



A·D·R Associates
at Red Hawk Ranch

38770 Avenida La Cresta
Murrieta, CA 92562
1-951-696-0266
www.redhawkranch.tv



UNDERSTANDING YOUR COMPETITIVE POSITION IN A CHANGING MARKETPLACE

One challenge companies often face as they seek a stronger position in the marketplace is the issue of prioritizing. Our Competitive Positioning *Process* helps focus on priorities that can claim maximum benefit.

- Who do your customers & prospects consider when making a purchase? (confirms your competitive set)
- What factors are important to them when making a purchase decision? (key drivers of choice / key drivers of loyalty)
- How do your customers & prospects view your strengths and weaknesses vis-à-vis your competitors? (competitive positioning modeling)
- How best can you prioritize your efforts for greatest effect? (improvement priorities matrix)

Lynn Randle

President / CEO

Direct: 951-696-0266

Mobile: 714-914-3025

Email: lrandle001@aol.com

Bob DeGour

Exec VP / GM

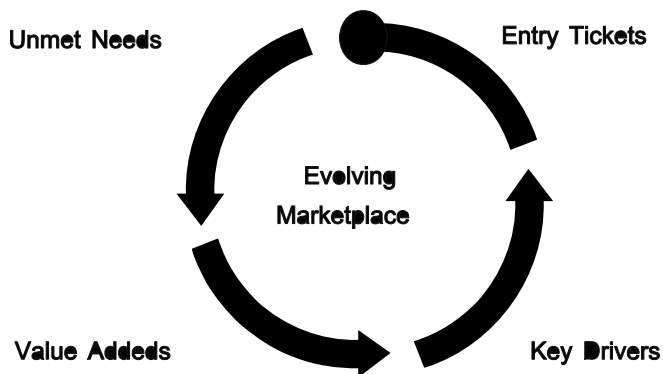
Direct: 951-677-8785

Mobile: 951-265-7234

Email: Bob@redhawkranch.tv

To help build a better understanding of your marketplace *from a customer perspective* we go back to a theoretical model developed by Theodore Levitt from the Harvard Business School. Levitt's model becomes the foundation for analysis when looking at satisfaction / performance data that ultimately describe the priorities needed for improving competitive positioning.

In Levitt's view, every product and service has four levels of customer needs—entry tickets, key drivers, value-added, and unmet needs.



* Theory developed by Theodore Levitt at the Harvard School of Business

Consulting Associates:

Phyllisann Maguire, PhD

Dave Wisnom III

Karen Garza

Julie Kiotas, PhD

Joachim Glaser, PhD

Thorsten Bagschik, PhD

Susan Fox

Kay Lavish

Bren Chasse



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- The first level of needs are termed **entry tickets**. Entry tickets are the fundamental, rudimentary, and substantive stakes of your business. These are the prerequisites; without them, a product or service will fail.
- The second level of needs we term **key drivers**. Key drivers establish the purchase criteria for customers. Your product or service may only sell if you are meeting these expected customer needs.
- The third level of needs we term **valued-added**s. Value-added's augment what your customers expect. You do this by delivering products and services that the customer does not experience on a regular basis from your competition.
- Finally, the last level of needs we term **unmet needs**. Unmet needs encompass those things that might be done in the future to attract and hold customers. Working on unmet needs is only limited by your imagination and budget.

Customer needs are constantly changing from level to level as markets and services mature. The unmet needs become valued-added's, value-added's becomes key drivers, and the key drivers of today eventually become entry tickets. Some characteristics which are "entry tickets" today may drop from the cycle completely.

Understanding and taking advantage of this inevitable churn is critical for on-going customer satisfaction, retention, product development, and marketing success.

We use a two-phased market research process to help determine the needs and expectations that are most relevant to your customers:

1. In-depth interviews or focus group interviews to understand the customer perspective
2. Quantitative research that is representative

The commonly used methods for determining importance are stated measures (or self-reported measures) and derived measures (also called revealed or indirect measures).

Traditional analysis techniques primarily use one measure of attribute importance, but not both. The insight gained by using both techniques is the foundation for establishing the levels of each customer need.

- Stated importance tells you how important customers think various needs are. Once stated importance is known, communication efforts can be linked directly to customers. This can position your company as one who listens.
- Derived importance measures the amount of "influence" each need has on customer satisfaction. This method is appealing because the positioning of importance is directly linked to customer behavior. Increasing performance on needs using this method should lead to direct increases in choice, loyalty and other positive behaviors.

Ultimately, understanding how customers view you and your offerings compared to competitive offerings helps you prioritize the efforts necessary to improve your market position.



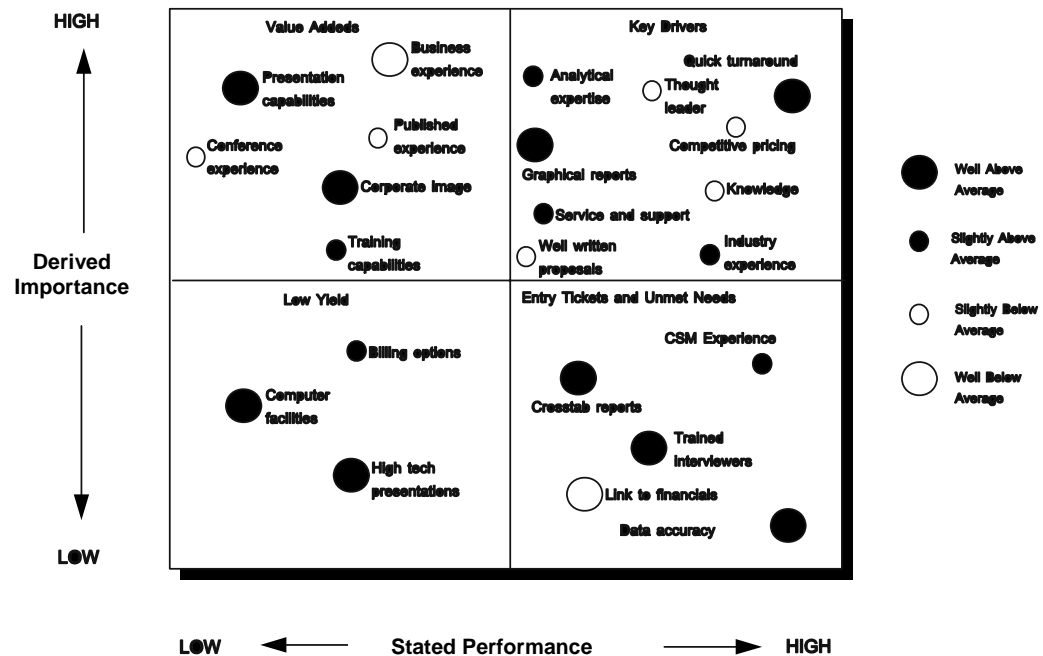
The Competitive Positioning Map

We model **COMPETITIVE POSITIONING** by examining the relationship between two measures of importance... Stated Performance (satisfaction or expectation) and Derived Importance. When we fold in Relative Performance (your data compared to competitive performance ratings) we uncover which areas to leverage and which areas to repair.

Relative Performance is broken into four levels depicted by the circles in the chart.

- Large black circles represent needs with *well above average* performance.
- Small black circles represent needs with *slightly above average* performance.
- Small white circles represent needs with *slightly below average* performance.
- Large white circles represent needs with *well below average* performance.

The addition of **RELATIVE PERFORMANCE** provides the **COMPETITIVE POSITIONING** needed to understand how customers view you compared to the rest of your competitive set. This critical input becomes **USEFUL** as you begin to see where your strengths and weaknesses are and how you can strategically prioritize your efforts to best advantage. A sample Competitive Positioning Map filled with *hypothetical* data is depicted below.





Understanding the Positioning Quadrants

<p>Top Left (Value-Addeds):</p> <p>Customer needs located in the top left quadrant are not highly important to customers on a stated basis but do drive customer satisfaction. Performance on these customer needs are the hidden "gems" that separate organizations from one another. In mature markets, once the highly important customer needs are taken care of, these are the differentiating characteristics. For example, "Business Experience" and "Training Capabilities" in our chart are such customer needs.</p>	<p>Top Right (KeyDrivers):</p> <p>Customer needs located in the top right quadrant possess the highest importance for satisfying customers. These customer needs are highly important to customers and drive customer satisfaction. High priority should be given to customer needs in this quadrant if performance is either average or low. If performance is high, efforts should be directed toward maintaining this level of performance.</p>
<p>Bottom Left (Low Yield):</p> <p>Customer needs located in the bottom left quadrant are low in both stated importance and derived importance. Resources on customer needs in this quadrant are candidates for reallocation. The customer needs in this quadrant provide relatively minimal return for improving performance. Because these customer needs provide relatively minimal return, they are not displayed on the improvement matrix.</p>	<p>Bottom Right (Entry Tickets and Unmet Needs):</p> <p>Customer needs located in the bottom right quadrant are highly important to customers but do not drive customer satisfaction. Basic requirements and market weaknesses usually fall into this quadrant.</p> <p>If performance for customer needs in this quadrant is low, this may be an indication of a market weakness. The attribute "Link to Financials" is an example. Because "Link to Financials" is highly important but not driving customer satisfaction and performance is low, no one in the marketplace must be doing well on this customer need. Thus, an opportunity for winning a significant competitive advantage is awarded to the firm who can deliver CSM research with a direct link to financials.</p>

Translating the Analysis Into the Improvement Priorities Matrix

The quadrant analysis described above helps populate the Priorities Matrix. The power of the Priorities Matrix lies in capturing the state of your business in the evolving marketplace from your customers' point of view. Performance is added to the matrix for the purpose of establishing improvement priorities. Effectively used, the Priorities Matrix will allow you to enhance a service or product offering that will help you build leading edges over your competitors.



The Improvement Priorities Matrix as a Way of Setting Strategic Business Priorities

Improvement areas for your business should be set in order of the level of needs—from entry tickets to unmet needs.

- Average or below average performance of any **entry ticket** need should receive first priority. Priorities in this category suggest something may be broken in your business.
- Next, we move to key drivers. Average or below average performance of any **key driver** need should receive second priority. Priorities in this category are extremely important because they are likely influencing buying behavior and customer retention.
- Average or below average performance of any **value-added** need should receive third priority. Priorities in this category are the customer "pleasers." Making gains here should help attract customers.
- Finally, **unmet needs** should be reviewed by your business managers as possible needs to develop. They can offer great benefit to the business but may require large resources.

We display the improvement matrix in a simple and straightforward manner. A hypothetical example is shown below:

The Improvement Priorities Matrix

	(Entry Tickets)	(Key Drivers)	(Value-Added)	(Unmet Needs)
<p>● High Performance Areas</p> <p>(Can be Leveraged for Marketing Purposes)</p>	<p>Trained interviewers</p> <p>Beta accuracy</p> <p>Crestab reports</p>	<p>Quick turnaround</p> <p>Graphical reports</p>	<p>Presentation capabilities</p> <p>Corporate image</p>	
<p>● Average Performance Areas</p> <p>○</p>	<p>CSM experience</p> <hr style="border-top: 1px dashed black;"/>	<p>Service and support</p> <p>Analytical expertise</p> <p>Industry experience</p> <hr style="border-top: 1px dashed black;"/> <p>Well written proposals</p> <p>Knowledge</p> <p>Competitive pricing</p> <p>Thought leader</p>	<p>Training capabilities</p> <hr style="border-top: 1px dashed black;"/> <p>Conference experience</p> <p>Published experience</p>	
<p>○ Low Performance Areas</p> <p>(Opportunity for Improvement)</p>			<p>Business experience</p>	<p>Link to financials</p>



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At the end of the day, taking a rigorous customer perspective to your competitive positioning provides a simplified *Strategic Map* to follow for future efforts and their priorities.

Why go through such a process?

Understanding customer needs and expectations can be specifically linked to bottom line improvement in *obtaining* customers (opening the front door) as well as in *maintaining* customers (closing the back door).

This approach not only helps find strengths and weaknesses within specific customers of concern, it also helps prioritize what management should focus in on for best results.

...A bottom line approach that takes the guess work out of implementation.

ADR Associates, Inc

...Helping Connect With Customers

ADR Associates is a corporation founded in 1994 specializing in strategic positioning, market research and communication counsel. Based at Red Hawk Ranch, a unique executive off-site location, ADR brings the customer voice into management's focus. Helping clients understand customer perceptions is often the foundation of ADR's involvement and becomes a driving force for creating and fine-tuning successful business strategies.

Red Hawk Ranch is headquartered in California's Temecula Valley Wine Region. Visit us at www.redhawkrancho.tv.