your brand are not only the same as those offered by the category prototype, but also that the quality of those benefits will be comparable.
A good recent example of the “me too” brand is Sparkle paper towels, which references big name brands such as Bounty in its TV ads. Sparkle claims that its paper towels do everything you need a paper towel to do, but at a lower price. “Do you really need a towel that’ll pick up a bowling ball?” the ads asks. They claim the brand delivers the same relevant benefits but at a much lower price.

**Position in a Differentiated Location.** Logically, if a brand decides not to define its product category so that it occupies the central position, then by definition it must position itself as different from brands in the central position. As noted above, by virtue of being first, brands that pioneer product categories become the category prototype and occupy the central position in the category. However, on occasion, these brands do not become the category leader. Studies (e.g., Rosenberg and Blair 1994) indicate that in categories where a nonpioneer brand held the category leader position, more often than not the leading brand did not attempt to position itself centrally. In other words, as a general rule, follower brands should try to differentiate themselves from centrally positioned brands.

The question for brands that decide to differentiate is how. Much of what we discuss in the sections to follow will provide some analytical tools to address this. However, initially, a follower brand’s decision on how to differentiate depends in part on what attributes that brands central to the product category have used to position themselves. If the centrally positioned brand positions on a single product attribute or benefit, then follower brands should find another attribute or benefit on which to position.

Price does not usually apply as an attribute on which to position for brands that differentiate. Recall in the previous section that so-called “me too” brands that position centrally against the market leader do so by claiming all of the benefits offered by the market leader, but at a lower price. Therefore, differentiating brands generally should select nonprice attributes as the basis of their differentiation.

Importantly, selection of an attribute upon which to differentiate may occur during the product’s development. In other words, marketing managers aren’t simply handed a completely developed product and told to find an attribute to position it. Instead, attributes key to positioning strategy are often designed into the product during its development. Indeed, many companies develop and brand products because they see the opportunity to position on attributes not yet available in existing brands.

As noted earlier, marketers position products in order to encourage consumers to favorably compare their brands to others in the product category. This means emphasizing differences between brands. The preceding discussion might lead you to believe that brands pursuing a differentiating positioning strategy in the category encourage consumers to compare brands while centrally positioned brands do not. This is not at all the case. First, centrally positioned “me-too” brands encourage consumers to compare their brand to the category prototype, but mainly emphasize differences in price.

More subtly, brands positioned as the category prototype also encourage the perception of differences. Through their position as category prototypes, these brands encourage consumers to view other brands as poor imitations. They suggest that consumers looking for the main
benefits of the product category can buy their brand with confidence because it represents the
category; it is the brand all others compare themselves to. In the common instances where the
category prototype is also the category leader, prototypical brands stress their leadership
position in the category as a point of difference. Thus, in some way or another all brands
encourage the perception of differences. The point to this discussion has been to offer some
initial comments as to how.

**Positioning Referent Decision.** All comparisons require some point of reference in order to draw
conclusions about the things being compared. The position referent decision helps consumers make the
comparisons by offering them a beginning reference point in order to compare brands. In this section,
we discuss three position referent decision possibilities. First is product-focused positioning. That is, a
brand positions by promoting particular attributes of its product. Second is user-focused positioning.
Here, a brand positions by promoting an image of the people who buy or use the brand. Finally, a brand
may adopt competitor-focused positioning. In this case, a brand positions by promoting unfavorable
dimensions of a competing brand or its users. We begin with product-focused positioning.

**Product-focused positioning.** The majority of brands position using a product focus. Brands
positioned this way will “locate” their brands in consumers’ minds on one and sometimes more)
benefits the brands provide. Simply put, a brand will select some product attribute or a benefit
it provides (say, benefit X) and then emphasize to consumers that “our product is the one that
provides benefit X.”

A product-focused approach does not exclude users. To the contrary, promotional materials
may feature users very prominently as they enjoy the benefit the product provides. The
difference, which can be subtle, is that the point of the positioning is to say something about the
product, to communicate directly the characteristics of the product and not the characteristics
of the user.

Some well-known advertising slogans based on product-focused positioning included Coke’s
“The Real Thing,” Chevy Trucks’ “Like A Rock.”

**User-focused positioning.** Here, the brands’ users take center stage as a point of reference for
positioning. The idea is to describe brand users in a favorable light because of their usage of the
brand. Naturally, user-focused positioning cannot ignore product benefits. Indeed, often
product benefits must be specified as an explanation for the favorable description of the brand
users. However, the focus of the brand positioning lies squarely on how the user should regard
himself or herself as a result of the brand’s benefits.

Familiar advertising slogans based on user-focused positioning include Jif’s “Choosy Moms
Choose Jif.”

**Competitor-focused positioning.** In very occasional circumstances, marketers may wish to very
directly use competitors as a positioning referent. All positioning attempts to encourage
consumers to at least infer differences between brands; however, competitor-focused
positioning goes a step further. With a competitor focus, marketers make strong reference to a
single competitor or a group of competitors. The Sparkle paper towel ad noted earlier certainly
does that. This does not necessarily mean calling them by name, though it certainly can.
However, competitor-focused positioning should leave no doubt in consumer’ minds who the referent is. Good examples of nationally known competitor-focused positioning used to be more difficult to find than other approaches; however, recent examples abound. Cable TV and satellite have been positioning against each other aggressively for several years. Progresso has advertised against Campbell’s soup; Dunkin Donuts against Starbucks for coffee. The list could easily get much longer. In years past, directly positioning against competitors by name was considered in poor taste. This is no longer the case.

Despite the ramped up competition reflected of competitor focused positioning, for most consumer product marketing, product-focused positioning remains the preferred approach. Indeed, it’s hard to go wrong drawing consumers’ attention to the benefits of your product. However, occasionally circumstances call for making either a user-focused or competitor-focused positioning referent decision. Rossiter and Percy (1997) suggest utilizing a user-focused positioning referent primarily when the user seeks social approval. However, this perspective may slightly oversimplify the situation. Consumers use many products under circumstances when no one else observes the use. Similarly, consumers do not discuss their use of many products with others, rendering social approval a moot point here too.

It could be that a user-focused positioning referent will work when the user seeks brands that reinforce how they wish to be perceived by others, regardless of whether others know what brand the user buys. For example, consider Jif peanut butter. Many purchasers of Jif rarely display their peanut butter for the approval of family of friends. Likewise, peanut butter brands rarely make for sparkling conversation. However, moms who enjoy being seen a “choosy” and wanting only the best for their children may find Jif’s positioning attractive even though their choice of brands remains unknown by her peers.

Conditions favoring a competitor-focused positioning referent include the presence of fierce competition between brands in a category. Note that the examples given above (cable versus satellite, Progresso versus Campbell’s, etc.) are circumstances where competition between rival brands or technologies is well defined and intense. Such conditions do not mandate this approach, but do present opportunities that favor its use. Likewise, when one brand is attempting to position itself on a benefit or attribute already claimed by another brand, the first brand may find using competitor-focused positioning useful.

Under the latter circumstances, marketers may wish to use what is referred to as “depositioning a competitor.” To deposition a competitor, a brand not only positions itself on the same attribute or benefit as the competitor, but does so by refuting the competitor’s claim to that position. For example, in an attempt to build up the prestige of its brand Royal Doulton china ran ads touting its royal British heritage by noting that its chief competitor, Lenox (a rather elite British sounding name) actually originated in New Jersey. In so doing, not only did Doulton take away much prestige from Lenox, but more firmly established its own in the minds of consumers.

**The Positioning Statement**

Brand positioning guides the development of all aspects of the marketing mix. Products are designed to deliver the positioning and reinforce the competitive differences. Products are priced to infer market leadership, market value, or both. Products are distributed in ways that are consistent with what the product should mean to consumers. And perhaps most visibly, products are promoted to communicate
the positioning to consumers. Thus, market offerings are built around positioning strategies, or positioning strategies are devised around market offerings. Whatever the case, the positioning itself is the strategy and not the execution. Positioning guides marketing mix execution.

The positioning strategy is often encapsulated in a small and succinct statement called the *positioning statement*. As noted at the beginning of these notes, a positioning statement is not an advertising slogan, although all marketing communications including advertising should emphasize the brand position. Marketers should regard the brand positioning statement as a strategic document that provides valuable guidance into many of the marketing mix variables. The brand positioning statement utilizes the positioning decisions made thus far as well as some of the market segmentation decisions discussed earlier.

One simple format that may be useful for writing the positioning statement follows (see Rossiter and Percy 1997). The format merely states some of the positioning and segmentation decisions in summary form.

1. (Brand or product name) should be the (central or differentiated) choice
2. for (target market description or label)
3. shopping for (product category)
4. because (brand or product) provides (benefit from position content).

Consider an example with Goodyear tires. Let’s suppose that, through research, the company discovers that deeper grooves is an attribute that resonates with consumers and that few companies talk about. Then let’s suppose that Goodyear plans to make all its tires with deeper tread grooves, so the positioning applies to all tires sold with the Goodyear Brand. Let’s also suppose that the target in question is safety conscious suburban moms and dads with young children. Under these hypothetical circumstances, a positioning statement might be as follows:

Goodyear tires should be the differentiated choice for safety conscious moms and dads shopping for passenger tires because Goodyear’s deeper grooves provide better traction on the road.

How Goodyear might execute that positioning statement is a separate question. They may promote being “In the Groove” or that “Safety is Groovy,” etc. That’s not the point. The point is that whatever its advertising and promotion looks like, it must convey the benefits of the deeper groove upon which it decided to position its product. Strategy guides execution, not the other way around.

**PRODUCT DESIGN OR RECONFIGURATION**

This section pertains largely to circumstances where marketers are considering new product introductions or reconfigurations of existing products. The question here becomes, what do we want the product to look like? Assuming the marketers have in mind a positioning strategy, it could be that a new product is needed to fulfill that strategy, or it could be that major modifications to the strategy are needed. In either case, the marketer must decide what the end product will look like. What features will it have? What characteristics will those features
have? As is always the case, these decisions may be made intuitively, without the assistance of data and analyses, or the manager can seek information and assistance through data. In this section we will learn about a very popular statistical procedure among many research analysts and marketing managers called conjoint analysis. Conjoint analysis is a procedure that combines elements of surveys with a bit of experimentation to find the optimal mix of attributes that maximize the probability of product selection.

### Conjoint Analysis Basics

From a methodological perspective, conjoint analysis is actually a relatively simple procedure to conduct. The idea is to present respondents with two versions of a product that differ on various features. Respondents then select the one they prefer. Then two more versions of the product are presented and respondents select the preferred option. When all possible pairwise combinations of versions of presented to respondents, then the analysis determines how much each feature contributes to the choice. This kind of confusing description begs or an example. For that, let’s turn to a capstone project this class conducted for the Cleveland Indians baseball team.

A few years ago, the Cleveland Indians wondered if some of their fans who dined and drank at nearby establishments might be lured to the ballpark for their eating and drinking. So the Indians introduced Rally Alley and the Rally Alley Beer Garden. The question they wanted answered was what the Rally Alley Beer Garden should look like. They wanted to consider three possible features. First, they wanted to know what kinds of beer to sell. Obviously, they had to feature Budweiser products, which was a major stadium sponsor. But should they include more upscale microbrew beers as well? Second, they wanted to know what kind of food to serve. They could serve food found with the in-stadium vendors or they could feature more upscale foods from the local downtown eateries. Finally, they wanted to know what kind of atmosphere the beer garden should have. Should be more like a relaxed neighborhood pub or should they introduce music and perhaps even a little dancing?

You’ll notice that in this example, the questions really hinge on whether the options are kind of upscale or premium (i.e., microbrew beer, gourmet food, upbeat club atmosphere) versus a bit more familiar baseball fare (major beer labels, stadium type food, relaxed pub atmosphere). Collectively this shows that the Indians were considering three variables (beer, food, and atmosphere) and two levels of each variable (familiar and premium). Note first that the variables are simply product attributes. This is what is almost always tested in conjoint analysis. Note also that the word “levels” is common terminology in conjoint analysis. It simply refers to the different values that a particular variable can take on. The attributes and levels are shown in Exhibit 5.

<table>
<thead>
<tr>
<th>Beer</th>
<th>Food</th>
<th>Atmosphere</th>
</tr>
</thead>
<tbody>
<tr>
<td>Familiar Level</td>
<td>Familiar Budweiser brands</td>
<td>Regular Stadium Food</td>
</tr>
<tr>
<td>Premium Level</td>
<td>Upscale Microbrews</td>
<td>Restaurant Fare</td>
</tr>
</tbody>
</table>

**Exhibit 5. Attributes and Levels for Conjoint Analysis Example**

Three attributes with two levels of each work out to eight possible combinations of the attributes. That is, two levels of beer × two levels of food × two levels of atmosphere equals eight possible combinations (2×2×2 = 8). The eight possible combinations are shown in Exhibit 6 on the following page.
Respondents were asked to compare all possible combinations of attributes and for each pairs, select the preferred option. That is, they compared one with two, one with three, one with four and so on. Then they compared two with three, two with four and so on. For every comparison, they made a choice between two options. Exhibit 7 below shows a sample screen respondents may have seen during the data collection. In this example, the respondent is comparing combinations one and five from the table above.

Respondent s would make choices for every possible combination of pairs. Obviously, conjoint analysis suffers from the same possible limitation as distance perceptual mapping in that the number of comparisons can get very large and potentially put off respondents, especially if you go beyond three or four attributes and two levels of each attribute. There are ways of randomizing the choices such that every respondent does not have to compare all possible combinations, however, these deigns require larger samples.

Note that the choices can be scaled to indicate varying strengths of preferences. That is, respondents can be asked if they “strongly prefer,” “somewhat prefer,” or “slightly prefer” one option over another. If such scaling is used, it is advisable to utilize a forced choice scale where no neutral option is provided.

The idea behind conjoint analysis is to require respondents to make choices.

---

<table>
<thead>
<tr>
<th>Combination</th>
<th>Beer</th>
<th>Food</th>
<th>Atmosphere</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Familiar Budweiser Beers</td>
<td>Familiar Stadium Foods</td>
<td>Relaxed Pub Atmosphere</td>
</tr>
<tr>
<td>2</td>
<td>Familiar Budweiser Beers</td>
<td>Familiar Stadium Foods</td>
<td>Upbeat Club Atmosphere</td>
</tr>
<tr>
<td>3</td>
<td>Familiar Budweiser Beers</td>
<td>Local Gourmet Fare</td>
<td>Relaxed Pub Atmosphere</td>
</tr>
<tr>
<td>4</td>
<td>Familiar Budweiser Beers</td>
<td>Local Gourmet Fare</td>
<td>Upbeat Club Atmosphere</td>
</tr>
<tr>
<td>5</td>
<td>Upscale Microbrews</td>
<td>Familiar Stadium Foods</td>
<td>Relaxed Pub Atmosphere</td>
</tr>
<tr>
<td>6</td>
<td>Upscale Microbrews</td>
<td>Familiar Stadium Foods</td>
<td>Upbeat Club Atmosphere</td>
</tr>
<tr>
<td>7</td>
<td>Upscale Microbrews</td>
<td>Local Gourmet Fare</td>
<td>Relaxed Pub Atmosphere</td>
</tr>
<tr>
<td>8</td>
<td>Upscale Microbrews</td>
<td>Local Gourmet Fare</td>
<td>Upbeat Club Atmosphere</td>
</tr>
</tbody>
</table>

Exhibit 6. Possible Combinations of Attributes and Levels

Exhibit 7. Sample Screen Layout for Conjoint Choice Question

Look at the two concepts for the Rally Alley Beer Garden shown below. Consider the beer, food, and atmosphere of each. Click the box of the one you would prefer attending.

<table>
<thead>
<tr>
<th>Concept One</th>
<th>Click the box below of the concept you prefer attending.</th>
<th>Concept Two</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Familiar Budweiser brand beers.</td>
<td>Prefer Concept One</td>
<td>● A variety of upscale microbrewed beers.</td>
</tr>
<tr>
<td>● Stadium foods from our usual vendors.</td>
<td>Prefer Concept Two</td>
<td>● Stadium foods from our usual vendors.</td>
</tr>
<tr>
<td>● A relaxed atmosphere like you’d find at a neighborhood pub.</td>
<td></td>
<td>● An upbeat club atmosphere with live music.</td>
</tr>
</tbody>
</table>

Exhibit 7. Sample Screen Layout for Conjoint Choice Question
Conjoint Analysis Results

The immediate goal of the analysis is to statistically estimate how much each attribute and level influences the choices respondents make. Thus, at a very basic level, conjoint analysis is mathematically similar to the multiple regression equation you saw in earlier notes. Instead of regression coefficients, conjoint estimates are called “partworths” or sometimes “utilities.” The names are intended to capture the idea that the different levels of each attribute is worth something or has some utility to choice. The basic functional form of the conjoint equation for a single respondent is shown below.

\[
\text{Preference} = \text{utility}_1(\text{concept}_1) + \text{utility}_2(\text{concept}_2) + \ldots + \text{utility}_k(\text{concept}_k) + \text{error}
\]

Each concept represents a unique combination of attributes and levels, as shown above in Exhibit 6. Importantly, the word “preference” implies a comparison, and that’s exactly what conjoint analysis does. Conjoint analysis does not tell you in an absolute sense how much or how little a person likes an idea. *Conjoint tells you how much people prefer ideas relative to other ideas.*

Note that conjoint differs from ordinary regression analysis in a couple of important ways. First, the dependent variable is binary for each comparison and nominal overall. Recall that dependent variables in ordinary regression analysis use ratio data, and with some limitations in the interpretation of parameters, can use ordinal data (which is common in marketing research). Also note that the independent variables are nominal, much as they are with analysis of variance. Thus, the functional form of the conjoint equation is very different in its estimation from the regression we’re accustomed to using.

Interpreting the statistical output of conjoint programs can be as difficult or as easy as you make it. But generally, you can glean the bottom line pretty easily. Exhibit 8 shows the output from the Indians Rally Alley research. The first thing you’ll notice is that the pairs of utility scores for each of the attributes are simply the positive and negative values of the same numbers. This is simply because the analysis utilizes only two levels of each attribute (premium and familiar). If attributes had three or more levels, the utility would likely have been spread among them unequally.

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Option</th>
<th>Utility Score</th>
<th>Relative Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>Familiar: Discounts on food normally available in the stadium</td>
<td>0.0140</td>
<td>3.149</td>
</tr>
<tr>
<td></td>
<td>Premium: Menu prices on food from popular area restaurants</td>
<td>-0.0140</td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td>Familiar: Happy hour prices on Budweiser Products</td>
<td>0.3069</td>
<td>69.629</td>
</tr>
<tr>
<td></td>
<td>Premium: Regular prices on upscale and microbrew beer</td>
<td>-0.3069</td>
<td></td>
</tr>
<tr>
<td>Atmosphere</td>
<td>Familiar: Relaxed like neighborhood pub</td>
<td>0.1224</td>
<td>27.621</td>
</tr>
<tr>
<td></td>
<td>Premium: Lively and fast paced party space</td>
<td>-0.1224</td>
<td></td>
</tr>
</tbody>
</table>

Exhibit 8. Conjoint Analysis Partworths for Cleveland Indian Rally Alley Example
As for the meaning of the results, two points are immediately evident. First, respondents are very value or price oriented. For all three attributes, the premium option receives the negative score. This may not be driven entirely by price, however. Baseball fans are already used to very high prices for food and drinks at ballparks. It may also be that, in Cleveland anyway, fans may have a more blue-collar sensibility about their baseball games. Second, beer is the primary driver of preferences. Note the magnitude of the utility scores is much higher for beer than for food or atmosphere. Indeed, food played little role in shaping preferences. The column labeled “Relative Importance” shows the percentage of the utility scores relative to overall utility. To see this mathematically consider the relative importance of the beer attribute. If you add up the positive utility scores \(0.014 + 0.307 + 0.122 = 0.443\) and then divide the utility score for beer by that sum \(0.307 ÷ 0.443 = 0.693\) you get the relative importance estimate.

The Indians responded to the information predictably. They simply created the Beer Garden and opened it a couple of hours before games. They put tables and chairs in so that the layout loosely resembled a pub. They stocked it with standard Budweiser products, and offered only a few simple snacks. They did not offer live music or spend much decorating the area. The response was sufficiently large to make the area a steady source of new revenue. However, it did not accomplish the initial objective of drawing pregame customers from downtown bars and restaurants. It could be that these fans viewed their visits to downtown establishments as non-interchangeable with hanging out at the stadium prior to the game. But the success of the Beer Garden to a subset of other fans did make the project a success.

With large enough samples, conjoint analyses can be performed on subsamples in order to see whether utilities differ by target market. This can be especially useful for products that enjoy broad appeal or have different uses. Consider products such as smartphones. Conjoint analyses can be used to create different models of products at different price points with the right mix of attributes at the right levels of each.
REFERENCES

The idea of positioning is articulated in


The material on positioning decisions is adapted from


A little of the material on conjoint analysis came from