



# Market Position, Positioning, and Profitability!

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Truly profitable businesses demonstrate on a consistent basis the ability to attain the “high ground” in terms of their MARKET POSITION. What they *stand for* in the minds of their customers is of greater perceived value than the value provided by their competitors.

The purpose of this article is to explore the importance of MARKET POSITION and how this directly relates to superior business performance. For it is our belief that MARKET POSITION *is at the heart of every business action in the market place.* A MARKET POSITION sets a product, service, or business *apart* from

the competition *in the customer's mind.* Every existing product, service or business has a MARKET POSITION because the customer has defined it!

Consider the following example. If a customer in ANY INDUSTRY looks at a manufacturer, distributor, and (or) service provider and **thinks** “LOWEST PRICE”, this is very different than if this same customer **thinks** “LOWEST EFFECTIVE COST in addressing MY NEEDS”. In the first scenario, the customer has “pegged” the provider by one dimension – PRICE. In the second scenario, PRICE is almost irrelevant. In the first

scenario, the customer views the provider's products and services as *commodities*. In the second scenario, the provider's MARKET POSITION is based on providing *value* to the customer (i.e. the lowest cost solution). In the long run, the second scenario represents a “WIN WIN” for all parties.

The more a business's products and services are perceived as *valuable* by customers, the *more control* it has over PRICE management, VOLUME sales, MIX adjustment, COST expenditures, and WORKING CAPITAL management. Conversely, the more a business's products and services are perceived as *commodities* by customers, the *less control* it will have in managing these same variables.

When considering MARKET POSITION, business leadership must focus *with specificity* on three areas: CUSTOMERS, COMPETITORS, and POINT of DIFFERENCE. Again – specificity is the key, as *general knowledge* is often akin to *lack of knowledge*. Lack of knowledge can prove especially lethal when making tactical decisions in how to approach specific markets.

Relative to CUSTOMERS, senior leaders need to ask themselves the following questions:

- Who *influences the purchase* of our products and services?
- Who actually *makes the purchase*?
- Who actually *uses the products and services*, once they are purchased?

Relative to COMPETITORS. . .

- What products and services *substitute* for our own offering?
- Do we know why a customer might buy a competitive offering over our own?

Relative to POINT of DIFFERENCE vs. COMPETITORS. . .

- Is the value offered by our products and services meaningful to the customer? How do we know? How do we *quantify* the value to ourselves, to our business?
- Is the value created by our products and services “fact based” or is it “emotionally based”? Why does this matter?

The more rigorous and truthful senior leaders are in answering the above questions, the more they understand their own MARKET POSITION. The more intimate their understanding of customers and specific customer needs, the more clearly leadership can see the gaps in their own offering -- as well as, the gaps in competitive offerings. In a very real sense, truly understanding MARKET POSITION allows senior leaders to engage in the *act of POSITIONING* their business to higher more profitable ground in the markets in which they compete.

During the *POSITIONING* process, leadership is also involved in getting down to business “tactically” in how to communicate and support their products and services. In short -- the business is *going about the business* of transforming its vision, its MARKET POSITION into Operating Profit and Cash-flow. MARKET POSITION, *POSITIONING*, and PROFITABILITY. Get it right on MARKET POSITION and *the act of POSITIONING* the business. Everything else will follow!

About the author . . .

Andrew Orty is a founding principal of Precision Catalyst, a management consultancy focused on helping organizations establish the critical links between their people, customers and business profitability.

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