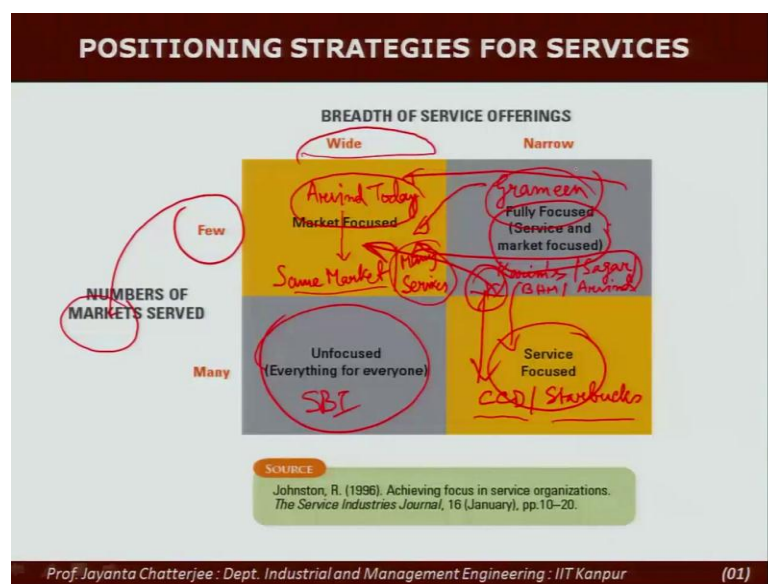


Managing Services
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Lecture – 26
Position-Value Proposition - 2

Hello, so we are in week 5 of Managing Services, Contemporary Issues, I will continue from where I left of yesterday.

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And we are discussing about positioning, segmentation targeting and positioning and creating a value proposition, which customers will love. So, we were discussing yesterday this particular diagram, because this is very closely associated with the whole concept of positioning, which fundamentally means creating a set of values for a certain targeted group of customers.

So, that is why positioning is very closely allied to segmentation, market segmentation, customer identification, deeply understanding the persona, the behaviour of customers and creating an unassailable attractive package of value propositions for them. We discussed yesterday, that most excellent globally recognised services often start in this quadrant, which we call fully focused; that means a service package, which is focused on a particular market segment with a particular package of offering.

Like we discussed yesterday, Arvind Eye Care Hospital started as an eye care facility in southern India for in Madurai for consumers at the bottom of the economic pyramid, economically deprived consumers. So, geography was very focused, the target market was very clearly identified and the service offered cataract, treating cataract, operating on patients, impaired with impaired vision due to calcification of their lenses, retinal lenses called cataract.

So, they created the processes, they created the employee competence on the basis of this market focus and the service focus. Once they establish and once they master that particular art and science of that particular service package, then there are different trajectories that are open to them. So, we also discussed yesterday, Bhojohori Manna a specialised high quality Bengali cuisine offered in modern ambiance, traditional food in modern ambiance in modern facilities.

So, we discussed that Bhojohori Manna and similarly there are example likes Karim's, a very famous establishment in Delhi for Mughlai food. They started in old Delhi, they were there for many years, now they have another branch in South Delhi, some small outlets for delivery, but they are basically Delhi focused. On the other hand there is Sagar, a very famous South Indian restaurant in Delhi, they started in a small establishment in South Delhi, but they become so good in what they were doing.

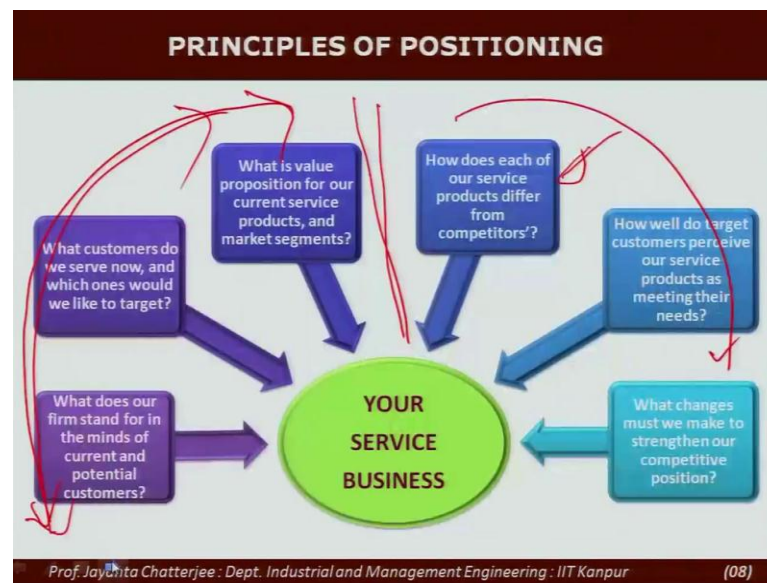
They were able to take over many of their large competitors and today they are spread all over Delhi, all over North India, many other cities of India and even they have branches abroad. So, as we see here, that businesses start as fully focused, good businesses, service businesses, focused on a particular service, focused on a particular market segment over time like Arvind today. They continue to be focused on that same market, the same market.

So, number of markets served remains for them same, they are primarily very true to their mission of serving the downtrodden, serving the economically weak customer segments with high quality global standard eye care service. But, with an eye care they have now, they have cataract, which was their original service, cataract operation, but they have added so many different types of other eye treatments, whether for diabetic retinopathy, macular degeneration for glaucoma, for different kinds of other complex eye diseases.

So, there is now a wide range of services that are available from them in that domain of course, they are not getting into other medical areas. But, in a way therefore, Arvind has moved from this quadrant to this quadrant, Arvind today, same market but many services. On the other hand, Bhojohori Manna or CCD, Starbucks, many of these famous service outlets, they are focussed of the services. So, Bhojohori Manna Bengali cuisine, coffee cafe day or star bucks on coffee, the third place experience.

So, but this served many markets, this serve very up market in Bombay, this serve business market in other cities, CCD serves, institutions like IIT's and many other locations. So, their value proposition remains the same, they are in the same kind of food and beverage business, but they serve number of different types of customers. So, in short businesses start usually here and they go in this direction or they go in this direction. So, either narrow service offering to many different types of markets or wide range of services offered to a narrowly defined market segment.

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I had requested you yesterday that you combine this understanding of positioning with these sets of questions in front of you in these six blocks. Starting with what is the value proposition for our current service products and which market segment we are targeting, what customers we serve now and which ones would we like to target, what does our firm stand for in the minds of the current and potential customers, how does each of our service products differ from our competitors, these are some new ideas.

So, these you see are more internal factors and here there are some external factors, that how does each of our service products differ from our competitors, how well do our target customers perceive our service as meeting their needs and what change must we make to strengthen our competitive position. So, these are input steps, these are internal decisions that what value proposition you want to offer, what customers we want to serve, what position in the customer's mind we want to create.

And we look at external factors that how do we compare with competitors and how we need customer needs, at what level with what differential respect to competitors. Now, this is I requested you to create, identify either create a new service idea or identify a service you are familiar with and understand in terms of the previous four quadrants, where they are and then, try to identify the answer to these six blocks of questions. We did not discuss it in that detail, but there are businesses which are unfocused.

So, that cannot be you know the big bazaar type, where it is a different types of products for different types of people, very or even say for example, State Bank of India as oppose to Gramin Bank. So, Gramin Bank by it is very name it is focused on villages, it is focused on serving particular type of economic profile of customers. But, State Bank of India, even their value proposition is that deserve all kinds of customers, this serve the Diversity of India, they are spread all over India. They serve a customer who has only 500 rupees deposit and they serve a customer who has 500 crores of deposit. So, but this is a very difficult position to be everything to everybody.

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CONSIDERATIONS FOR USING FOCUSED STRATEGIES

- **Market focused**
 - Narrow market segment with wide range of services
 - Need to make sure firms have operational capability to do and deliver each of the different services selected
 - Need to understand customer purchasing practices and preferences
- **Service focused**
 - Narrow range of services to fairly broad market
 - As new segments are added, firm needs to develop knowledge and skills in serving each segment

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So, fundamentally we therefore, identify these two different market focused and service focused, we have discussed that.

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CONSIDERATIONS FOR USING FOCUS STRATEGIES

- **Unfocused**
 - Broad markets with wide range of services
 - Many service providers fall into this category
 - Danger – becoming a “jack of all trades and master of none”

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Unfocused we just now discussed and in this; obviously, there is always a danger and it is often quit difficult to retain the preeminent position like State Bank of India yet maintain a high quality of service. There are companies like general electric or even our own State Bank of India, who have been able to maintain high level of service excellence in spite of their wide variety of offerings, in spite of the wide variety of markets deserve.

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DISTINCTIVE S.T.P.

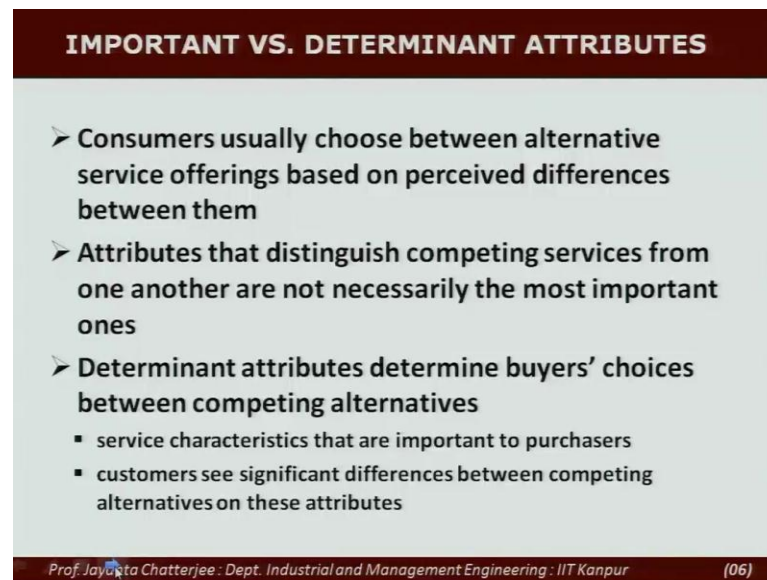
- Firms vary widely in their abilities to serve different types of customers
- A market segment is composed of a group of buyers sharing common characteristics, needs, purchasing behavior, and consumption patterns
- Target segments should be selected with reference to
 - Firm's ability to match or exceed competing offerings directed at the same segment
 - Not just profit potential

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But, most often good strategy is to create a distinctive STP, a distinctive position serving a distinctly identified segment of customers with a very distinctive set of offerings as a target. So, fundamentally therefore, how do we select target segments will anyway influence, how we will create our portfolio of values. It is easier to match or exist offerings when it is directed to the same segment, this is where you can actually create a value proposition, which goes for beyond the mere profit potential as we saw in case of Arvind.

It is difficult to create that kind of machinery super ordinate greatness, if you are trying to be everything to everybody. But, in a service focused or market focused positioning, it is possible to create great service like Starbucks or coffee cafe day or Arvind Eye Care or Bhojohori Manna and so on.

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IMPORTANT VS. DETERMINANT ATTRIBUTES

- Consumers usually choose between alternative service offerings based on perceived differences between them
- Attributes that distinguish competing services from one another are not necessarily the most important ones
- Determinant attributes determine buyers' choices between competing alternatives
 - service characteristics that are important to purchasers
 - customers see significant differences between competing alternatives on these attributes

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Now, we come to another important understanding that this positioning, when it is created it is usually a bundle. There are number of things with in that positioning set of values, so it is a set of values not one single value. We often call also these individual items in the value proposition as attributes and this attributes are of two different types, one is important attribute.

Now, important attribute for example, in airlines service safety will be an important attribute, but what happens, because it is important, because it is almost mandatory you cannot survive as an airline service unless you ensure top class security and safety for your passengers for your aircraft. So, for both the people you serve and the machines or systems that you use to serve must be safe and secure.

So, it is important, no passenger, no customer will choose an airline, which does not portray does not convey that sense of security and safety. But, once this is done that means you have this, you have cross this entry barrier, you have provided that level of assurance with respect to safety, security, you will be in the arena with number of other players who have also similarly qualified. And at that stage, customers will make the decision will make the choice, which airlines to fly based on number of other attributes.

So, they are not as important as safety and security, which is mandatory, but these other sets of attributes are determinants, there are called determined attributes, because the customer uses those attributes to determine which airlines to fly from a cluster of airlines

available to them, who all have qualified for safety and security. These are like say fair or their schedule, departure arrival time and so on. So, these are all their economy class pricing or their service kind of other benefits available, check in time or assistance for aged and senior citizens, availability of wheelchair and so on.

So, there are a whole lot of them, they all can be there are, there also there is a hierarchy of needs, that will be met and depending on the type of customers; obviously a senior citizen travels will be alone looking for that determinant attribute, which enables him or her. So, like availability of companion, availability of wheel chair, availability of seats, which are availability to the wheelchair it cetera those will become, then the determinant attributes.

On the other hand for a young family going on holiday perhaps fair and the flight schedules will be the timings will become more important set of attributes. So, these two sets of attributes important attributes are like get pass I like you must me to that level of standard to be in the play. But, once you are in the place, then there will be other sets, which we are calling determinant, which will determine that whether you will be the successful choice the preferred choice for the customer or not.

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DEVELOPING AN EFFECTIVE POSITIONING STRATEGY

- Positioning links market analysis and competitive analysis to internal corporate analysis
- Market Analysis
 - Focus on overall level and trend of demand and geographic locations of demand
 - Look into size and potential of different market segments
 - Understand customer needs and preferences and how they perceive the competition

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So, positioning therefore, as we were discussing little while back when we look that those six blocks depend on internal decisions and internal analysis as well as internal assumes that is where we want to go today, which customers we are serving today, which

kind of customers we want to surf tomorrow it cetera, these are all internal decisions. And there are sets of a external decisions, who are our current customers are current competitors, how do we compare with them who be our future competitors and how are we going to compete against them these kind of issues. So, therefore it e needs with internal analysis as well as external competitive analysis and so on, market analysis.

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DEVELOPING AN EFFECTIVE POSITIONING STRATEGY

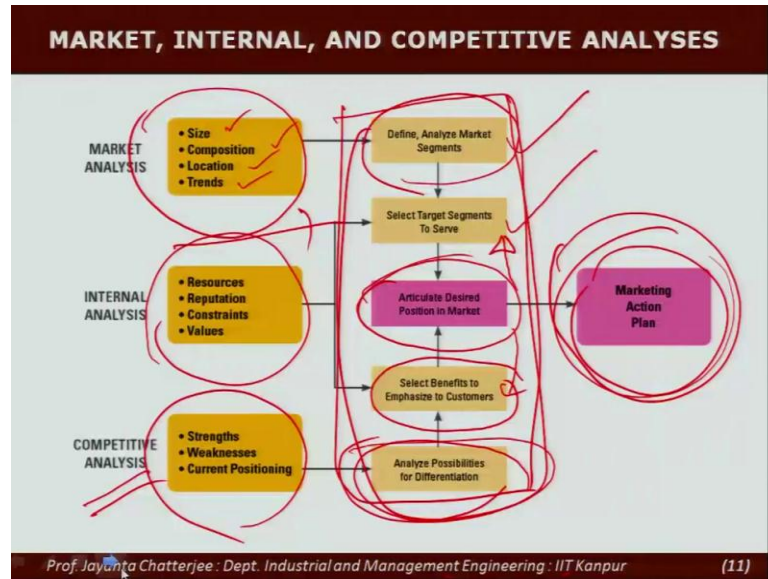
- **Internal Corporate Analysis**
 - Identify organization's resources, limitations, goals, and values
 - Select limited number of target segments to serve
- **Competitor Analysis**
 - Understand competitors' strengths and weaknesses
 - Anticipate responses to potential positioning strategies

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And; obviously, like we were talking about segmentation which is so linked to positioning, segmentation needs the kind of analysis like the size of the segment, it is growth rate, measurability, accessibility the segment may be very attractive, but do you have the proper kind of infrastructure to access, that segment. So, there may be a excellent segment for your kind of service in north east India, but do you have the infrastructure to access the that sort of remote market.

So, these things you have to determine, so fundamental; that is why say that there is a set of internal analysis organizations resources limitations goals values and you have to external analysis not only the competitor, but also the structure of the market the rules and regulations, non price barriers is variance and so on.

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So, this diagram, which is in front of you hear, that gives you a very composite and comprehensive understanding that to create your segmentation targeting positioning based marketing action plan will be based on analysing customer segment creating the identification for the your target segment. And then, articulate your desired position package of values for that target segment and very clear articulation, that what benefits will be offer through your value proposition and analyse how you will differentiate, how will you maintain the differentiation.

So, I often I think I mentioned this in the previous class also, that we have to answer these three fundamental questions, that why will anybody buy this service, why will they buy from us and why will they continue to buy from us, this why will they buy from us and why will they continue to buy from us is what is called the differentiation competitive differentiation and continuing differentiations.

So, this differentiation is not setting it needs to involve as the competitors will come up with new offerings you have to have a response mechanism. Some time you should be I ahead of your competitors and not become pleasant if you are in a dominant position do not actually become pleasant you create new value proposition is respective of what where you are knowing that your competitors are always biting at your heels, so therefore, you need to be always one.

And this is marketing action plan B is based on these and these are derived; that means, which market segment. What kind of value proposition? These are devised out of our market analysis size composition location trends in it cetera in a growth trend, internal analysis of resources reputation constrained values etcetera and of course, strength weakness opportunity threads competitive analysis.

So, based on this setup analysis we derive this objectives and targets and value proposition and then, with that we create our marketing action plan. We will have a later discussion towards the end of this whole course, where we will again look at when we talk about creating the grand marketing plan and the tactical marketing.

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ANTICIPATING COMPETITIVE RESPONSE

- **Competitors might pursue same market position**
 - Independently do same positioning analysis and arrive at similar conclusions
 - Threatened by new strategy, take steps to reposition own service
 - New entrant plays “follow the leader”
- **Conduct internal corporate analysis for challengers and analyze possible effects of alternative moves**
 - Impact of price cut on demand, market share, and profits
 - Responses of different segments to changes in service attributes

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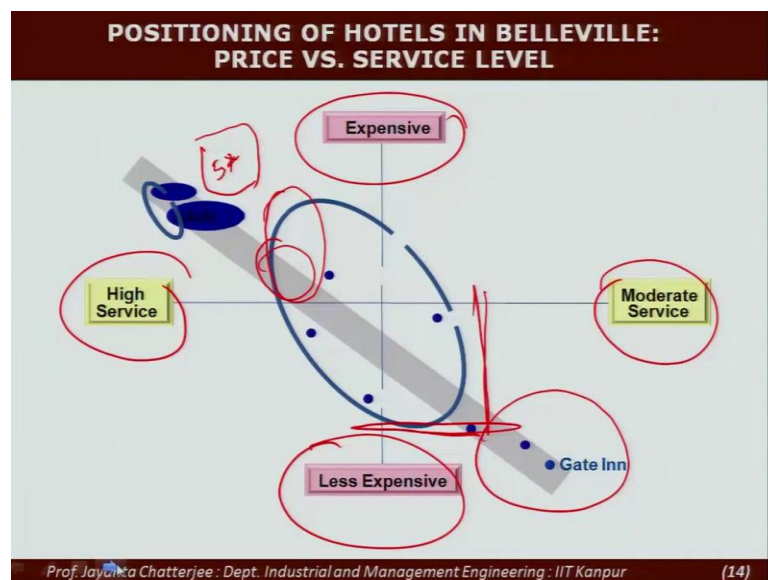
So, marketing strategy and marketing plan we will revisit this particular issue and as I was mentioning as you see on the slide, that your value proposition as well as your differentiation will not be static. It will move in response to competitors and more a better is that you move ahead of the computer your anticipate, what the competitors response will be and you be ahead of them.

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I will conclude with this approach, which is called positioning maps very easy now, that if you are followed the earlier discussion.

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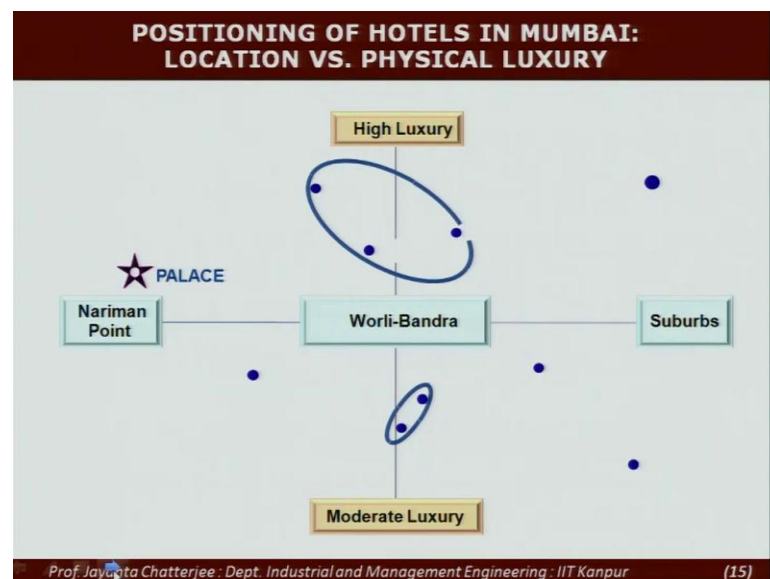
That, if you are supposed meet in a new hotel, then we will create the simple to buy to structure say on y axis we have caused to be paid by price to be paid by the customer. So, expensive less expensive, moderate service and high service, so high service an expensive this is kind of a five star position for a hotel, but there can be multiple other

choices like from example it can be less expensive, but reasonably good service many business hotel position themselves like this or are somewhere in this region.

So, they are meat price range and very utility very function oriented may not be much of luxury, but good service reliable service all sometimes deliberately hotels or one night hotels on road side hotels highway side hotels or station hotels located near the railway station or any other airport, where people just come for a few hours and to catch the next flight. You may actually just position as based on less expensive and with kind of moderate service.

This, so all these positions are terrible, there are hotels with all these different types of positions, because a different types of customers and we know need to be everything to everybody as I discussed before. So, your segment your customer target them and therefore, your position them accordingly.

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And this creating this map is very useful, because it explains to you where your competitors are, where there already clusters of competitors and which is relatively less busy segment on the map and accordingly you can decide, where to be. So, this map therefore, this is a very useful way of creating.

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POSITIONING MAPS HELP MANAGERS TO VISUALIZE STRATEGY

- Research provides input to development of positioning maps – challenge is to ensure that
 - Attributes employed in maps are important to target segments
 - Performance of individual firms on each attribute accurately reflects perceptions of customers in target segments
- Predictions can be made of how positions may change in light of future developments
- Charts and maps can facilitate “visual awakening” to threats and opportunities, suggest alternative strategic directions

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So, predictions can be made of even, that where your current position and where you need to go are where you can go are where your competitive threats can come from. So, that is why we say charts and map can facilitate visual awakening, so it is kind of a visual reminder it is all the time it helps all the employees to be on the same page at to understand very clearly.

So, as it says it to no one picture is what 1000 words, so this kind of mapping if therefore, very good for visual clarity and consensus of views across the organization and it often helps actually to portray to the customer, where you are.

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SUMMARY

- **Focus Strategies:**
 - Fully focused
 - Service focused
 - Market focused
 - Unfocused
- **Market Segmentation** – buyers share common characteristics, needs, purchasing behavior & consumption patterns
- **Service attributes** – determinant attributes are often the ones most important to customers

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So, as we discussed to summarise focused strategy fully forecast service focus market focused and unfocused we discuss these segments we discussed about market when and where buyers of common characteristics needs purchasing behaviour and consumption pattern. And we discuss that actually this is very important and this focusing and identification of the segment they go kind of interactively hand in hand and we discussed about service attributes determinant attributes and important attributes.

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SUMMARY

- **Positioning links:**
 - Market Analysis
 - Internal Analysis
 - Competitive Analysis
- **Positioning maps are useful for plotting competitive strategy:**
 - Identify potential competitive responses
 - Help executives to visualize strategy

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And lastly we discussed, how to do the positioning by doing market analysis internal analysis and competitive analysis and we concluded by saying, that positioning map is very good, because it helps us to visualise our strategic position and it helps us to bring everybody on the same page within the organization and it helps just reported to the customer, what we stand for. So, this is where we end today and tomorrow we will check up that house from positioning we go to branding.

Thank you.