ABSTRACT

A normative model for strategic positioning is proposed (industry positioning, market positioning and psychological positioning), integrating strategic corporate planning to marketing planning and operations. Aiming to unify the communication effort, based on competitive advantages that differentiate the company's offer.

Four case studies were conducted at big Brazilian food industry companies, showing that many features of the model have been adopted by companies.

A critical feature is the senior marketing manager’s ability to have both a strong strategic understanding and good communicator skills to transmit the vision and the strategic culture to the marketing team.

Introduction

With today's growing globalization trends, companies in Latin America have been facing a particular socio-economical context, already commonplace in other regions of the world.

The creation of economic blocs like Mercosul, NAFTA, European Community and others, with the resulting reductions in trade fees and bureaucracy, resulted in a geometrical growth in international trade relations and interdependence, and also tougher competition. Markets were invaded by Asiatic products with higher quality and lower prices, plants migrated to lower cost countries and reduced their prices, big companies expanded to more and more countries, Latin-american companies are increasingly facing European and American competitors, increasing overall competition.

At the same time many countries also experimented internal market and economical changes as, e.g., reductions in purchasing power, that led to a more cautious, rational and demanding consumers.

As a result companies have to enter the very competitive international market, while competing internally with local competitors that have become tougher and are joined by global competitors coming from other markets.

Companies have to find a competitive answer to this growing competitive pressure, identifying ways on increasing competitiveness with higher quality, lower costs, technological breakthroughs, innovation, and higher productivity, in a quest to find and explore their competitive advantages.

Bigger companies have extended their activities to a global scale, exploring gains from economies of scale and learning curves. But competing only on costs and scale is not an option for most of the companies. They have to find ways of differentiating their offer, addressing consumer needs in a better way than their competitors.
As differentiation becomes ever more important, there is also an increasing pressure on academics for innovation and excellence in management techniques, to supply companies with new strategic analysis tools to support their decision processes.

The cornerstone of successful differentiation is the right definition and the communication of the positioning strategy. In this article we present and discuss the concept of positioning, propose a normative model grounded on the literature, and analyse four cases to observe how close the model is to today's practice.

The Concept of Strategic Positioning

In this article we discuss the concept of positioning, which has been more commonly associated to the communication mix, from the viewpoint of strategic marketing.

In brief, the origins of the concept could be traced to the economists' works on market structure, competitive position of the firm and the concepts of substitution and competition among products and, in marketing, to the first works on product differentiation.

The concept of positioning has evolved since it was discussed by Ries and Trout (1981), when they built on Reeves' (1961) idea of USP (Unique Selling Proposition). Both stressed in their works the importance of finding the right definition of a product and the proper positioning message for the communication mix. Their main concern was restricted to this component of the marketing mix.

Wind (1982:74-75) extended the discussion of the concept, elaborating on other usual meanings of the word position, including position in the market and position in the consumer's mind, but didn't enter into further details. He defined positioning of a product or a brand as the position it occupies in a given market, covering the meanings of product perception and mental attitudes towards the product, but also as perceived position inside a rank. His definition had a strategic dimension as he considered a competitive ranking in the market although strategic implications were not discussed in more depth.

A strategic approach was adopted by DiMingo (1988) who proposed a positioning process conducted in two stages, called market positioning and psychological positioning. Market positioning comprises the segmenting effort, initiated by qualitative research that helps enhancing the understanding of the market and consumers, their attitudes, values and behaviour, and suggests measurement variables for the quantitative research. The resulting data is then analysed with the help of multivariate tools resulting in the identification and description of the existing segments in the market. Evaluation and selection of segments was again just briefly discussed. Psychological positioning follows, with the definition of the best message to present and differentiate the product in the market. The process of differentiating a product or company from their competitors should be based on true existing dimensions - relevant products or corporate values for their consumers customers- identified in the previous stage.

The process of positioning is a natural sequence to the segmentation process. All the richness of information collected and analysed at this former stage should direct the later. The aim at this point is to design and communicate to the market a bundle of benefits or values, expressed by product, price, distribution and all the mix of competencies and support services of the company. Now the company begins to understand the importance of segmenting the marketing, of evaluating the resulting segments, of identifying those in which they hold competitive advantage. It is paramount that the communication stresses these points in all possible ways, what implies in involving the whole marketing mix. All elements bear a message to the market - the price can represent quality or good value-for-money, the point of sale represents the style and values of the company, the package has to coherent with its quality and value, the promotion mix has to suit the positioned image, all product features have to add value and cater for consumers' needs. Every element has to add value and contribute to the overall effort of offering these segments the best option, winning the battle against the competitors. In the same way, everyone in the
company should be aware of their impact on the final consumer perception. That means not only those that have direct contact with them, providing service, personal sales, information, but also all others whose decisions may affect the way the product provide perceived value to consumers.

It is always possible, depending only on identifying and using the company's unique competencies, to find ways of offering solutions to consumers' needs. It doesn't have only to be through new products, there's a whole range of options covering e.g. better or swifter service, improved delivery, extended warranties, quality personal selling, convenient distribution, and much more.

At about the same time DiMingo proposed market and psychological positioning, Kotler (1988) discussed what he called STP marketing: segmenting, targeting and positioning. The concept evolved to a lengthy segment of one of his recent books (Kotler and Armstrong 1996). These three stages break down the market into homogeneous segments, evaluate and select those that fit the company's interests while presenting potential profitability, and defines the message to be communicated to them. The proposal is similar to DiMingo's, although with more emphasis on selecting and communicating with the market.

In this article we build on these contributions, stressing the increasing need companies are facing for more planning effort, more strategy discussion, and more synergy and coherence in activities. Starting from corporate strategy, positioning strategy should evolve and guide all other activities, rooting on this first strategic decision: choosing criteria for segmentation, identifying segments, selecting target segments, developing products and marketing programmes specific for each segment, choosing and communicating the proper message about each product to each target segment. The final total image will be a result of this marketing process over the consumer composed by environmental factors and the consumer perception.

Choosing the target industries and markets and deciding how to deal and communicate is so important for the company's future that, at some stage, everyone in the company should be involved in the process. Companies have to be very precise and clear about what they tell the market, so special care should be devoted to integrating strategic decisions to marketing actions.

Cases of companies that were not clear about their strategies and did not incorporate them in their marketing effort have resulted in lack of communication and products dissociated from consumers' needs, knee-jerk and me-too products that didn't survive long. There's no longer space at the market for products that don't deliver the promise, they are soon abandoned by consumers.

In this quest for further strategic integration we propose a normative model that incorporates the corporate, the market and the psychological levels, and conduct the analysis of four case studies to verify how close to this model fit today's companies processes.

A Normative Model for Strategic Positioning

As discussed previously, companies have to integrate their efforts to design and communicate their positioning to consumers. Everyone in the company should have the same clear view of the benefits being offered to consumers and all elements of the marketing mix should be coherent with this offer. This vision should permeate the company, from the corporate to the operational levels.

That involves a theoretical integrated model for developing strategic positioning that cover these levels: the corporate, with the definition of the mission, evaluation of skills and competencies, the target industries, the competitive advantages of the company; the market, with selected target segments; and the consumer, with their needs, attitudes, and behaviour.

The three stages of the process, grounded on the literature previously discussed and detailed below, covers the industry positioning, with the identification of criteria of competitive success, what consumers need and want, company's strengths and weaknesses and competitors, threats
and opportunities; the *market positioning*, with the identification, evaluation and selecting of segments; and the *psychological positioning*, with the definition and communication of the need-satisfying attributes and competitive advantages of the product or service.

**Industry Positioning**

This initial stage aims to provide the general bases for positioning. The company has to identify and understand the critical factors of competitive success, and identify which industries are attractive and the company has competitive advantages.

The first step is the review and discussion of its formal statement of the mission, goals, objectives and growth strategies.

The analysis of the industry can be conducted with the help of the conceptual model of Porter (1989). There are five competitive forces that defines the rules and the long term activities in the industry - competitors, potential entrants, substitutes, buyers and suppliers - each one representing a potential threat to the industry's long term profitability. The analysis of each of them provides the company with a overall understanding of the structure and dynamics of the industry.

The profile of the competitors has a strong influence on the potential of the market. The threat of intense rivalry, from strong, numerous, aggressive competitors, specially in stable or declining industries, can drastically reduce profitability.

Not only the existence of competitors, but also the mobility threat, the possibility of swift and easy ways of getting into the market resulting from low barriers to entry, represents a risk to those companies that are already inside. Intensive capital or technology industries can present strong deterrence factors to most potential entrants. The same idea applies to barriers to leave the industry. Industries where it is necessary a strong resources commitment to remain and operate will be less attractive.

A third force are the substitutes. The potential or real threat of substitutes can change the balance of the industry increasing the operating risk. Industries where, e.g., innovation factors can be kept under control will be more attractive.

Suppliers' bargaining power can influence the price and cost structure, as strong suppliers have more power to press for increase in supply prices, reductions in quality or service levels. On the other hand, weaker suppliers can be used to leverage the operation in the industry.

Buyers' (consumers, or costumers) bargaining power are another force to be considered. If buyers have bargaining power they can press for lower overall prices, higher quality, higher service levels, with resulting higher competition and less profitability.

A market opportunity is a situation that is or can become attractive, profitable and offer the company a sustainable competitive advantage, if the necessary managerial actions are planned and implemented. The analysis of the industry and the identification of a set of attractive opportunities can be detailed with the help of a matrix where each alternative is rated based on a set of evaluation criteria, as, e.g.:

- strength of the business, sales potential, growing rates, sensibility to environmental, economical, social, legal, seasonal factors, technology;
- company characteristics, financial strength, general costs, production costs, profitability, functional areas competencies, management quality, skills, corporate image, history, mission;
- consumer profile, purchasing and usage behaviour, needs, brand loyalty, expected benefits;
• market localisation, selling costs, market average prices, market share, market and product range coverage, product differentiation, barriers;
• suppliers’ profile and influence, costs of changing suppliers;
• competitors' strength, power, market control;
• distribution channels, logistics;

and others, all providing a perspective on the competitive position of the company and competitors in each industry.

It is important to notice that, even if the industry presents the right size, growth rate, and attractiveness, the company must have the necessary skills, competencies, resources and sustainable competitive advantage to be able to attain success in this industry.

As a last remark, it should be stress that the evaluation process, as well as these stages, are not linear, but dynamic, with loops that feedback the process, as decisions are made, evaluated and revised.

Market Positioning

The previous stage identified industries that are attractive to the company and fit their mission, resources and capabilities. Having selected the industry, the company recognises now that each industry has a market composed by consumers with different needs and behaviour, that demand different solutions for their problems. They are also recognising that they don't have enough resources to cater for all these segments, neither are they all profitable enough to satisfy the company's opportunity cost. Segmentation means the company understands the importance of the strategic choice of concentrating efforts on the most attractive, fitting, synergetic segments, optimising the allocation of marketing resources.

In order to segment the market, it is necessary to understand the market structure and their consumers, how they choose between products and what they look for in them. A wide range of data is collected and analysed, and different statistical techniques can be used to identify different segments in the market.

Qualitative research is usually employed to gather initial information. Two of the typical techniques used to explore motivation, attitudes, and consumer behaviour are the focus groups and the in-depth interviews.

Focus groups are organised discussions in small groups moderated by an expert that directs the conversation to different aspects of the buying and usage process, the evaluation of competitors in the market and the perceived attributes of different options in the market. The group is composed by a small number of people with a similar profile to a typical consumer. In-depth interviews are individual interviews extensively conducted by an expert to probe all aspects of consumer behaviour associated to the product of interest.

The results offer a rich profile of the consumer behaviour and are used to design a quantitative research to statistically describe the market and identify different segments. A data collection tool, usually a questionnaire, is designed to measure the evaluation of product attributes, to rank attribute importance, to gauge brand awareness, product perception, company and competitors image, buying and usage behaviour, demographics, mediographics and psychographics profiles, and other variables of interest.

The resulting mass of data is stored in a database and analysed using different statistical tools, aiming. Data reduction techniques as factorial analysis and principal component analysis are used to select a reduced set of variables that present higher explanatory power of the consumer behaviour. Analysis of correlation, MDS (multidimensional scaling) and cluster analysis are
among the techniques usually employed to identify and select internally homogenous and externally heterogeneous segments. Cross-tabulation by attitudes, behaviour, demographics, mediographics, psychographics and other variables can provide a detailed view of the characteristics of each segments, that can be described with discriminant analysis models.

After identifying the segments it is necessary to evaluate and select the most attractive. Kotler (1988) proposes five selection strategies:

- **Concentration on a single segment**, when the company has a natural affinity with segment and not enough resources to service others;
- **Selective specialisation**, when it is selected those segments that are attractive, and fit the objectives and resources of the company. This strategy has as the advantage of spreading the risk;
- **Product specialisation**, when the company manufactures a single product directed to different segments;
- **Market specialisation**, offering different solutions to the needs of a segment
- **Total segments coverage**, with the option of having the same or different strategies for all segments;

**Psychological Positioning**

This stage aims to design a unique corporate or product image strongly based on corporate and market positioning factors detailed in the previous topics, to be used in the communication effort. It should be persuasive, arguing on behalf of the product, with true credibility and conducting the consumer through the stages of the communication and consumption process, creating awareness, raising interest, assisting in the buying decision, trial and patronage.

The positioning process should cover the whole marketing mix, including, among others, product features package, price, place, promotion - it is important to remember that everything from the company that reach the consumer communicate.

For effective communication with the market the message should attract the attention, use common signs with consumer, finding the symbolic language that translates in a clear language the selected message, raising psychological needs and presenting the product as the solution for attending them, illustrating consumption situations and moments.

The content of the message has to express competitive advantages of the company, building an image of a company that can offer better value to the market, in comparison to competitors.

Competitive advantages can be found inside and outside the company. The internal analysis can be helped by Porter's (1989) concept of the chain value of a company . All activities and interactions are considered in a systematic way, looking for understanding of cost structures and sources of real and potential differentiation. The company is divided into two groups. The first one consider primary activities, as the development, manufacturing, sales and transfer of products to consumers, and after sales support. The second one include support activities, such as purchasing, supply, technology development, human resources management, infra-structure, general management, finances, legal services, etc.

The external analysis look for competitive advantages at the market and in relation to competitors, analysing leader products, preferred services, necessary human resources skills, comparative image, and so on.

A few, if not a single message, should be identified and selected to express to consumers, to project the message into consumers' minds, resulting in distinct perception, that the company has a true competitive advantage, that there is something that they really can do better or cheaper than their competitors.
Six main positioning strategies are available to companies (Wind 1982):

- on *specific product attributes*, on performance on specific, tangible or abstract attributes
- *benefits, needs, problem solution*, not only performance, but the consequences of the outcomes
- *usage situation*, the best for a specific situation
- by *user category*, a group of consumer with common characteristics, as life style, personality traces, history of life, stage of life, etc.
- *against other product*, comparing, implicitly or explicitly, against a competitor, either to help understanding or to prove better
- *product class dissociation*, common with new products, to differentiate from existing ones

Case Studies

The proposed model was developed based on a perceived need for a positioning normative model as a strategic answer to the increasing competition in the market. It was based on the proposition that it is necessary to better integrate all company efforts at different levels in order to remain competitive and to communicate with the market in an efficient way. The model recommends integrating the corporate, the market and the psychological stages of strategic positioning in order to identify and select the message that best express the company's competitive advantages.

In order to verify if this proposition is sound and to compare the normative model to existing paradigms in the market, four case studies were conducted.

Methodology

Exploratory case studies were conducted in São Paulo, Brazil, in order to identify how companies design their positioning strategies, to compare the normative paradigm with practitioners' and to evaluate how each would perform in today's market.

An interview script was designed, based on the sequence of activities discussed in the previous topics:

- *company's profile*: history, age, founder, origin of capital, number of employees, sales, profits, market share, product lines, organisational charts;
- *marketing area profile*: chart, functions, number of employees, budget, organisational charts;
- *interviewed profile*: educational background, age, responsibilities, previous experiences;
- *corporate strategic planning*: mission statement, SBUs, business portfolio analysis, information systems, evaluation processes, control systems;
- *marketing strategic planning*: marketing information systems, marketing opportunities screening, analysis and evaluation, segmentation processes, product development and management, marketing decision processes, marketing control systems;
- *communication processes*, advertising agencies selection, briefing, interaction, programmes;

Sample

The unity of analysis for this study was selected at three levels: sector of activity, company and interviewed position. At the sector of activity level, companies from the food sector were chosen because of their importance to Brazilian economy. They were selected from the biggest 100 companies in the country, under the assumption that bigger companies, operating for more than five years at international level, would have a tried-by-practice model for exploratory study. Companies located at the City of São Paulo were selected because the city is a big economical centre and because of easy of contact and access. Out of the five ranked food companies located
in São Paulo, one was not available for interview, so the final study was conducted in the remaining four companies. Inside each company the person that would be usually most involved both with marketing and corporate strategy activities was contacted. They were typically marketing directors or managers, responsible for both acting as marketing specialists, supplying marketing intelligence and services at strategic planning committees, and managing marketing activities at the functional level.

The final sample was composed by:

<table>
<thead>
<tr>
<th>Name</th>
<th>Sales (in US$ millions)</th>
<th>Origin of capital</th>
<th>Interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ceval</td>
<td>1823</td>
<td>Brazil</td>
<td>Marketing Manager</td>
</tr>
<tr>
<td>Sadia</td>
<td>1502</td>
<td>Brazil</td>
<td>Marketing Director</td>
</tr>
<tr>
<td>Refinações de Milho Brasil</td>
<td>906</td>
<td>USA</td>
<td>Business Manager</td>
</tr>
<tr>
<td>Bongrain</td>
<td>* 250</td>
<td>France</td>
<td>Marketing Director</td>
</tr>
</tbody>
</table>

Source: Exame Maiores e Melhores 1997
(* estimated)

Data Collection

The wealth and complexity of information collected at this study was also due to the fact that these interviews were part of a wider research project interested in other variables and research hypotheses. An initial desk research was conducted to gather general information on these companies from newspapers and business magazines. A pilot script was tested at a different company and some improvements incorporated to the final version. Personal individual interviews were scheduled in advance by phone, supported by a letter from the University stating the objectives of the study, and conducted by the author. They took on average four hours to complete and were conducted guided by a script with detailed discussion topics (see methodology) based on the normative model.

Respondents were asked to describe and detail the company's performance at each of the listed activities, and to give their opinion on their usefulness and effectiveness. In particular, they were asked to compare their routine with the proposed model task and to give their opinion if changes or adaptations to suit the normative model would be adequate to their company and activities.

Results

The interviews suggested that these companies' strategic planning processes and the normative model have many features in common.

Strategic planning and review is conducted in a collegiate from different areas, bringing together marketing, finance, production, human resources and other functional areas, meeting periodically to discuss policies and projects.

The marketing senior executive takes part both as conjoint decision maker and as a market expert, supporting analyses and decisions with information and guidance on the market. These companies have a strategic information system that interacts and overlaps with other area information systems, like the marketing one. Information derived from these different systems are also used to support strategic decision.

The main tasks of this committee includes industry potential studies, and development of market estimates that are used for plant design, budget, cash flow, human resources and investment
decisions and planning. Each business plan is developed at the functional level, generating a marketing plan and later a product marketing plans with communication, promotion, research, distribution plans.

All the information from decisions at the corporate level, the understanding of the strategic culture, guidelines and policies are transmitted to the functional level through the senior marketing executive. Other members of the marketing area may participate at some moments, usually providing marketing intelligence, but this is not enough to be involved in the process itself.

All respondents stressed their critical role as the representative of the company's strategic philosophy at the marketing department. They understand they may be a bottle-neck in the communication flow and see as their responsibility to spread the strategic orientation to all subordinates. These executives evaluate the process as efficient, bringing coherence and synergy to positioning decision, but see this interaction as a critical feature of the process. If he fails to communicate properly there is a bigger risk of failure with undesired consequences. Up to a certain degree, it depends on the marketing senior executive to act as a motivator, bringing into the department the strategic vision of the company to all functional activities. In these companies this routines have been formalised through manuals and internal documents to incentive clear communication and standards.

After the industries have been selected at the corporate level the positioning process moves to the marketing area. Market positioning, with evaluation and selection of segments, and psychological positioning, with the selection of competitive advantages to be communicated to consumers, based on potential and synergy with company's skills competitive advantages, are developed at the functional level.

This suggests that companies should consider in their hiring and developing policies for human resources that these positions in the company should be taken by professional with above-average understanding of strategic issues and communications skills. This was reflected in the respondents' background. They all have previous experience in multinational companies that employed, at least partially, this integrated methodology and they have seen it proved in practice. They have adapted the process for some degree to their local culture and characteristics, but understand the importance of co-ordinating efforts to improve the allocation of resources and better communicate with the market.

Another common feature of these companies was that they all are or have been assisted at some stage by consultancy companies that have implemented the integrated strategic planning culture and process with results have justified the methodology.

While the segmentation effort is jointly conducted by a small group in marketing, composed by the senior marketing executive, product managers and a marketing research manager, the psychological positioning is an almost exclusive task of the product manager, that based on information and decisions from the previous stages, develops a communication plan, briefs the advertising agency, and follows up the implementation.

As the flip side of integration, product and marketing managers are supposed to act on financial decisions and respond to the planning committee for financial performance. Their actions should result in a pre-established planned level of sales and market share, that justify investments in manufacturing, product profitability that offers return on investments above the company's cost of opportunity, and share of mind with consumers perceiving the desired image specified at strategic level.

**Conclusions**

Growing globalization trends have heightened pressure on companies and academics for strategic tools for increasing competitiveness.
A normative model for strategic positioning was proposed, integrating strategic corporate planning to marketing planning and operations. Its aims was to unify the communication effort, based on competitive advantages that differentiate the company's offer.

At the industry positioning stage, potential industries to compete are chosen based on Porter's model of the five competitive forces.

The market positioning identifies, evaluates and chooses segments, based on qualitative research, used to explore motivation, attitudes, and consumer behaviour, and quantitative research, to reduce the data to a manageable number of relevant variables that measure, describe and discriminate the different segments.

At the psychological positioning stage, competitive advantages to communicate are chosen. Four case studies were conducted at big Brazilian food industry companies, in order to identify how companies design their positioning strategies, to compare the normative paradigm with practitioners' and to evaluate how each would perform in today's market.

These interviews, following a script based on the normative model, showed that many features of the model have been adopted by companies.

The corporate strategic planning is conducted by a committee. The senior marketing manager is a member both as joint decision maker and as a market expert, supporting analyses and decisions with information and guidance on the market.

A critical feature is the senior marketing manager ability to communicate the strategic vision to the marketing team, as due to the hierarchical structure only the senior marketing executive takes part in the first stage. As main implications, the holder of this position has to have both a strong strategic understanding and good communicator skills to understand and transmit the vision and the strategic culture to the marketing team. It is thus fundamental that the senior marketing have generalist skills to allow him to take marketing actions both at strategic and functional level.

**Bibliography**


