

Is It Worth More to Be Punctual or Comfortable? Positioning for Better Marketing ROI

When you think of safe cars, you likely think of Volvo. When you want a cold medicine at night, Nyquil comes to mind. If you are looking for healthy frozen food, you might reach for Healthy Choice. These are products that have a well-defined "position" in the minds of customers. They are differentiated from the other offerings in the market on one or more dimensions of importance to their customers. Safety, athleticism, reliability — all are potential avenues of carving out a perceived difference for a product or service.

Many marketers use perceptual and preference maps to scope out the landscape of customers' minds. At the basic level, these maps take stated, numerical evaluations of the key attributes of the brands as rated by customers and translate that information into a picture or map. Perceptual maps provide pictorial representations of the marketplace that are much more useful to managers than anecdotes or even rich numerical data. Designed appropriately, these maps do for a marketer what EKG charts do for a cardiologist seeking a quick but comprehensive diagnosis of a patient's condition.

A Familiar Start — Perceptual Mapping

The following data matrix (table 1) from a sample of airline customers in one market segment illustrates data collected for five airlines, each rated on four important attributes.

| PERCEPTUAL DATA FOR AIRLINES | | | | | |
|------------------------------|----------|--------|------------|-------------|-----------|
| | American | United | US Airways | Continental | Southwest |
| Convenience | 5 | 8 | 3 | 3 | 8 |
| Punctuality | 6 | 5 | 5 | 4 | 8 |
| Overall Service | 8 | 7 | 5 | 4 | 6 |
| Comfort | 6 | 6 | 4 | 4 | 3 |

Table 1 — 9 is highest score and 1 is lowest score

Most people find it difficult to "see" the marketplace in table format. So a perceptual map of the same data in figure 1 below shows us that this market segment perceives that Southwest leads in punctuality, American in overall service, United in comfort and convenience, and US Airways and Continental lag on all these dimensions.

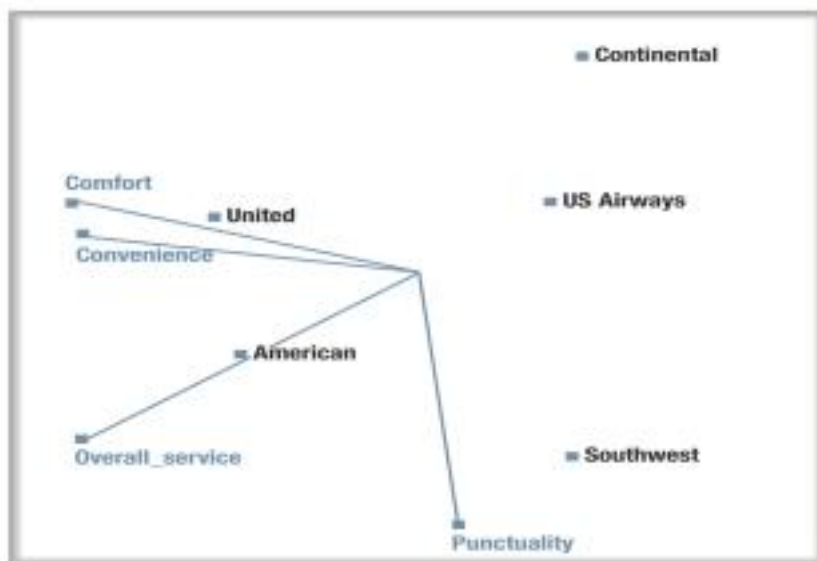


Figure 1 — Perceptual map of airline data

Unfortunately, the map and data describe what customers perceive, but say nothing about what customers prefer.

Suppose that American Airlines finds it is not doing well in its present market position and is considering repositioning itself for growth. Faced with many options for which direction they might choose, how can they determine which one will create the greatest potential lift in revenue or profit? Imagine that American identifies two opportunity gaps in the perceptual white space: "On Time with Service to Spare" (Option A) competing with Southwest, or "Comfort on YOUR schedule" (Option B) competing with United. To compare the two in terms of potential economic value, we need to incorporate customer preferences or choices into the evaluation.

Bringing Preference into Play

Table 2 shows a sample table of relative customer preference data for each airline, and figure 2 shows these preferences overlaid in the orange lines. Each orange line represents the net direction and magnitude of an individual customer's preference (note that we could just as easily have aggregated individual customer data into segments of customers).

| CUSTOMER PREFERENCE DATA | | | | | |
|---------------------------------|-----------------|---------------|-------------------|--------------------|------------------|
| Customer Preferences | American | United | US Airways | Continental | Southwest |
| Customer 1 | 6 | 5 | 4 | 4 | 9 |
| Customer 2 | 7 | 4 | 3 | 2 | 8 |
| Customer 3 | 6 | 3 | 2 | 3 | 5 |
| Customer 4 | 5 | 9 | 3 | 5 | 6 |

Table 2 — 9 is highest preference and 1 is lowest preference

From the data, it seems apparent that there are two segments here: one whose preference increases when moving towards the left (where United is currently positioned), and another whose preferences increase as one moves down (where Southwest is positioned). Currently, American actually has a rather poor position, because United "beats" it among customers whose preference vectors point west of its position, while Southwest beats it with customers whose preferences point south.

Using these comparative preference points, the model that generated these maps can automatically calculate the customer preference share for any position on the map. Doing so, we see could see that new position B ("Comfort on YOUR schedule") will gain almost 20 preference share points for American, while a move to position A ("On Time with Service to Spare") will yield American almost nothing (telling us perhaps that American would need to go far beyond Southwest's punctuality performance to ever effectively steal business from customers most strongly valuing that trait in an airline).

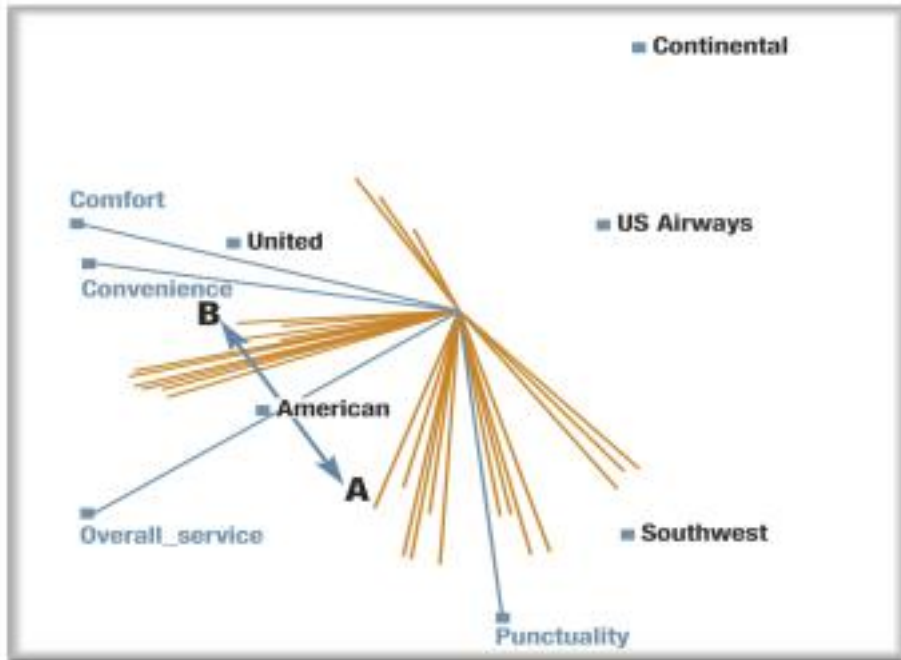


Figure 2 — Airline map with individual customer preferences (in orange) and two positioning options for American Airlines (A and B)

Quantifying the Opportunity

By linking preference point shares to economic value of individual customers (or segments) through transactional analysis or just self-reported category spend, we can develop approximations of the potential "lift" associated with moving American's positioning in one direction or another. This lift, when compared to the estimated cost of achieving the new "positioning" in the minds of the target customers, provides the basis for an assessment of the ROI associated with each option. Figure 3 shows where the green, yellow, and red zones of ROI potential are in the form of a "heat map."

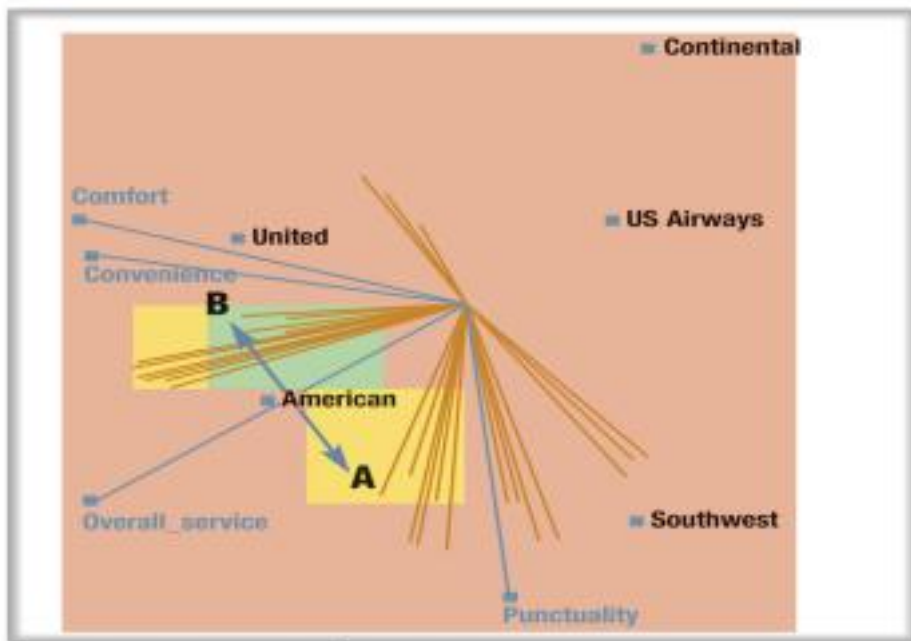


Figure 3 — "Heat map" of positioning ROI opportunities

This tool has proven useful for many organizations seeking to determine the market potential of a positioning for a new offering, to assess the cannibalization risk of consolidating existing offerings, and to calculate the ROI or NPV of positioning changes in the marketplace. It can also be useful for:

- finding unmet (or inadequately met) customer needs and wants, as in the American Airlines example;
- identifying and leveraging product strengths effectively; and
- determining how best to overcome product weaknesses.

While perceptual and preference maps are only the starting point in a more disciplined approach to positioning, they offer a big step forward for many organizations struggling to move beyond opinion and emotional rhetoric.

For a free demo version of this perceptual mapping model, please [click here](#).

