Student's Name:

Instructor's Name:

Subject:

Date:

# Chapter 1: Harvard Business Review

## Part I: Harvard Business Review: Article Summary

Pictures are usually highly effective, especially in presenting information like sales figures in an organization's annual report using bar graphs, or mapping plays when formulating a strategy in a basketball game, and mapping sales regions when identifying account concentration as well as territory development. Similarly, pictures serve a role when it comes to the development of new products as demonstrated by the general usage of phrases, such as market structure and product positioning. These terms suggest that managers visualize maps of the market in which different brands are positioned and competing for space which is most desired by consumers (Dolan, 1). These kinds of plans are referred to as perceptual maps.

When constructing perceptual maps, the manager of a men's clothing company may consider the two main dimensions of competition to be youthfulness of appeal and price, while products may range from very expensive for mature customers to low-priced options for younger customers. A manager may thus proceed to sketch a map using these dimensions and product attributes and use it as the focus of discussion on where to place the company's new line of suits.

Assuming that the assumptions made by the manager concerning the dimensions that potential customers use to differentiate brands are correct, such a map offers a reliable representation of customers' views about the market. Additionally, the plan can shed further light on discussions concerning product design, product communication strategies, and the selection of the target market (Dolan, 1).

Meanwhile, as customers' perceptions are essential, there are certain tools for conducting market research that can help to develop maps by solid consumer perception data. Such data informs, rather gives a manager's subjective judgment (Dolan, 1). According to Dolan (2), one clear method to create a map of a product class is to ask consumers to list two of the essential attributes of differentiation and then rank each product on the listed attributes. Although this may be reasonably successful in certain circumstances, it generally places too much of a challenge on the respondents to produce reliable maps (Dolan, 2).

Dolan (2) noted that besides the approach mentioned above, there are two other options for developing maps, distinguished by what is inquired from consumers. One alternative is known as the attribute rating technique (AR), and the other one is referred to as the overall similarity technique (OS). In the AR method, respondents are presented with a complete list of potentially relevant attributes, and they are required to assign a rating to each item based on each attribute. Computerized statistical analysis through multiple discriminant analysis or factor analysis will then be applied to extract meaningful information from the initial raw data, and the information can be used to create different maps on two axes. The overall similarity method (OS) generates a map that is the same as that of the AR, but it differs in the type of input data that goes

into creating the map. In the OS method, the product attributes are not specified, while respondents are merely asked to make a judgment concerning the general similarity of a pair of items. The needed input is first represented in the form of a matrix and then analyzed and plotted on a map (Dolan, 2-6).

Dolan (6) noted that companies could apply perceptual maps in the process of developing new products in three ways. First, they can use perceptual maps to gain a more detailed understanding or picture of the market structure. Secondly, perceptual maps can be used for testing where a new product that is planned for introduction would be perceived. Lastly, perceptual maps can be used to guide research and development efforts to satisfy customer needs better (Dolan, 6).

Dolan (7) further pointed out that at the stage of idea generation in the process of developing a new product, the use of perceptual maps can act as a valuable stimulus for the identification of opportunities. A perception map can be used to identify market niches that are currently overlooked by a firm's competitors and could be served or developed. Additionally, the map can be used to determine a competitor's vulnerability by illustrating how consumers view the competitor (Dolan, 7). After the identification of a general opportunity, the next phase is concept development and concept testing, and for packaged consumer products, some laboratories use tests. In both of these stages, the use of perceptual maps can help to assess if the product or idea would be viewed by consumers as the company intended. Furthermore, perceptual maps can be used immediately after a product has been introduced in the market to track the product's positioning (Dolan, 8-9). The third purpose that perceptual maps serve is to

guide research and development efforts to satisfy customers better. Although this purpose may be somewhat similar to the second purpose discussed above, this third purpose requires the formal representation of the consumers' preferred points (ideal positions) and the location of competitors on the map (Dolan, 9).

In summary, perceptual maps serve as useful tools, but they have some notable limitations. First, they only present a static view of the current perceptions of consumers. If a run of several successive studies of one market is undertaken, certain trends that cannot be captured by perception maps can be tracked. Secondly, although perceptual maps can help a company determine its intended actions within a market, it does not offer any indication of the possibility or cost of being capable of achieving the intended positioning. In a nutshell, a perceptual map cannot act as a replacement for managerial judgment, but it can offer valuable insights and act as a focal point in discussions on strategic planning (Dolan, 10).

**Part II: Summary of Steps to Conduct a Perceptual Map**

Mapping plays a vital role when it comes to new product development as demonstrated by the collective practice of using such terms as "market structure" and "product positioning." The use of these terms suggests that managers visualize a map of the market in which different products are positioned against one another, competing for space which consumers relish the most (Dolan, 1).

*Procedure 1*

One method to construct a perceptual map of a particular product category is by asking consumers to list two main differentiating attributes and then rate each item based on the listed characteristics. However, this does not work well in some circumstances. Additionally, it generally places a difficult task on the respondents to produce a reliable map. The alternative to this approach is identifying customer requirements through market research tools. For instance, potential customers of a men's apparel company may use dimensions like the youthfulness of an outfit and price to differentiate brands or form perceptions about different brands. Secondly, the brand can be placed within two aspects that reflect the beliefs that are held by potential customers. In case this is a dependable representation of customers' views on the market, a perceptual map that draws on these dimensions can inform discussions on product design, product communication strategies, and the selection of the target market (Dolan, 1). However, due to the shortcomings associated with this method, two alternatives for developing maps exist, depending on what is inquired from consumers (Dolan, 1-2).

*Procedure 2*

The second method is the attribute rating method (AR). In the AR method, respondents are presented with a complete list of potentially relevant attributes, and they are required to assign a rating to each item based on each attribute (Dolan, 2). Siemer (112) noted that this method had been used to map competition among producers of specialty plastics. The data gathering step in the AR approach produces a data cube. Next, computerized statistical analysis through multiple discriminant analysis or factor analysis will be applied to extract information from the data cube. The automated statistical analysis works on a single set of manufacturer

attribute ratings. The single set can be generated by getting an average of the ratings of all the respondents to generate an aggregated market view. Alternatively, it can be performed sequentially for a small group of respondents to evaluate if segments differ in their perceptions of the products. These analyses produce two axes for a perceptual map and express the most information from the data cube (Dolan, 2-3).

*Procedure 3*

The third method is the overall similarity method (OS), which generates a map that is the same as that of the AR. Nevertheless, the two approaches differ when it comes to the type of input data that goes into generating the map. In the OS method, the product attributes are not specified. The respondents are simply asked to make a judgment concerning the general similarity of a pair of items, from the most similar to the least similar. The needed input is often represented in the form of a matrix. Once the matrix has been created, the input data can be analyzed and plotted on a map with a horizontal and vertical axis, allowing someone/managers to map products, as well as infer their attributes as viewed by the customer/respondents when differentiating between brands/products. This method has been used in developing maps for *Arora's* retail outlets, *Smith and Lusch* cigarette brands, and food products by *Kordish, Lautman, and Percy* (Dolan, 4-6).

# Works Cited

Dolan, Robert J. "Perceptual mapping: a manager's guide." *Harvard Business Review* (1990).

Siemer, R. H. "Using Perceptual Mapping for Market-Entry Decisions." *Proceedings of the Sawtooth Software conference "Gaining a competitive advantage through PC-based interviewing and analysis," Sun Valley (Id), S*. 1989.