

Chapter 3

Positioning Services in Competitive Markets

GENERAL CONTENT

Multiple Choice Questions

1. Positioning strategy is concerned with _____, _____, and _____ distinctive differences.
 - a. finding, targeting, eliminating
 - b. creating, communicating, maintaining
 - c. praising, highlighting, saturating
 - d. anticipating, reducing, minimizing
 - e. purchasing, financing, consuming(b; Moderate; p. 64)

2. In marketing terms, _____ means providing a relatively narrow product mix for a particular market segment.
 - a. cantor
 - b. synopsis
 - c. focus
 - d. phyla
 - e. class(c; Easy; p. 64)

3. Which of the following is NOT one of the four basic focus strategies?
 - a. Service focused
 - b. Unfocused
 - c. Fully focused
 - d. Refocused
 - e. Market focused(d; Easy; p. 64)

4. A _____ is composed of a group of buyers who share common characteristics, needs, purchasing behavior, or consumption patterns.
 - a. target class
 - b. class
 - c. focal segment
 - d. market segment
 - e. target segment(d; Moderate; p. 67)

5. A(n) _____ is one that a firm has selected from among those in the broader market and may be defined on the basis of several variables.
- general segment
 - segmentation field
 - target segment
 - holistic segment
 - mass customization

(c; Easy; p. 67)

6. The same individuals may set different priorities for attributes according to all EXCEPT which of the following?
- The purpose of using the service.
 - The cost of the service.
 - Whether the individual is using the service alone or with a group.
 - Who makes the decision.
 - The timing of use.

(b; Moderate; p. 68)

7. Which of the following is the best example of a determinant characteristic for airline travel?
- Oxygen masks
 - Plane size
 - Availability of frequent flier miles
 - Having cocktail service
 - Floation devices

(c; Easy; p. 69)

8. Which of the following is NOT one of the four principles of positioning according to Jack Trout?
- A company must maintain a strong labor base.
 - A company must establish a position in the minds of its targeted customers.
 - The position should be singular, providing one simple and consistent message.
 - The position must set a company apart from its competitors.
 - A company cannot be all things to all people—it must focus its efforts.

(a; Moderate; p. 70)

9. Failure to select a desired position in the marketplace—and to develop a marketing action plan designed to achieve and hold this position—may result in which of the following possible outcomes?
- The organization (product) is pushed into a position, where it faces indirect competition from a weaker competitor.
 - The organization (product) is pushed into a position that nobody else wants, because there is little customer demand.
 - The organization's (product's) position is so blurred that nobody knows what its supplementary aspects really are.
 - The organization (product) becomes obsolete before demand can be built.
 - The organization (product) cannot sustain growth in lieu of external resources.
- (b; Moderate; p. 72)
10. Market analysis addresses all of the following factors EXCEPT _____.
- overall level of demand
 - trend of demand
 - government regulations
 - geographic location of demand
 - market analysis addresses all of the above factors
- (c; Easy; p. 73)

True/False

11. It's usually a good idea for firms to try to appeal to all potential buyers in a market, because customer variety leads to full capacity.
(False; Moderate; p. 64)
12. A fully-focused organization concentrates on a narrow market segment, but has a wide range of services.
(False; Moderate; p. 64)
13. A service-focused firm offers a narrow range of services to a fairly broad market.
(True; Moderate; p. 64)
14. One of the reasons why firms with a narrow product line elect to serve multiple segments is to create a portfolio of customers that hedge against low demand risks.
(True; Moderate; p. 66)
15. A target segment should only be selected on the basis of their sales and profit potential.
(False; Moderate; p. 67)
16. No service attribute can be easily quantified because of the intangibility of services.
(False; Moderate; p. 69)

17. Positioning plays a pivotal role in marketing strategy, because it links market analysis and competitive analysis to environmental analysis.
(False; Challenging; p. 71)
18. The objective of corporate analysis is to identify the organization's resources, any limitations or constraints, its goals, and how it values shape the way it does business.
(True; Moderate; p. 73)
19. The best way to anticipate possible competitive responses is to identify all current or potential competitors and conduct an internal corporate analysis for each of these competitors.
(True; Moderate; p. 74)
20. Position statements change in response to changing market structures, technology, competitive activity, and evolution of the firm itself.
(True; Easy; p. 74)

Short Answer

21. What are the two dimensions along which a company's focus can be described?

Market and service.

(Easy; p. 64)

22. What are the characteristics of an unfocused service category?

Serving broad markets and providing a wide range of services.

(Moderate; p. 65)

23. Distinguish between important and determinant attributes

Important attributes represent what customer's value in a service, whereas determinant attributes are those that actually determine buyers' choices between competing alternatives.

(Moderate; p. 69)

24. What are the three types of analysis to consider when developing a market positioning strategy?

Market analysis, internal analysis, and competitor analysis.

(Moderate; p. 73)

25. What is a position statement?

A position statement is the outcome of integrating market analysis, internal corporate analysis, and competitor analysis. It articulates the desired position of the organization in the marketplace, and if desired, that of each of the services it offers. (Challenging; p. 74)

Essay

26. Explain what a fully-focused and a market-focused strategy are and discuss the opportunities and risks inherent in selecting each strategy.

A fully-focused organization provides a limited range of services to a narrow and specific market segment. Opportunities in this strategy include developing recognized expertise that retains a competitive advantage over other firms. A risk is that the market may be too small to generate the volume of business necessary.

A market-focused organization concentrates on a narrow segment with a wide range of services. This strategy offers the opportunity to sell multiple services to a single customer that enhances the value of promotional efforts. Managers need to ensure that the firm has the ability to excel at many different tasks and understand what services go together per customer purchasing practices and preferences.

(Challenging; p. 65-67)

27. Discuss how a positioning map could be applied to the hotel industry given a competitive threat.

A hotel might start by focusing on a specific market, such as business customers. They would also select specific attributes about the hotel to assess, such as room price, level of personal service, level of physical luxury, and location. Scales are then used to establish the current level of each attribute for both the focal hotel and the competitors, which allows the positioning map to be drawn. Pairs of attributes are then combined to create two-dimensional positioning maps. Clusters of hotels can then be identified and a differentiable positioning strategy established for the focal hotel.

(Moderate; p. 76-77)

APPLICATION CONTENT

Multiple Choice Questions

28. Bright Horizons strategy included which of the following?
- Marketing services to employers instead of parents.
 - Hiring inexpensive labor.
 - Commoditized service offerings.
 - Heavy regulatory oversight.
 - All of the above are strategies employed by BH.
- (a; Moderate; p. 63)
29. Rentokil Initial has developed an extensive product range that includes all of the following EXCEPT _____.
- package delivery
 - interior plants landscaping
 - uniform rental and cleaning
 - washroom attendant service
 - mobile paper shredding service
- (e; Moderate; p. 65)
30. Grant Thornton, the fifth largest firm in the accounting industry, has successfully positioned itself as offering _____ and having _____.
- high investment yield; “a passion for the business of accounting”
 - limited financial obligation; “a desire to exceed expectations”
 - easy access to partners; “a passion for the business of accounting”
 - low employee turnover; “a desire to exceed expectations”
 - high asset turnover; “a passion for the business of accounting”
- (c; Challenging; p. 71)
31. UPS repositioned itself by _____ and adding the tagline _____.
- extending their business model; “Save some Green by going Brown”
 - moving beyond the existing emphasis on the color brown; “Synchronizing the world of commerce”
 - changing its market-segmentation strategy; “The reason is Brown”
 - adding customization to its online offerings; “Brown with envy”
 - altering customer perceptions through personalization; “Changing the minds of the competition”
- (b; Moderate; p. 80)

32. UPS has had to develop communication strategies to change perceptions and increase awareness about _____.
- a. across-the-board rate increases for all services that are a result of recent rise in fuel costs
 - b. new same day delivery routes to most major cities across the continental US
 - c. other services they offer, including supply chain management and financial services
 - d. eco-friendly protocols, including hybrid trucks and packaging material recycling, that have been implemented
 - e. cuts in employee benefits
- (c; Moderate; p. 80)

True/False

33. Lasik eye surgery clinics and Starbucks follow a market-focused strategy, serving a broad customer base with a largely standardized product.
(False; Moderate; p. 65)
34. Rentokil Initial allows clients to purchase sector-specific solutions that deliver multiple services but feature just “one invoice, one account manager, one help desk, one contract, and one motivated service team.”
(True; Easy; p. 66)
35. Capsule hotels chains have been launched in many countries, including New York, London, Amsterdam, and Malaysia.
(True; Easy; p. 70)
36. Bright Horizons chose a positioning strategy that emphasized low cost childcare.
(False; Moderate; p. 71)
37. Grant Thornton is an example of a “tier two” accounting firm that positions itself on offering better service and/or lower prices.
(True; Moderate; p. 71)

Short Answer

38. Give an example of a company that utilizes a fully focused strategy and explain how.
- Shouldice Hospital – performs only one type of surgery (hernia).
(Moderate, p. 64)

39. Give an example of a company that utilizes a market focused strategy and explain how.

Rentokil Initial – provides a large range of services due to outsourcing trend.
(Moderate; p. 64)

40. Give an example of a service focused company and explain the strategy.

Starbucks serves a large customer base with a largely standardized product.
(Moderate; p. 65)

41. Who does Banco Azteca cater to and why?

Banco Azteca targets the 16 million Mexican households who earn \$250–\$1,300 per month because this segment is of little interest to other banks.
(Challenging; p. 67)

42. Explain what is meant by a capsule hotel.

Cupboard-like rooms developed in Japan that cost far less than conventional hotel rooms and are typically targeted to serve the temporary needs of business customers.
(Moderate; p. 70)

Essay

43. Discuss the analysis that took place to develop Bright Horizons and the ways in which they overcame unappealing industry characteristics.

Bright Horizons (BH) is a childcare company that was born from an industry with many weaknesses. The firm's analysis showed an industry with no barriers to entry, profit margins were low, the industry was labor intensive, there were low economies of scale, there was no clear brand differentiation, and there was lack of regulation in the industry. Instead of establishing new independent centers, BH formed partnerships with companies to provide daycare services to employees with small children. The advantages over traditional methods included a powerful, low-cost marketing channel, a partner to supply the funds to build and equip the centers, a partner with a vested interest in the success of the programs, and proximity benefits to parents.

(Moderate; p. 61)

44. Discuss who Banco Azteca's customers are and some of the unique ways Banco Azteca goes about servicing them.

Banco Azteca is a Mexican bank opened in 2002 that targets consumers with monthly incomes of \$250–\$1,300, working at jobs such as taxi drivers, factory hands, and teachers. Only one in twelve of these workers have a savings account. The bank is located inside more than 900 Elektra appliance stores, but also takes its loan service to people with its 3,000-strong motorcycle agents. Many of the appliances are bought on credit and loans may often use customers' previously purchased possessions as collateral.

(Moderate; p. 67)

45. Describe Yotel's positioning strategy and how it is able to successfully accomplish it.

The positioning strategy of this capsule hotel company focuses on offering different classes of rooms called "cabins." These were derived from capsule hotels in Japan and first-class cabins on British Airways. Premium rooms include a double bed that can be converted to a couch at the touch of a button, tables that accommodate hand luggage, a luxury bathroom, a desk that unfolds; and a host of technological accoutrements. The costs are about half of what typical hotel rooms go for in London.

(Moderate; p. 70)