

REPOSITIONING AND RETARGETING (SECOND SET OF NOTES FOR SECOND EXAM)

This set of notes is a continuation of the previous set, which means you need to remember basic concepts from the previous set to understand this set. This set also focuses a lot on the use of the **three attitudinal components** (brand perceptions on DBs, ideal points on DBs, and the degree of importance of DBs) and it is absolutely essential that you understand each of these components and how they are used to determine the degree of customer satisfaction or dissatisfaction with brands. However, the focus here is on repositioning and retargeting, while the previous set of notes focused on targeting and positioning.

I. What is the difference between positioning and repositioning?

This is a relevant question because we have switched from a focus on positioning in the prior notes to a discussion of repositioning in these notes.

The difference between these two terms is strictly timing. The development of a positioning strategy and selection of an initial market target is done prior to introduction of a **new** product/service. After a new product/brand is introduced by an organization it needs to consider adjustments made to the initial positioning and to the initial market target. Any such adjustments being considered can be referred to as repositioning and retargeting.

II. Does repositioning usually need to be considered when retargeting is being considered?

The general answer to the question in the heading is “sometimes yes and sometimes no.” The reasoning is presented below, with the “yes” part under “A” and the “no” part under “B.”

A. When and why repositioning does need to be considered when retargeting is being considered

At least when initial positioning and targeting is successful, which is the primary focus in these notes, retargeting usually involves adding a new segment or segments to the initial market target rather than a complete change from the initial target to a totally or mostly separate market target. Particularly when expansion of the initial market target involves adding new **benefit** segments to the target, repositioning usually will be needed because the new benefit segments will a) place **importance** on different determinant benefits than the initial target and/or b) have different **ideal points** on the determinant benefits used in initial positioning. Repositioning usually will be needed in either of these two situations, as we will soon see using our bar soap example again.

- B. When and why repositioning does not need to be considered when retargeting is being considered

Particularly when **geographic** expansion of the initial market target is used, repositioning probably will not be needed when the market target is expanded. Southwest Airlines is a good example of this as they have expanded their market target geographically by opening new routes without really changing the initial positioning very much. (I think they have changed their initial positioning some by adding reliable service to the almost exclusive focus on low price in their initial positioning. However, once they did this repositioning a number of years ago, I think they have kept the same repositioning even as they continue to expand their target geographically.)

- III. Overview of remainder of these lecture notes on repositioning and retargeting

The most critical things to know about these notes are:

- ❖ An understanding of the **three** basic types of **repositioning options** that exist (identified and described under V and then used repeatedly through the remainder of these notes). This is important background material that is needed to understand the below topic.
- ❖ An understanding of the process used to identify potentially profitable repositioning options (discussed under VI and specifically under VIB). This process asks **six questions** that are used to identify potentially profitable repositioning options.
- ❖ An understanding of the **six additional factors** that should be considered in evaluating potentially profitable repositioning options identified through the six questions (discussed under VII).

Four of these six factors here, such as perceptual and technical feasibility also were additional factors discussed at the end of the prior set of notes. However, two additional factors are needed to evaluate repositioning options that were not factors used in the prior set of notes to evaluate positioning options. These two extra factors relevant only to repositioning are identified and discussed under VII.

The entire focus on all three of the above topics is repositioning when initial positioning is **successful**. This is because the most common decision to make when initial positioning is unsuccessful involves dropping the new product rather than repositioning it.

- IV. Why should a firm consider (not necessarily going through with it) repositioning/retargeting if initial positioning is successful?

A. General answer to the above answer

The general answer is that initial success usually is with a concentrated market target strategy. Because this targeting strategy involves a smaller market target, expansion of this initial market target strategy should be considered to increase success. Expansion involves determining whether movement should be more towards (a) a **differentiated** market targeting approach or towards (b) an **undifferentiated** market targeting approach. (Each of these three market target strategies was discussed in the set of notes for the first exam. If you do not remember and understand these three strategies, you should review the prior material, particularly because both differentiated and undifferentiated strategies will be central concepts discussed later in these notes. These three market target strategies also are discussed in the chapter on market segmentation in your text.)

B. Development of the General Above Answer identified under “A”

The general answer above is developed below, starting with an explanation of why a concentrated market target strategy usually is used when introducing a new product

- 1) Why is a concentrated market coverage strategy often used when first introducing a new product, even by larger organizations?
 - (a) There is less downside risk with this strategy than with the other two market target strategies because the fixed startup costs are lower with a concentrated approach than with a differentiated or an undifferentiated market target strategy.

More specifically, the promotional costs of launching the new product/service are less with a concentrated strategy than with either a differentiated or undifferentiated strategy because a smaller market target requires less advertising and personal selling. If it is a product that involves production, production costs are less with a concentrated strategy than with the other two market coverage strategies. Because of the smaller market target, less production capacity is needed, which means a lower investment in plant and equipment. For the same reason, the investment in production material and labor is reduced when a concentrated market coverage strategy is used.

- (b) Particularly when entering an established product category with established competition, any dissatisfied segments that offer potential for competitive advantage are likely to be **smaller** segments.

This is because established competitors tend to focus on the larger segments that offer higher sales and profit potential. Thus, only smaller segments often remain for a later entrant. If only smaller

segments remain, then the only realistic entry strategy is a concentrated strategy.

- (c) Established competitors are less likely to respond **quickly and aggressively** if the new entrant is not all that aggressive or threatening.

If the new entrant enters the market with a concentrated approach, established competitors are less likely of perceiving that the new entrant is a serious threat. This is because the new entrant focuses initially on a smaller segment neglected by competition when using a concentrated strategy. When a firm launches a new product in an established product category, it usually is more likely to be successful if established competitors do not respond quickly and aggressively to the new entrant.

V. What **repositioning** options exist?

As these options are rather abstract, an example is needed while describing each option. As might be expected, we will use the bar soap example, so get out your perceptual map handout again. However, before going into the example and descriptions, let me first just identify each of the three repositioning options with a name or label.

A. Identification of three basic repositioning options

- 1) The organization adds a **new** version of the existing brand to appeal to a new **benefit** segment or segments, while keeping the current successful version to appeal to the initial target.

This would involve a **differentiated** market target strategy by definition and it can be viewed as a type of repositioning.

- 2) The organization tries to **change perceptions** of the existing brand on a DB or DBs **emphasized in the initial positioning** to appeal to a new benefit segment while still trying to hold on to the current benefit segment.

This is one version of an **undifferentiated** strategy and involves repositioning of the existing brand because of the attempt to change perceptions towards the brand.

- 3) The organization focuses on developing new perceptions on a DB **not involved** in the initial positioning and tries to generate without changing perceptions on the current DBs (and continuing to emphasize the DBs involved in the initial positioning).

In other words, this repositioning option involves adding a new benefit to

an existing brand.

As discussed in a lot more detail later when discussing the third, fifth, and sixth questions used to identify potentially profitable repositioning options, adding a new benefit to an existing brand often is used in combination with the first repositioning option identified under 1) above of adding a new version of a brand. If so, then this repositioning approach involves a **differentiated** targeting strategy. If not, then this repositioning approach involves an **undifferentiated** targeting strategy.

B. Example of each of the three above repositioning options with the bar soap perceptual map

As background with all three examples below, assume that a new brand initially targeted segment **seven** on the bar soap perceptual map by positioning its soap as being very high in moisturizing ability and moderate in deodorizing protection (as this is the ideal point combination for segment seven) and was successful with this positioning for this target. As additional background with the first two options below, assume that the firm now is considering adding segments **four** and **five** to the target as both of these segments prefer high moisturizing ability that the current target desires. However, both of these segments also prefer a low deodorizing soap, which is not what the brand was initially positioned as.

- 1) Example of first repositioning option, which involves adding a new version of the brand to appeal to a new benefit segment while keeping the initial version that already is appealing successfully to the benefit segment initially targeted (remembering that this repositioning option involves using a **differentiated** market target strategy).

To appeal to segments 4 and 5, the organization could introduce a new version of the established brand where the new version would also be positioned to be high in moisturizing ability but, unlike the initial brand, positioning as being **low** in deodorizing ability. This could be done either with a new brand name or the current brand name. Remember that the prior version, which was positioned as being high in moisturizing and moderate in deodorizing would still be kept to appeal to the initial market target, which was benefit segment 7.

- 2) Example of second repositioning option, which involves changing perceptions on a DB or DBs emphasized in initial positioning, remembering that this repositioning option involves an **undifferentiated** market target strategy.

To appeal to segments 4 and 5, the organization could try to change perceptions on the deodorizing DB away from the current perception of **moderate** deodorizing towards more of a **lower** deodorizing perception to

meet the ideal points on deodorizing ability of segments 4 and 5. Realize that changing perceptions here probably will involve making physical changes in the bar soap itself rather than just claiming in advertising that it is a lower deodorizing soap.

Of course, if this attempted lowering of the deodorizing perception of the brand is successful, the initial market target of benefit segment 7 will become **less** satisfied with the deodorizing ability of the soap since they prefer a moderate deodorizing soap rather than a lower deodorizing soap.

- 3) Example of third repositioning option, which involves the additional emphasis of a new determinant benefit not emphasized in the initial positioning, while continuing to emphasize the DBs involved in the initial positioning

We need to look beyond the perceptual map here because this map only has the two benefits involved in the initial positioning. Let's assume that an analysis of survey research information of benefit segments for bar soaps found a benefit segment that placed high importance on the degree of **masculinity/femininity** of bar soap in addition to high importance on moisturizing ability (but places low importance on deodorizing ability) with an ideal point combination of a highly masculine image and an ideal point of high moisturizing ability.

There would be no need to try to change existing perceptions in terms of moisturizing or deodorizing ability. It does not need to try to change perceptions on moisturizing ability because this new segment has the same ideal point as the current target on this DB and it does not need to worry about perceptions on deodorizing ability for this **new** benefit segment because it places low importance on deodorizing ability. Repositioning here would involve adding the benefit of the soap having an extremely masculine image to meet this ideal point of the new benefit segment.

VI. How do we identify potentially profitable repositioning options?

A. Background and overview

- 1) General description of process used to identify potentially profitable repositioning options

This process involves asking **six questions**. Each of the six questions involves asking whether any **dissatisfied** benefit segments exist, but each question has different conditions that any dissatisfied benefit segment must meet. As a reminder, I have said previously that benefit segments are identified based on the DBs most important to them along with their ideal point on each DB.

As discussed at length in the previous set of notes, we need to know customer a) **ideal points** on importance DBs, b) **brand perceptions** on important DBs, and c) the **degree of importance** attached to these DBs to identify the degree of satisfaction or dissatisfaction that customers have towards existing brands.

All six questions always should be asked, even if a dissatisfied benefit segment is found with one of the initial questions.

- 2) Importance of using perceptual maps to help truly understand each of the six questions

I think the best way to understand the questions is to use a perceptual map to identify benefit segments that meet the conditions in each question. Thus, get out your bar soap perceptual map when you get to the examples to clarify each of the six question.

- 3) The hidden role of **brand perceptions** in the six questions

Although none of the six questions explicitly mention **brand perceptions** on relevant DBs, realize that information on brand perceptions is needed to answer each question. More specifically information of how close to the ideal points of a benefit segment current competitive brands are **perceived** as being is needed to help determine the degree of satisfaction or dissatisfaction a segment has toward current competitive brands.

- 4) Each question involves the common concept of comparing new **benefit** segments to the benefit segment initially targeted, realizing that, except for the **first** question, there will be at least one difference between the new benefit segment and the segment initially targeted. Any difference will involve a) what DBs are **important** to the new benefit segment compared to the benefit segment initially targeted and/or b) an **ideal point** on a DB that is important to both the initial target and the new benefit segment being considered.

The most critical thing to know with each of the six questions is what both the similar and the dissimilar conditions are when comparing the new benefit segment being considered for market target expansion to the segment initially targeted.

- 5) An important point about understanding the reasoning discussed with the six questions

The reasoning is difficult to understand without the visual examples of perceptual maps that will be provided in class to help understand each question. Thus, it is critical that you attend class every day I discuss the six questions.

- B. Identification and discussion of the **six questions** that should be asked to identify potentially profitable repositioning options
- 1) **Are there any dissatisfied benefit segments that place high importance on the same DBs as those that the initial target placed high importance on and that also have ideal points SIMILAR on each DB to the ideal points of the initial target?** (the **first** question)

I have used red font for the part of this question with which the exact wording is also used at the beginning of the second and third questions. I do this to point out what is similar with each of the first three questions.

Note that there are no **significant** differences between the new benefit segment and the one initially targeted with this first question. This is the only question where there are no significant differences between the two benefit segments.

- (a) Identification of an important perceptual map characteristic of a new benefit segment that meets the conditions with this first question

An ideal point segment being considered for market target expansion that meets the two above conditions in this question will be **close** to the segment initially targeted on the **same** perceptual map (with the same DBs) as the map used to identify the initial market target. The reason for this is that the new benefit segment will have ideal points similar to those of the initial target on **each** DB only if it is close to the initial target on the map (since **ideal points** are used to define each segment on the same perceptual map).

- (b) Examples from bar soap perceptual map to help you understand the question

There actually are no **dissatisfied** segments here that meet the conditions involved with question 1 on the bar soap perceptual map. Segments four and five have ideal points similar to those of segment seven, which we are assuming is the initial target, on both deodorizing and moisturizing ability, which is the second condition in question 1 above. It also could be the case that many in segments 4 and 5 place high importance on both deodorizing and moisturizing ability, which is the first above condition with question 1. However, neither segment 4 nor 5 is a **dissatisfied** segment. Unfortunately those in segments 4 and 5 seem rather satisfied with both Tone and Dove, because the perceptions of both of these brands are close to the ideal point combination for segments four and five. In order to provide a decent example of a new benefit segment that meets is consistent with this first question, I am going to alter the map by removing Tone and Dove from it. In doing this, segments four and five would now be

dissatisfied segments with no brand being perceived as being close to both ideal points of the segment.

- (c) What repositioning option would be used if a dissatisfied segment could be discovered that meets the conditions in question 1 (along with reasoning, as always)?

Adding a new benefit would be inappropriate to use if a dissatisfied benefit segment is found with this first question because the new benefit segment places importance on the same DBs as those involved in the initial positioning.

Both of the remaining two repositioning options, involving a) adding a new version and b) trying to change perceptions on a DB involved in the initial positioning need to be considered as there are situations where each would be used, with the primary factor to consider being how **close** an existing **competitor** is positioned relative to the benefit segment **initially targeted**.

Since the new segment would have a similar ideal point on both DBs as the initial target, perceptions would only need to be changed by a **small** amount to appeal to the new segment (from moderate deodorizing to somewhat low deodorizing in our example), which means that the new perception will not need be shifted that far from the ideal point of the initial target that we are still assuming is benefit segment seven. Thus, even though segment 7 will become less satisfied with the soap with the new perception, they will become only somewhat less satisfied with the repositioned brand and may still purchase it if no other brand does a better job of meeting their ideal point. In the bar soap perceptual map, no other brand is perceived as being close to the ideal points of our initial target, which is benefit segment seven. Thus, they probably would continue to purchase the repositioned brand even if the deodorizing perception is shifted somewhat to the lower deodorizing side of the map.

However, if an existing competitive brand also is positioned rather close to the initial target, then there is a big risk of losing customers from the initial target in trying to influence perceptions. This would have been the case if Zest, for example, had been positioned closer to segment 7. To avoid this risk, it would be necessary to add a new version of the soap, which would be a less deodorizing but higher moisturizing soap while retaining the initial version, even though this increases the costs of repositioning compared to trying to change perceptions on an existing DB.

- (d) How likely is it that a dissatisfied benefit segment will be found that meets the conditions in **question 1** above?

Not very likely. This is because only a **small** area on the **one** perceptual map used to find the initial target will meet the conditions of the first question. The area will be small because the new ideal point segment must be **close** to the ideal points of the benefit segment initially targeted. Because the important DBs must be the same for the new benefit segment as for the initial target, **only** the perceptual map with the **two DBs** used to define the ideal points of the initial target can be used to find the new potential target with this first question. Again, a visual example that will be provided in class should help you better understand this reasoning.

As a preview of the remaining five questions, a greater likelihood of finding a dissatisfied segment exists with each of the remaining five questions than with this first question. Actually, the six questions are sequenced from the one with which it is least likely to find a dissatisfied benefit segment to the question with which it is most likely to find a dissatisfied benefit segment.

Lets now move on to the **second** of the six questions that should be asked to try to identify potentially profitable repositioning options.

- 2) **Are there any dissatisfied benefit segments that place high importance on the same DBs as those that the initial target placed high importance on and that have an ideal point similar to an ideal point of the initial target on **one** DB but also have an ideal point on the second DB that is **dissimilar** to the ideal point of the initial target on this DB? (the **second** question)**

As a reminder, the wording in red font is identical with the wording in question 1.

- (a) Using the bar soap perceptual map to identify the basic difference between this second question and the first question

With the first question, the new segment had to be close to the initial target on the map because **both** ideal points of the new segment needed to be **similar** to those in the initial target.

In contrast, as discussed below in the example with this **second** question, the new segment will be rather **far** from the initial target on a perceptual map, but only far from it on **one** of the two DBs. In our bar soap example with the moisturizing/deodorizing map and still assuming that segment 7 is our initial target, the new segment would either need to be in a) the **bottom middle** area of the map (where the new segment would have a dissimilar moisturizing ideal point but a similar deodorizing ideal point, b) the **upper left** of the map, where it would have a similar moisturizing ideal point but a dissimilar

deodorizing ideal point, or c) the **upper right** of the map, where the new segment also would have a similar moisturizing ideal point but a dissimilar deodorizing ideal point compared with the ideal points of the initial target.

Segment 6 would be a segment that meets the conditions in this second question. It places importance on the same two DBs as our initial target (because they are on the same moisturizing/deodorizing map). Segment 6 also has one similar ideal point as our initial target (moderate deodorizing) but has a very different ideal point on moisturizing than our initial target (with the new segment preferring very little moisturizing in comparison with the very high degree of moisturizing preferred by our initial target). In addition, because no brand is perceived as being close to the ideal point combination of segment six, this segment actually would be a promising one to target because they appear to be less than moderately satisfied with all existing competitors.

- (b) What repositioning option would be used if a dissatisfied ideal point segment could be discovered that meets the conditions with this second question (along with reasoning, as always)?

The repositioning option of **adding a new version** would be used, while maintaining the initial version to continue to appeal to the initial target. (Again, this would be called a **differentiated** market target strategy.)

Two versions of the brand would be needed here because the new benefit segment has a **dissimilar** ideal point than the initial target on one DB important to both segments. It is impossible for one version of a brand to meet two very **dissimilar** on the same DB. For example, it is impossible for one version to meet both the **high** moisturizing ideal point of the initial target (segment 7) and the **low** moisturizing ideal point of the new segment (segment 6).

- (c) Is it more likely that a dissatisfied segment will be found with this second question than with the first question discussed previously?

The answer is yes. The basic reason is that there is a **larger** area of the **original** perceptual map that meets the conditions of the **second** question than the size of the area that meets the conditions of the **first** question, largely because only one ideal point of the new segment needs to be similar to that of the initial target. As will be shown more clearly below in the bar soap example, this means that there will always be at least **two larger** areas of the perceptual map where a dissatisfied ideal point segment could exist that meets the conditions of the **second** question, compared to only **one** smaller area where a

dissatisfied segment can be found with the **first** question.

In our bar soap perceptual map example with segment 7 as the initial target, there actually are **three** areas of the map that meet the conditions in the second question. One area is in the **upper left** of the map (which would have a **similar** high moisturizing ideal point to the initial targets but have a **dissimilar deodorizing** ideal point). A **second** area is in the **upper right** of the map (which also would have a **similar high moisturizing** ideal point as the initial target but have a **dissimilar deodorizing** ideal point). The **third** area is in the **lower middle** of the map (which would have a **similar moderate deodorizing** ideal point as the initial target but have a **different moisturizing** ideal point than the initial target. Adding up these three areas in our example, the dissatisfied benefit segment could be in approximately 25-30% of the area of the one relevant perceptual map with this second question.

Now, we will move on to the **third** question used to identify a new dissatisfied segment that could be used for market target expansion and a potentially profitable repositioning option.

- 3) **Are there any dissatisfied ideal point segments that place high importance on the same DBs as those that the initial target places high importance on but have **dissimilar** ideal points on **both** DBs than the ideal points of the initial target? (the **third** question)**

Again, as a reminder, I am using red font for the part of this question where the wording is identical to each of the first two questions. You will see when the fourth question is discussed in a few pages that the third question is the last one where this common wording is used.

Let me provide a **very important summary** of the first three questions. Note that with all three questions, the new benefit segment places importance on the same two DBs as the initial target, and thus is on the same perceptual map as the initial target. With the first question, the new benefit segment has two similar ideal points in comparison with the initial target, with the second question the new segment has one similar and one dissimilar ideal point. With the third question, the new segment has two dissimilar ideal points compared with the initial target.

- (a) Using the bar soap perceptual map to identify the basic difference between this question and the first and second questions

The relevant perceptual map will still have the same two dimensions or DBs as the map used with the initial target since the new segment needs to place importance on the same two DBs as the initial target. However, the ideal points of the new segment will not be close to

those of the initial target on either DB, which means that the new segment will be far from the initial target, **both** vertically and horizontally on the map. (Remember that with the second question, the new segment would have been close to the initial target, **either** vertically or horizontally on the original perceptual map.) In our example with segment 7 as the initial target which is in the **upper middle** of the map, the new benefit segment would need to be either in the **lower right** of the map or the **lower left** of the map

The one segment on the map that comes close to having different ideal points than segment 7, the initial target, on both moisturizing and deodorizing is segment 1, which has a high deodorizing and lower moisturizing ideal point. Obviously, segment 1 does not appear to be a dissatisfied segment though.

- (b) What repositioning option should be used if a new ideal point and dissatisfied segment is found that meets the conditions of this third question?

Let's use the process of elimination here. First, there is no reason to add a **new benefit** since the new segment places importance on the same DBs as the initial target (moisturizing and deodorizing in our example). Second, since the new segment has different **ideal points** on each DB in comparison to the ideal points of the initial target, it is impossible to satisfy these **conflicting** ideal points with a single brand by changing perceptions. Perceptions would need to be moved a rather far distance on **both** DBs which would be a total turnoff to the initial target. Let's say for example, that there was a dissatisfied segment in the lower left of the bar soap map that is looking for low moisturizing and low deodorizing. If we tried to reposition our original bar soap as being **low** in both moisturizing and deodorizing, it would be a turnoff to our initial target who prefer **high** moisturizing and **moderate** deodorizing.

- (c) How likely is it that a dissatisfied benefit segment will be found with this third question?

It is somewhat more likely that a dissatisfied benefit segment will be found with this third question than with the second question. The dissatisfied benefit segment can be in approximately **50%** of the area of the one perceptual map on which the two DBs exist that are important to both the initial target and the new benefit segment. In our example, both the lower left and the lower right of the original perceptual map are areas that meet the conditions in this third question.

- 4) Are there any dissatisfied benefit segments that place high importance on a DB that the initial target places high importance on, that have an **ideal**

point on this DB **similar** to the ideal point of the initial target, but also place high importance on another DB that the initial target placed less than high importance on? (**the fourth question**)

Note that, for the first time, there are **two uncommon** DBs when comparing the DBs of high importance to the initial target and those of high importance to new dissatisfied benefit segments (the one that is of high importance to the new benefit segment but of less than high importance to the initial target and also the DB that is of high importance to the initial target but of less than high importance to the new benefit segment). With these **uncommon** DBs, it does not make sense to compare the ideal points of the initial target to the new benefit segment as ideal points are only relevant on the most importance DBs. In addition, there is one **common** DB that is of high importance to both the initial target and the new benefit segment. On this common DB, it does make sense to compare the ideal points of the two benefit segments. In making this comparison with this fourth question, the ideal points of both benefit segments are **similar**.

(a) Using perceptual maps to help understand this fourth question

With each of the first three questions, the **same** perceptual map was used to identify the new dissatisfied benefit segment as the map used to define the initial target. However, with this fourth question, **different** perceptual maps must be used for the **new** dissatisfied benefit segment than the map used for the initial target. (Note that I use the **plural** form of “map” here, which means there are **multiple** maps that can be used to identify the new benefit segment.) We cannot use the same perceptual map for both segments because there are **uncommon** DBs, as mentioned in the paragraph that started immediately above (a). There are multiple perceptual maps that exist for the new segment because each uncommon DB can be on a map with each of the two possible common DBs. For example, if there are four possible DBs that are of less than high importance to the initial target, each of these four DBs could be put on a perceptual map separately with each of the two possible common DBs. This would give us **eight** perceptual maps that we could explore to find a new dissatisfied benefit segment. In our bar soap example, some additional DBs that could exist are a) price, b) strength of cleaning, c) masculinity/femininity, and d) harshness/gentleness. Four perceptual maps would exist with one of the dimensions being one of these four uncommon DBs and the other dimension being the common DB of deodorizing and four additional maps would exist with each of these four uncommon DBs with the other dimension being the common DB of moisturizing.

I will construct two such maps in class on which a new dissatisfied benefit segment could exist. One will include deodorizing as the common DB, which still will be the horizontal dimension, with degree of masculinity/femininity as the uncommon DB and being the vertical dimension. Note that this fourth question requires that **the ideal point** of the new benefit segment be **similar** to the ideal point of the initial target on the **common** DB, which is deodorizing on this first map. In other words, the new segment's deodorizing ideal point must be **moderate** deodorizing as this was the deodorizing ideal point of our initial target, which was segment seven. Thus, on this map, the new segment would need to be in the area representing a **long but narrow VERTICAL** band starting at the very upper middle of the map (highly masculine, moderate deodorizing soap to the very lower middle of the map (highly feminine, moderate deodorizing soap).

The second map in our example will be one where degree of masculinity/femininity is still the uncommon DB that is only of high importance to the new benefit segment, and where moisturizing is the common DB of high importance to both segments. Here, as on the original map, moisturizing will be the **vertical** dimension and degree of masculinity/femininity will become the horizontal dimension. Because this fourth question requires that the ideal point of the new benefit segment be similar to that of the initial target on the **common** DB, the ideal point on moisturizing of the new segment must be **high** moisturizing, as this was the moisturizing ideal point of segment 7, which was our initial target. Thus, on this map, the new segment would need to be in the area representing a **long but narrow HORIZONTAL** band starting at the very upper left of the map (highly masculine, high moisturizing soap to the very upper right of the map (highly feminine, high moisturizing soap).

- (b) Which repositioning option should be used if such a dissatisfied segment can be found with this **fourth** question?

Since the new benefit segment places high importance on an **uncommon** DB not highly important to the initial target, then this **uncommon** DB that is important to the new segment must be **added** to the initial positioning. However, as discussed below, the repositioning approach of **adding a new benefit**, which was first discussed at the bottom of page 4, often needs to be used in combination with the repositioning option of **adding a new version** of the brand.

In our example, the **new** benefit not stressed in the initial positioning is the degree of **masculinity/femininity**.

It is difficult to decide whether this required repositioning option of

adding a new DB (degree of masculinity/femininity) should be a) combined with **adding a new version** of the brand (a **highly masculine** and moderate deodorizing soap for the new benefit segment while keeping the **high moisturizing** and **moderate deodorizing** soap for the ideal point segment initially targeted, or b) keeping only the existing version and just adding in promotion that it is now a **highly masculine** soap in **addition** to being the high moisturizing and moderate deodorizing soap that it was previously.

The decision about whether to both add a new version along with adding the new DB or whether to keep the original version only but adding the new DB, is a difficult decision that is further discussed below under both c) and d).

- (c) **Overview** of how to decide whether to introduce a **new version** of the brand vs. whether to just keep the current version when repositioning by **adding a new benefit** with this fourth question

There are **two risks** in some situations in just keeping the current version of the brand when adding a new benefit. Each of these risks is identified and discussed below under d. When at least one of these below risks is thought to be moderate to **high**, then a new version of the brand should be introduced to appeal to the new segment, while keeping the current version for the initial target (using a **differentiated** market target strategy). On the other hand, when both of these below risks are thought to be **low**, then keeping the current version without adding a new version should be used because this strategy is **less costly**, than adding a version while maintaining the existing version.

- (d) When and why it will be **risky** to just keep the current version when adding a new benefit?

Two different types of risks are identified below under i, and ii. Remember that each risk exists only if a new DB is added without also **adding a new version** of a brand.

- i A **perceptual tradeoff** exists which makes it close to impossible to be perceived as simultaneously meeting **both** the ideal point on the uncommon DB and the ideal point on at least one of the DBs involved in the initial positioning.

Let me use an example to help you understand this risk. For starters, remember that the added DB is degree of masculinity/femininity, with the new segments ideal point on this uncommon new DB being highly masculine. If consumers perceive that more masculine soaps tend to be stronger in deodorizing ability, then a **tradeoff** would exist between the ideal point of **high**

masculinity desired by the new segment and the initial target's ideal point of **moderate** deodorizing ability. In other words, **one** brand could not meet both the **high masculinity** ideal point desired by and important to the **new** segment and the **moderate deodorizing** ideal point desired by and important to the **initial** target.

If two versions of the brand were used in this situation, this risk would not exist. The current brand would continue its positioning of high moisturizing and moderate deodorizing while the new version would position itself as high in masculinity and high in moisturizing.

- ii Adding a new benefit with only one version of a brand would involve at least **three** DBs and positioning or repositioning on more than two determinant benefits runs the risk of having a **confusing** or "**muddied**" perception in the minds of consumers.

In our example, if the initial target places importance on both moisturizing and deodorizing ability but does not place importance on degree of masculinity while the new segment places high importance on moisturizing and degree of masculinity but not on deodorizing ability, then, if we had only one version, it would need to be positioned on all **three** DBs to satisfy **both** segments (deodorizing, moisturizing, and degree of masculinity).

On the other hand, if two versions of the brand were used in this situation, **each** version would only need to be positioned on two DBs. The current version could focus on moisturizing and deodorizing while the new version could focus on degree of masculinity and moisturizing. Being able to focus on only two DBs with each version lessens this risk of having a confusing or muddy perception.

- (e) How likely is it that a dissatisfied benefit segment will be found with this fourth question compared to the likelihood of finding a dissatisfied segment with the previous three questions?

It is a **lot** more likely that a dissatisfied segment will be found with this fourth question than with the previous three questions. The basic reason is that there is an **uncommon** DB that is only of high importance to the new segment with this fourth question. Since there are a number of potential uncommon DBs (I gave four such DBs on page 14.), and since each of the uncommon DBs can be on a separate map with each of the two possible common DBs of high importance to the initial target (the common DBs of moisturizing and deodorizing in our example), there are a large number of maps on which we can find

a new dissatisfied benefit segment with this fourth question. Even though, as discussed in our perceptual map examples with this fourth question, there is only a narrow band in which a dissatisfied benefit segment can exist on each map, the combined areas of the narrow bands is larger than the approximately 50% of a **single** map being the relevant area with question three.

TRANSITION POINT: The notes will now progress to the fifth question, which is quite similar to the fourth question just discussed, but which removes the similar ideal point condition on the common DB of the fourth question.

- 5) Are there any dissatisfied benefit segments that place high importance on a DB that the initial target places high importance on, that have an **ideal point** on this DB ~~similar~~ **dissimilar** to the ideal point of the initial target, but also place high importance on another DB that the initial target placed less than high importance on? (the **fifth** question)

If you compare the wording of this fifth question to the wording of the fourth question, you will note that the two questions are identical, except that only one word is different between question four and question five. The word “**similar**” in the fourth question -has been changed to the word “dissimilar” with question five.

- (a) Using perceptual maps to help understand this **fifth** question

As with the fourth question, there are a large number of perceptual maps that can be examined to find dissatisfied segments that meet the conditions of this fifth question. Each map has one of the DBs from the map used to define the initial target (either moisturizing or deodorizing in our example) but also has another DB not on the map used to define the initial target. I identified eight such maps on page 14 in discussing question four and gave visuals of two of these maps in class in discussing the fourth question. I will use the same two visual maps in class with question five as I did with question four.

The only difference between question four and question five is the specific **area** of each map that applies. Remember with question four that the only relevant area of each map in which a dissatisfied benefit segment could exist was a long but narrow band of each map (which was a vertical band if the common DB was the horizontal one or a horizontal band if the common DB was the vertical one). In contrast, the applicable area of each map with question five is the entire map except for the narrow band that was relevant to question 4. This is because the narrow band was where there was a similar ideal point on the common DB, which applied to question 4. However, since

question five involves a **dissimilar** ideal point on the common DB, the relevant area of the map is all but the area where there is a similar ideal point.

- (b) In comparison with the **fourth** prior question, how likely is it that a dissatisfied segment will be found with this **fifth** question?

You should be able to answer this question based on the above discussion under (a). I said above that the only relevant area of each map with question 4 was a narrow band. In contrast, all but the narrow band is a relevant area of each map with question 5. By removing the constraint of the fourth question that the new segment have a **similar ideal point** on the **common DB** to that of the initial target, it is a lot more likely that a dissatisfied segment or segments will be discovered with this fifth question than with the prior fourth question. (I realize that this point is better understood with a visual example of a perceptual map. I will be presenting such a visual example in class and it is critical that you be in class when I present this visual example.)

- (c) What repositioning option or options should be used if a dissatisfied segment or segments is found with this **fifth** question?

Obviously the repositioning option involving **adding a new benefit** must be used here since the new segment places high importance on a DB not emphasized in initial positioning since the initial target did not place high importance on this DB (As with the fourth question, we can use degree of masculinity/femininity as the new DB)

In addition, we said in discussing the second and third questions that it **always** is necessary to **add a new version** of a brand in repositioning whenever the new segment and the initial target have **dissimilar** ideal points on a DB that both place high importance on and this is the case with this fifth question.

Putting the points in the two above paragraphs together, the proper repositioning approach if a dissatisfied segment is found with this **fifth** question **always** involves the combination of adding a new **benefit** with adding a new **version** of a brand.

TRANSITION POINT: Now that the discussion of the fifth question is complete, I will move on to a discussion of the **sixth** and last question.

- 6) Are there any dissatisfied segments that place high importance on different DBs in comparison with the initial target, with no DB that both the initial target and the new segment place high importance on? (the **sixth** and last question)

In other words, there is no common DB that both the initial target and the new segment place high importance on with this sixth and last question. This is the only one of the six questions with which there is not at least one **common** DB that both the initial target and the new segment place high importance on. Since there are no common DBs with this question, there is no reason to have any **ideal point** conditions with this last question. This is because customers practically have ideal points only on DBs that are important to them. In fact, this is the only question with which there is not at least one ideal point condition.

(a) Using perceptual maps to help understand this **sixth** question

This question allows us to look at a **large number** of perceptual maps to try to find dissatisfied segments and allows us to look at all areas of each map since there is no ideal point restriction with this sixth question. Since there is no common DB with this sixth question, the only restriction with this sixth question is that none of the maps include either of the DBs used in our initial positioning. Thus, in our example, none of the maps can include **either** moisturizing or deodorizing, since these were the two DBs that were used in initial positioning because they were important to the initial target. Since there is no ideal point restriction with this question, the **entire area** of each map is in play in looking for a dissatisfied benefit segment.

(b) How likely is it that a dissatisfied segment will be found with this **sixth** and final question?

It is more likely that a dissatisfied question will be found with this question than with any of the prior five questions. This is because there are a large number of maps or combinations of DBs that can be used and the entire area of each map is relevant since there is no ideal point restriction with this question in comparison with both question four and question five, each of which had an ideal point restriction on the common DB.

(c) What repositioning option or options should be used if a dissatisfied segment or segments is found with this **sixth** question?

Obviously new **benefits** need to be added since there are no common DBs with the initial target and the initial positioning strategy. In addition, it is almost always the case that a **new version** of the brand will need to be added since the same two risks discussed with the **fourth** question exist here and exist to even a greater extent and more frequently with this sixth question than with the fourth question. For example, the second risk **of muddying or confusing the image** is more likely to exist here because at least **four** DBs would need to be

involved if a new version is not added (the two DBs that the initial target places importance on plus the two different DBs that the new segment places importance on.) The chance of a **perceptual tradeoff**, which was the first risk, also is greater because more DBs are involved here. The more DBs, the greater the chance of a perceptual tradeoff existing.

7) A summary discussion of the use of each **general repositioning option**

- (a) **Adding a new benefit** is **always** involved with the **fourth, fifth, and sixth** questions. With each of these questions, the new segment places high importance on at least one DB that the initial target did not place high importance on, and, thus, was a DB not used in initial positioning.

However, as discussed with the **fourth and sixth questions**, it often is **risky** to add a new benefit without also adding a new version of the brand. Thus, adding a new version often is used in **combination** with **adding a new benefit** to the initial positioning with question 4 and this combination would be used even more frequently with question 6. However, it is **not required** to use this combination of repositioning approaches with either question 4 or question 6 since there no conflicting or dissimilar ideal points with either question.

- (b) **Adding a new version** usually is involved in repositioning, either by itself or in combination with adding a new benefit.

Adding a new version is **required** whenever there is at least one dissimilar ideal point on a DB of high importance to both the initial target and a new dissatisfied benefit segment. There is at least one dissimilar ideal point with questions **two, three, and five**.

Although it is not always required that adding a new version is used with questions four and six because there no conflicting ideal points with each of these questions, this repositioning option **often** is used in **combination** with **adding a new benefit** if a dissatisfied segment is found with these two questions due to the two possible risks involved that were discussed with question four.

The only one of the six questions with which adding a new version is rarely used is the very first one. However, even here, as discussed with the first question, it may be used even though it is more costly than the alternative of trying to influence brand perceptions. The decision on which one of these two options to use with the first question depends on the degree of **competitive vulnerability** with the **initial target**.

- (c) The repositioning option of trying to change perceptions usually is not used **if the initial positioning is successful**. The reasoning here was

presented with the first question. To summarize this reasoning, the problem in trying to **change perceptions** when the initial positioning is successful is that such a change will move perceptions further from the ideal points of the initial target, which will reduce their degree of satisfaction with the brand. Given this problem, this repositioning option should be used only when a) the new segment has similar ideal points to the initial target on **both DBs** used in initial positioning **AND** b) no competitive brands are perceived, or are likely to be repositioned so that they are perceived as being even reasonably close to the ideal point combination of the **initial target**.

TRANSITION POINT: The discussion of the six questions used to identify potentially profitable repositioning options is now completed. Just as the notes at the end of the positioning notes discussed **additional factors** to consider in further evaluating positioning options, these notes end with this same discussion, but applied to **repositioning** options. The four below factors discussed in the prior set of notes as being relevant in further evaluating **positioning options** also are relevant in the further evaluation of **repositioning** options.

- Expected future competition
- Degree of technical feasibility
- Degree of perceptual feasibility
- Expected and projected costs

In addition to the four above factors already discussed (although perceptual feasibility is discussed again here with repositioning), **two** extra factors need to be considered with repositioning that were not relevant with positioning. These two extra factors are discussed immediately under VIIA.

- VII. Description of six factors that need to be considered to more fully evaluate potentially profitable repositioning/retargeting options identified under “VI” above
- A. Identification and discussion of the **two extra** factors or criteria to use that were not discussed at the end of the positioning notes
- 1) The amount of **cannibalization** involved with a repositioning option being evaluated. (This factor needs to be considered only with the repositioning option involving **adding a new version** of the brand. You will hopefully soon understand the reason for this statement based on the below discussion. (Cannibalization was not a relevant factor when evaluating positioning options because rarely are multiple versions of a brand used

with **initial** positioning. As discussed at the beginning of these notes, a **concentrated** market target strategy usually is used with initial positioning.)

(a) What is meant by “**cannibalization**?”

Cannibalization exists when customers who have been purchasing the **initial** version of the brand involved in the initial positioning switch from this to the **new** version of the brand. For example, sales from people who switched to a Lexus when it was introduced from an existing make and model produced by Toyota would be cannibalized sales.

(b) Why are cannibalized sales a potential problem only with the repositioning option involving **adding a new version** of the brand?

Cannibalized sales, based on the definition above under a), can only exist when an organization markets **multiple versions** of a brand in the same product category and this is done only with the first repositioning option of adding a **new version** to an existing version.

(c) Is cannibalization always **bad**?

No, it is not always bad. It is positive **if** the sales shift is from a version of the brand with a **lower** contribution margin to one with a **higher** contribution margin. On the other hand, cannibalization is bad when sales of higher contribution margin are cannibalized when a version with a lower contribution margin is introduced. In addition, since the costs of adding and marketing a new version usually are rather substantial, cannibalization will result in a net loss even if the contribution margin of the new version is identical to the contribution of the initial version.

In our prior example with the Lexus, the contribution margin probably was higher with the Lexus than for most of Toyota’s prior makes and models. Thus, cannibalization probably is not much of a concern in this situation.

(d) Can anything be done to lessen the amount of cannibalized sales when using the repositioning option that involves introducing a new version of a brand?

Yes, the thing that can be done is to target a benefit segment with very dissimilar ideal points than the ideal points of segment or segments currently targeted. If this is done, the new version will not be perceived by the initial target as something that would satisfy their ideal points. An example of this from our perceptual map with bar

soaps would involve an organization, which initially targeted segment 7, adds a new version that targets segment 6. Segment 6 has a very dissimilar ideal point than segment 7 on the moisturizing DB. Thus, those in segment 7 would not buy the new version targeting segment 6 unless they placed little importance on moisturizing ability.

- 2) **Loss of current** customers as a result of the repositioning option being considered (As a reminder, this is the second **extra** factor that needs to be considered in further evaluating repositioning options that is not relevant in considering positioning options. It is not relevant in evaluating positioning options because there are **no current** customers when a new brand is introduced with an initial positioning strategy.)

- (a) With which of the three repositioning options can this problem occur?

It has more than a remote chance of occurring with both the repositioning option that involves trying to **change perceptions** on a DB or DBs involved in the initial positioning and the repositioning option that involves **adding a new benefit**. The reasoning for this conclusion is presented below with trying to change perceptions under b and adding a new benefit under c.

- (b) Explanation of how and why current customers can be lost by trying to **change perceptions** on a DB or DBs involved in the initial positioning

As discussed previously under the **first** of the six questions, it is very likely that the attempt to change perceptions towards the ideal points of a **new** segment will shift the same perceptions **further away** from the ideal points of the segment **initially targeted** with the initial positioning. We will use the bar soap perceptual map one last time (at least I think it will be the last time) to demonstrate this reasoning. Assume that segment 7 was targeted initially through positioning a bar soap as being high in moisturizing and **moderate** in deodorizing ability. Then assume that the organization wants to add segments 4 and 5 to the target by repositioning the initial version more towards the **low** deodorizing ability that is consistent with the deodorizing ideal point of both segments 4 and 5. The current customers in segment 7 will become less satisfied by this repositioning as they prefer moderate rather than low deodorizing ability, at least if they place high importance on deodorizing ability.

Taking this problem a step further, using this repositioning option of changing perceptions actually could result in a loss in current customers, while, at the same time, acquiring very few customers from the new segment from the **new segments** being targeted. This can happen because the attempt may be made to change perceptions so that they are about in the **middle** between the two segments. Being in the

middle still will not provide a high degree of satisfaction to either segment and it rarely is a good idea.

(c) Explanation of how and why current customers can be lost by trying to **add a new benefit**

The prior discussion under bi under perceptual tradeoffs involved with **adding a new benefit** on page 16 is the basis for this explanation. To summarize and repeat this reasoning here, the **new** DB may be **negatively** related in customers' minds to a **current** DB (for example, that a strong pain reliever, which is **good**, results in a pain reliever with strong side effects, which is **bad**). The way that this can result in a loss of current customers is that current customers perceptions may change **for the worse** on the DB involved in the initial positioning, which can make them more dissatisfied as a result of the repositioning. Continuing with our pain reliever example, if the repositioning would involve the new DB of strength of side effects, with the repositioning focused on no strong side effects, this could cause current customers, who previously thought that the pain reliever provided strong relief to question whether the relief is that strong if minimal side effects are not being claimed.

B. Discussion of the four additional factors discussed at the end of the **positioning** notes (as these four factors also are relevant when conducting a further evaluation of potentially profitable **repositioning** options)

1) Amount and strength of expected **future competition**

This factor was discussed in the prior set of notes and nothing needs to be added here.

The basic point is that future competition often is stronger than current competition with a dissatisfied ideal point segment that is being considered for repositioning. If expected competition is stronger, then the repositioning option may be unsuccessful.

2) Degree of **Technical** feasibility of actually developing a product with the combination of characteristics that are involved with a repositioning option being considered.

This factor also was discussed in the prior set of notes but one quick point needs to be made here. You **may** think that this criterion is **not** relevant with the **changing perceptions** and the **added benefit** repositioning options because you may think that both of these options involve the **existing** brand. However, the degree of technical feasibility is, in fact, relevant with these two repositioning options. We often need to **change the product design** to change perceptions and such product design

changes may involve new technology. For example, if we want to persuade customers that our soap is less deodorizing than it currently is perceived, some ingredients probably need to be added and/or deleted. When **adding new benefits**, we **may** need to change the design also and these changes also **may** involve new technology.

If the degree of technical feasibility is **low** with a repositioning option, then the option is likely to be **unsuccessful**.

- 3) Degree of **Perceptual** feasibility involved in trying to implement a repositioning/retargeting option being evaluated

If the degree of perceptual feasibility is low in trying to meet the relevant ideal points of a dissatisfied benefit segment, then the repositioning option being considered may be unsuccessful.

This factor was discussed in the prior set of notes.

This factor is **even more** relevant when evaluating **repositioning** options than it was with **positioning** options because some potentially profitable **repositioning** options often are **not** perceptually feasible.

- (a) General reason why the degree of perceptual feasibility may be lower with repositioning than with positioning

Perceptual feasibility can be low with repositioning because of the difficulty of **changing** perceptions once there are **existing** perceptions, and such existing perceptions exist once the brand is initially positioned and attempts are made to reposition the initial version.

One example is the Oldsmobile division of General Motors. Towards the end of the time that this division was on the market, the attempt was made to change perceptions towards a more youthful image, without much, if any success.

Milk has also tried to reposition its marketing from being primarily a healthy drink for children, to also being a great tasting one for adults. A milk association has spent many years and a lot of money trying to change the perception toward one of being better tasting for adults. I do not have research that identifies the degree of success in this attempt, but even if it has been successful, the very large amount of advertising used over an extended period of time due to the long time demonstrates the difficulty of changing existing perceptions. Note in this example, they really were adding a new benefit more than trying to directly change a perception on a DB used for such a long time in initial positioning, namely that milk is healthy for growing children.

Club Med has been trying for a number of years to get people to perceive that it can be a vacation spot for families with children rather than being strictly a romantic and fun vacation for swinging singles. They have not been highly successful in changing these perceptions. In addition, the attempt to attract families has been a turnoff for swinging singles so CM has lost some of their core market.

- (b) Is the degree of perceptual feasibility equal with each of the three general repositioning options?

The general answer to this question is “no.” The degree of perceptual feasibility is **higher** with the repositioning option of adding a new version of an existing brand than with each of the other two general repositioning options (trying to **change perceptions** and **adding a new benefit**). The reasoning for this conclusion is presented below and is organized around each of the three repositioning options. The sequence is from the repositioning options with which perceptual feasibility is greatest (adding a new version) to the one where perceptual feasibility is the lowest. (changing perceptions of an existing brand on existing DBs)

- i Degree of perceptual feasibility when **introducing a new version** of a brand while keeping the existing version

Degree of perceptual feasibility tends to be greatest with this option because it is not necessary to change existing perceptions and expectations, which often are strongly held. This is particularly the case if the new version has a new brand **name** (such as the Lexus).

However, perceptual feasibility sometimes will be low even with this option. It can be low when there is a perceived **tradeoff** between the DBs involved in positioning the new version. For example, such a perceived tradeoff could exist between a food being both healthy and tasty. Some consumers tend to perceive that foods that are healthy (spinach and other vegetables) are not tasty and also perceive that foods that are tasty (chocolate cake) are not healthy.

- ii The degree of perceptual feasibility with the option of **adding a new benefit** is somewhat lower than with the prior option of adding a new version, largely because adding a new benefit does not **start from scratch**. Particularly when a perceptual **tradeoff** exists between the DB being added and one of the DBs involved in the initial positioning, perceptual feasibility can be low with this option. This is discussed in more detail immediately below, with a few examples.

It may be hard for customers to perceive that a pain reliever can simultaneously be perceived as providing **strong pain relief** and offering **minimal side effects**. This would be a problem when initially positioning on strong relief and then adding the new benefit of minimal side effects. The prior example of milk also is relevant here as milk tried to **add** the DB of “tastiness for adults” to the benefit of “degree of healthiness for children.” Still another example of this perceptual tradeoff issue when adding a new benefit was given in our bar soap example on page 16. The point here was that adding a new benefit of a highly masculine soap would create a perceptual tradeoff with the initial deodorizing positioning of it being a **moderate** deodorizing soap.

- iii The degree of perceptual feasibility of the repositioning option of **changing perceptions** is lower than with both of the other two repositioning options because this option always involves **changing** perceptions rather than **creating new** perceptions. At the same time, as discussed below, the degree of perceptual feasibility can be **high** in some instances even with this repositioning option.

The degree of perceptual feasibility with the repositioning option of changing perceptions of an existing brand depends on whether the DB is a more **tangible** one along with the probability that customers will **try** the brand after the repositioning attempt. As discussed in more detail below, the degree of perceptual feasibility is higher with **tangible** DBs, particularly when the **new** target is **willing to try** the brand.

A **tangible** DB is one with which perceptions can be unambiguously determined by trying or even inspecting a brand. Gas mileage with an automobile is an example of a tangible DB. You could tell whether the gas mileage of a hybrid SUV is improved by driving it or even by reading the estimated gas mileage numbers that are required to be posted on new vehicles. An example of a DB that is not so tangible is the side effects with a medicine, particularly the **longer-term** side effects that may not show up for years.

If a DB is tangible and if the product category is one that people will try changed things, then there will be a high degree of perceptual feasibility because customers who try the improved brand will be able to experience the change. This is not the case, however, if the attempt is made to change perceptions on an **intangible** DB or even on a tangible one in a product category where customers are hesitant to try something new. For example, General Motor’s cars have improved their reliability and

durability. However, many customers are not willing to purchase these brands to see if the claims of improved reliability and durability are true.

4) Costs involved with a repositioning option

Obviously, the costs with a repositioning option need to be considered in evaluating it because the costs will influence profitability.

This factor also was discussed in the prior set of notes. The only thing that needs to be added is a short discussion that compares the costs involved with each of the three repositioning options, which is done below.

(a) Costs tend to be highest with the repositioning options involving **adding a new version** of a brand.

The reasoning for this conclusion is based upon the realization, previously stated that adding a new version for a new market segment involves a **differentiated** market coverage strategy. Costs tend to be higher with a differentiated strategy than with an undifferentiated strategy, which is what is used with the other two repositioning options (adding a new benefit and changing perceptions). With a differentiated strategy, **each** version needs to be advertised, which adds to advertising costs. Production costs also tend to increase because different equipment, materials, etc. are needed for each version.

(b) Because it may take **longer** to change perceptions (with the repositioning option of **changing perceptions**) or create perceptions close to ideal points on **new** DBs with the repositioning option of **adding new benefits**, the promotional costs often are greater than anticipated with these two repositioning options.

As an example, the long-running advertising campaign by the milk association that is trying to reposition milk as being a fun and good tasting drink for adults (with no emphasis on health and nutrition) has been a very expensive campaign. I suspect that the cost was underestimated when the campaign began.

C. Summary of Evaluation of potentially profitable repositioning options

Probably the most basic point to make is that there are risks and costs of repositioning as well as potential benefits. Thus, the decision about whether and how to reposition, particularly when the initial positioning is successful, which has been the focus in this set of notes, is a **difficult** decision. Although I think that repositioning should be **considered** with specific repositioning options being identified, the evaluation process of the **six** additional factors

discussed under VII starting on page 22 may conclude that no repositioning should be implemented in the relevant time period.