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An Empirical Investigation of Factors Influencing the Development of Positioning Strategy

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Abstract

This study empirically tests a comprehensive set of relevant factors taken into consideration by the firms while developing positioning strategy, some of them for the first time in this context, and subsequently examines the impact of positioning strategy on firm's financial and non-financial performance. The positioning strategy is posited to be influenced by customer orientation, competitor orientation, innovation orientation, environmental dynamism, and marketing capability. Product life cycle and industry environment serve as control variables in hierarchical regression. The findings of this study are based on a sample of top management of 194 manufacturing concerns from Canadian technology sector.

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1. Introduction

Positioning is defined as “the act of designing the company's offerings (products and services), so that they occupy a meaningful and distinct competitive position in the target customers' minds” [1]. Positioning strategy is defined as the choice of target segments and the selection of differential advantage(s) used by a firm to compete in the market [2]. The differential advantage used by the firm to compete is called the dimension of positioning strategy. The firms normally compete on one or more dimensions such as innovation, quality, value, service, etc.

Though positioning has been studied extensively from the perspective of the consumer, there are only a handful of studies which look at positioning from the firm's perspective. There are only a few empirical studies which study the positioning development process of the firm, and these do not delve into the details of factors taken into consideration by the firms while developing positioning strategies [3]. With reference to Resource Based View, Hooley, Broderick, and Möller [4] state that the positioning alternatives available to firms are limited by their resources and capabilities. However, there are only two studies [5,6] which study the impact of a firm's assets and capabilities on its positioning strategies. Influencing factors such as customer and competitor orientation have not been deliberated in the literature with the exception of Gurău [6] who accounts for competitive conditions. Our

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research addresses these gaps, first, since it studies the firm's perspective on positioning and, second, because it is the first study to include a comprehensive set of influencing factors.

Though various authors suggest there that there is a positive relationship between a company's performance and clearly defined positioning strategies, the empirical evidence to support this proposition is very limited. The objective of this research, thus, is twofold:

- A) What factors are taken into consideration by the firms while choosing positioning strategy dimension/s?
- B) What is the impact of firm's positioning strategy on its performance?

2. Conceptual Model and Research Hypotheses

Positioning Strategy Dimensions

"Positioning strategy dimension" for this study is defined as features, benefits, attributes, any other characteristic or differentiating aspect offered by the firm to the customer. Two approaches are used in this study to identify positioning strategy dimensions. First, the positioning literature is extensively reviewed to develop taxonomy of positioning dimensions, based on the content analysis. Second, major positioning typologies proposed in the literature are identified and compared with one another.

All the top six positioning strategy dimensions identified based on taxonomy (content analysis) and all the dimensions culled from the empirically tested positioning typologies are used for this research [5,7]. Thus, the eight positioning strategy dimensions used for this research are: customer focus, product focus, brand focus, innovation, quality, service, price and value.

Customer Orientation

It is stated that keeping a close contact with customers "...leads to a better understanding of customers' needs, closer tailoring of products and services, higher customer satisfaction, easier forecasting of demand, and closer relationships" [8]. Understanding and analyzing customer needs is an integral component of positioning development process [9]. The choice of positioning strategy dimensions would, therefore, be influenced by customer orientation.

H_{1a}: Customer orientation will have a positive and significant impact on dimensions of positioning strategy.

Competitor Orientation

By defining its competition and clearly stating its positioning, a firm can protect itself from the competitive pressures of other firms. Competitor orientation, thus, seems necessary for the development of positioning strategies.

H_{1b}: Competitor orientation will have a positive and significant impact on dimensions of positioning strategy.

Marketing Capability

The marketing capability enables firms to identify customers' needs and build relationships with them, differentiate products and services from competitors, and manage relationships with suppliers and other strategic partners. [10] and [5] comprise handful of studies in the literature which consider the role of marketing capability in the development of positioning strategies. In this study, it is measured by four subfactors – communication, planning, distribution and customer requirements.

The firms can align its market-based resources and marketing capabilities to produce desired results [11]. Since positioning is based on the firm's sustainable competitive advantages and marketing capability enables the firms to achieve competitive advantage, it can be stated that marketing capability will have an impact on the chosen positioning strategy.

H_{1c}: Marketing capabilities will have a positive and significant impact on dimensions of positioning strategy.

Innovation Orientation

Innovation is a key weapon that marketers use to win customers, through the development of sustainable competitive advantage [12]. Innovation is considered as a vital success factor in a highly competitive, global economy [13].

For this study, innovation is defined as, "openness to new types of technologies, the ability to search for these technologies proactively, being able to recognize them early on, and reacting to them appropriately, as well as an attempt to use these technologies purposefully for innovation to develop technologically first-class products that

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