

# The CEO Refresher

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## Positioning Products and Services Accurately

by Edward M. Gurowitz, Ph.D.

The purpose of this article is to distinguish critical factors in product marketing, particularly as they apply to the marketing of professional services. The intent is to provide ideas and tools that will enable marketers of professional services to be more effective in selling their business by helping them to target their approach to what the market is really listening for.

According to the Buying Hierarchy developed by Windermere Associates of San Francisco, California (1), buying decisions are based on the following four elements, listed in order of importance.

- **Functionality**
- **Reliability**
- **Convenience**
- **Cost**

This model posits that, when no available product satisfies its market's requirements for functionality, then functionality becomes the basis on which a buying decision is made. When one or more products satisfy the demand for functionality, then customers no longer base their choice on this criterion, but choose based on reliability, and so on down the hierarchy. First, I will describe some present-day examples to illustrate how the Buying Hierarchy works. Subsequently, I will make the original hierarchy more concrete by offering dimensions for each element. The resulting framework, which I call the Service/Product Positioning Model (see Figure 1), will enable marketers to examine in detail at which element level they need to position and market their service or product to compete with maximum effectiveness.

### Reviewing the Validity of the Buying Hierarchy

When functionality is the determinant of buying, arguments regarding reliability, no matter how good, will be less persuasive than arguments stressing functionality, and the former will lose out to the latter. A common mistake is to think that one can compete on cost or convenience when the market is not saturated on functionality or reliability. Said another way, people are predisposed to pay more for functionality and reliability as long as these are competitive factors. It is only in a market where all the competing products are equal in functionality and reliability that buyers make decisions based on convenience and, convenience being roughly equal, cost.

An example of this would be the long-distance telecommunications industry where all the competing parties provide comparable functionality and reliability (not necessarily good functionality and reliability; equally bad or equally mediocre are still equal), and so are

fighting the competitive wars on price. In wireless telecommunications, on the other hand, functionality and reliability (e.g., static vs. clarity in the cellular vs. PCS debate) are at issue. For this reason much of cellular advertising stresses convenience (i.e., coverage gaps, roaming fees) and price are at issue only when the advertising is cellular vs. cellular or PCS vs. PCS.

In the airline industry, where as in telecomm, functionality and reliability are roughly equal, Southwest and JetBlue compete successfully on price (and in Southwest's case convenience), and America West hangs in based on price despite abysmal performance on functionality and reliability. The opposite of this phenomenon can be seen in package delivery, where FedEx and UPS have shown that the US Postal Service's (USPS) ability to offer lower price does not offer the USPS a competitive edge against the commercial carriers' functionality and reliability.

As a final example I would offer personal computer hardware, where competition in the early days of the industry was based on functionality and reliability. As those two playing fields became more level, convenience (Dell's and Gateway's "design your own and we'll bring it to you" concept, for example) and price came to be the primary ground of competition. One could argue that Apple missed the boat here by sticking to (admittedly outstanding) functionality and reliability with lower convenience (fewer software titles, difficulty communicating across platforms) and higher cost.

Oftentimes manufacturers who can use economies of scale and/or high volumes to lower price attempt to circumvent the rules of this model by offering drastically lower prices. While this may provide a short-term edge, experience has shown that the market will gravitate back to the higher-priced products with greater functionality and reliability unless the difference on these factors is very small (hence the continued success of brand-name consumer products in the face of lower priced generics or store brands).

Based on 30 years experience marketing, selling, and delivering professional services (psychological services, human development seminars, management consulting, executive training, and business mentoring), I believe that this model operates particularly powerfully in the service-marketing arena, and offer the following distinctions as an aide to implementing the model.

## **The Buying Decision and Service/Product Positioning Model**

Below I outline the specific dimensions or attributes that define each layer of the traditional model. By adding and understanding these dimensions, marketers are provided with a tool that enables them to effectively market their existing products and services or, alternatively, determine how to modify an offering to strengthen its position in the marketplace.

### **Functionality:**

Functionality has four dimensions:

- Relevance

- Applicability
- Features
- Fit

*Relevance* means pertinence to important and current issues. A product or service offering is relevant to the extent that the customer/client perceives that the offering will forward the vision and/or strategy of their organization.

*Applicability* is similar to relevance but is more focused - where relevance refers to general or strategic issues, applicability refers to specific matters - does the product or service work with a company of our size, is it scalable, will it meet our needs. A question of the applicability of executive mentoring, for example, might be "Will the CEO having a personal mentor affect organizational issues and problems we are trying to solve?" Another question of applicability might be "Just because this product or service has worked in the financial sector, how do I know it will work in my area, which is manufacturing?"

*Features* refers to the meat of the offering. What does it do, what will it accomplish, what ancillary or side effects will there be, etc. The features of a product or service are what make it distinct - its prominent or important characteristics. With service offerings, the question of ancillary benefits is often important. For example, mentoring for enhanced performance may also increase communication skills.

*Fit* has two components, intellectual compatibility and chemistry. Intellectual compatibility, particularly where service offerings are concerned, means that the service being offered has to "make sense" to the buyer. For example, few business people would be amenable to an approach that promises to increase their effectiveness by divination through the interpretation of tarot cards. However, these same people might buy and study Sun Tzu's *Art of War*, simply because they find seeking wisdom in a book more intellectually compatible than seeking it in the interpretation of patterns of playing cards. Chemistry means emotional compatibility between the buyer and the seller/deliverer of service, and is therefore very difficult to define precisely except by terms such as "mutual attraction" or "rapport."

### **Reliability:**

Reliability has three dimensions:

- Integrity
- Trust
- Sustainability

*Integrity* is a subject about which volumes can and have been written. For our purposes, integrity could be said to be the foundation of character and is the key to living successfully. Integrity is, at its core, being true to oneself. There are said to be three levels of integrity - keeping one's promises, owning up to one's ideals and standards, and being true to one's innermost being.

We learn the first almost from the time we are born - not to lie, cheat or steal, and not to tolerate others who do; to keep our promises, to follow the rules. The second begins when we realize that, even though we never consciously invented most of our ideals and standards, they are ours, and our life works better when we own them. We then even begin to invent some of our own.

The third level involves creating oneself authentically. What some traditions call ultimate integrity is a creation of the self by (after achieving the first two levels of integrity) making a commitment as to who one is, then living true to that commitment.

The three levels of integrity have exact correlates at the organizational level. The first level requires little organizational creativity - every organization has rules, policies and procedures and operates within the larger context of the rules of business. GAAP, business ethics, regulations, etc., set basic standards of right behavior, both internally and in the organization's relationship with the outside world of customers, vendors, competitors, etc. Commonly today organizations create a vision, and from their vision create values (even if there is no directed effort to create values, values necessarily fall out from vision). Values are the ideals and standards of an organization, and set the stage for the second level of integrity. Vision, when it is a commitment rather than simply an exercise, is an organization's creating itself. An organization that is true to its vision is being "true to itself."

Collins and Porras (2) have examined the benefits to an organization of commitment to a strongly held vision and set of values. The organizations that most strongly "walk their talk" are the organizations that comprise the lists of "best companies" and "best places to work" that periodically appear in business magazines. Charles Schwab, the man and the organization, come to mind as an outstanding example of such an organization.

*Trust* is a correlate of integrity (3). For our purposes we can say that there are two forms of trust, earned and granted. Earned trust is based on history, track record, credentials, position and authority. Earned trust operates like a bank account - there may be an initial deposit based on the factors just mentioned, and then additions or subtractions based on subsequent experiences and actions; should the account ever fall to a zero or negative balance, it is very difficult to restore to solvency.

Granted trust is a gift we give or that is given to us when we or another person simply decides to trust, without reason and without conditions. It is like unconditional love, or what some psychologists call unconditional positive regard. While earned and granted trust may interact and affect each other, it is possible to make an irrevocable grant of trust.

Contrasting examples of organizations managing earned trust are found in Johnson and Johnson (J & J) and the Firestone/Ford debacle. In 1982 J & J turned around what could have been a disaster when bottles of Tylenol on vendors' shelves were found to have been sabotaged by injections of cyanide, resulting in seven deaths. Industry pundits and J & J's own public relations agency predicted that this would cause enormous damage to J & J, and the death of Tylenol as a product. The company, however, took a series of actions based around telling the truth and taking responsibility for the situation. This course of action actually enhanced its reputation and re-established Tylenol as a respected product. By maintaining a consistent customer focus and taking full responsibility, J & J was quickly able to reearn and indeed to strengthen trust. Johnson

and Johnson remains today a widely trusted company despite what could have been one of the worst public relations disasters in history (4).

The situation involving Firestone tires and Ford Explorer automobiles offers a trust situation that, at this point, seems unlikely to turn out as well as the Tylenol incident did for Johnson and Johnson. In 2000, Firestone tires were found to have defects that caused the tires to fail, often resulting in serious accidents. Firestone (a key supplier of tires, particularly for the Ford Explorer) and Ford have a historic relationship going back to the founding of the companies. Nonetheless, the situation has escalated to mutual finger pointing and requests for congressional inquiries. It seems clear that public trust in Firestone and perhaps also in Ford is unlikely to be restored anytime soon. This is, in my view, largely because both companies, unlike Johnson and Johnson, are focusing on shifting the blame and avoiding liability, and not on the issues their customers consider paramount, namely safety and public security.

Both cases are examples of companies that lost customer trust that was earned by long reputation, to the point that trust was granted based on company name and reputation. The two different approaches to addressing the situations illustrate the central importance of customer focus if trust is to be (re-) earned.

*Sustainability* is the final dimension of reliability. Simply put, sustainability is the answer to the question "will you be here when I need you, for as long as I need you?" In marketing a product, or particularly a service, the customer or prospective customer must have certainty that the person or company offering the product or service will be there if needed.

### **Convenience and Cost:**

Contrary to some popular notions, convenience and cost only become significant factors when issues of functionality and reliability are satisfied. As noted above, in marketing arenas where functionality and reliability are saturated (everyone offers the same level of these, and that level is above the market's "buy threshold"), convenience and cost are the prime considerations, and it makes sense to compete on these bases. In professional services, and indeed in any non-commodity arena, this is never the case. Clients and potential clients for professional services are deeply concerned about functionality and reliability, and any marketing strategy that hopes to be effective, must address these areas powerfully and completely. When this is done, convenience and cost must be addressed, but will not be less significant or less difficult factors to deal with.

Like Functionality and Reliability, Convenience and Cost have their dimensions (see Figure 1), but these are familiar and need not be detailed here.

### **Conclusion:**

While product marketing may cover the full range of the Service/Product Positioning Model, convenience and cost are not significant factors in the decision-making process of service clients. Those wishing to gain a competitive advantage in service markets would, therefore, do well to concentrate on issues of functionality and reliability. The US Postal Service, for example is consistently losing business to FedEx and UPS by attempting to

compete on the wrong bases. By determining how their products and services fall on the dimensions of functionality and reliability, service providers will create a marketing message that is distinct and is a match for their market's interests.

**Figure 1: The Service/Product Positioning Model**

<b>Element</b>	<b>Dimensions</b>			
<b>Functionality</b>	Relevance	Applicability	Features	Fit
<b>Reliability</b>	Integrity	Trust	Sustainability	-
<b>Convenience</b>	Proximity	Ease of Use	Accessibility	-
<b>Cost</b>	Cost of Manufacture	Economies of Scale	Supply and Demand	-

**References:**

1. Cited in Christensen, C.M.(1997). The Innovator's Dilemma. New York: HarperBusiness
2. Collins, J. C. & Porras, J. I. (1994). Built to Last. New York: Harper Collins
3. Maister, D.H., Green, C.H., and Galford, R.M. (2000). The Trusted Advisor. New York: The Free Press is an excellent treatment of this topic.
4. There is an excellent and comprehensive review of the Tylenol case on the World Wide Web at <http://www.personal.psu.edu/users/w/x/wxk116/tylenol/crisis.html>

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