

Product differentiation and unique selling point

Differentiation highlights the differences between a product or service and its rivals. A unique selling point (USP) is the feature that marks a product or brand out from its competition. Without a USP, there is little reason for a customer to select one company's brand over that of a competitor. The best USPs are those that add value to the consumer and are difficult to copy. A company's USP can come from any part of its marketing mix. Below are some examples of how businesses differentiate their products or services using various unique selling points.

Differentiation by product USPs

Product-oriented businesses ([Section 4.1.2 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/market-product-orientation-id-37437\)](https://study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/market-product-orientation-id-37437)) spend years developing unique and innovative ideas that they hope will become successful products. Being the first to create a product – or having a so-called ‘first mover advantage’ – is often a way to differentiate. The verbs ‘xerox’ and ‘google’ come from the names of the businesses that launched the first widely used versions of those respective products (copy machines and search engines).

Patents are another way to ensure product leadership. Medical drugs take years to develop and cost pharmaceutical companies large sums in research and development. If a new drug is discovered, the company that brings it to market is granted a patent for a number of years. As it has an exclusive product, prices can be set high. This allows the business an opportunity to recoup its investment costs and make considerable profits.

Businesses often try to differentiate their product through so-called ‘attribute ownership’. For example, Crest toothpaste is marketed to prevent cavities, while Volvo has built a reputation as a safe car. Heritage is yet another way to position the product as unique. Silk from China and rugs from Iran have a long-established reputation of quality.

Designing or updating a product to appear relevant can be another way to appear unique. Recently, the shoe brand Crocs successfully repositioned itself by collaborating with brands and celebrities such as Balenciaga, Post Malone, Bad Bunny and others.



Figure 1. Crocs added a unique selling point to its brand by collaborating with designers and celebrities.

Source: Katsuuu 44 (<https://www.flickr.com/photos/kyaabo/254051861/in/photolist-jBfmz-bn7Ed-5BukpY-2jP4KuS-2abp4gN-7vziiN-2NEZF8-2mMf3yi-KTrED-8w2Nsa-3L76XZ-2NKM1-7adunW-2kw2otw-nwhso1-2pM4Q-2m5uwf2-BnVNg-2H5Wh-rFVRK-2j4URZc-daToyN-asoNqu-3zjAEw-62w7uN-gj6HdX-gpAMCJ-6JiJYS-L3RJN-8taYiJ-gpB45H-3qQZkz-EkFH6-7ug1XF-2m396Pi-7ufJxT-ACwD1E-mjfb4-6KhuTg-9nbf8D-7ubFVE-7Vxdez-6RT9mL-34acGu-bDjJdy-VHXDym-5WtNcM-os5Lv-WJMMjr-mKvbeK>), CC BY-ND 2.0 (<https://creativecommons.org/licenses/by-nd/2.0/>),

via Flickr

A social enterprise may differentiate its product by addressing an unaddressed human need. For example, a Mexican baby food brand La Huerta de Elisa saw a gap in the market for baby food and created local, organic, no-added-sugar baby food. (You can learn more about how the baby food start-up spotted a gap in the market at [La Huerta de Elisa](https://www.foodnavigator-latam.com/Article/2018/11/01/Mexico-baby-food-startup-La-Huerta-de-Elisa-expands-into-organic-takes-on-Gerber) (<https://www.foodnavigator-latam.com/Article/2018/11/01/Mexico-baby-food-startup-La-Huerta-de-Elisa-expands-into-organic-takes-on-Gerber>).)

Activity

Learner profile: Inquirers

Approaches to learning: Research skills (information literacy); Thinking skills (transfer)

Look at the [world's 50 best restaurants list](https://www.theworlds50best.com/list/1-50)

(<https://www.theworlds50best.com/list/1-50>) and choose a restaurant that you are interested in learning more about. Consider the following:

- What is the restaurant's target market?
- What is the restaurant's unique selling point?

Differentiation by price USPs

Only companies with the lowest operating costs can afford to offer the lowest prices to their customers. This is usually achieved by gaining significant economies of scale (see [Subtopic 1.5 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/the-big-picture-id-36532\)](#)). This is perhaps the most difficult USP to maintain, since competitors can also lower their prices and take away the advantage. Examples of companies that differentiate by price would be Costco, Dollar General, Dollar Tree or budget airlines such as SpiceJet and IndiGo.

Occasionally, some businesses can differentiate by setting a higher price, especially with products where it is difficult to differentiate the quality, such as olive oil. In this case, a higher price signals higher quality and exclusivity.

Differentiation by promotion USPs

If a company can promote a product effectively, it can lead to customer loyalty. This can be considered a USP for a business as it gives customers a reason to select a particular brand over rivals. In the long run, creating a long-term positive brand image should focus on setting a product apart from rivals by adding value for the consumer. Some companies that use promotion as their unique selling point include:

- **The Coca-Cola Company.** Coca-Cola has spent millions of dollars in an effort to associate the Coke brand with Christmas and Santa Claus. The company has even changed people's perception of Santa. The jolly, rounded image we see today first appeared in Coke advertisements in 1931, although it is not true that his clothes are red because of Coke's marketing. Many people look forward to seeing the new Coke 'Christmas trucks' commercial each year, and the company enjoys an annual sales boost as a result.

- **Gym Shark.** This brand of sports clothing has grown mainly through a promotion strategy involving social media influencers becoming ambassadors and promoting the brand. This below the line advertising approach resulted in the revenue of the business growing more than 200% from 2017 to 2018.
- **Patagonia.** The brand's 2011 shock advertising campaign, mentioned in [Section 1.3.4 \(/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/ethical-objectives-and-corp-social-resp-csr-id-36520\)](/study/app/y12-business-management-a-hl-may-2024/sid-351-cid-174702/book/ethical-objectives-and-corp-social-resp-csr-id-36520), famously presented the consumer with the message, 'Don't buy this jacket'. This slogan, unlike typical advertisements, targeted Patagonia's consumers who are known to be concerned with sustainability. Shock advertising uses shock tactics to attract the consumer.

Activity

Learner profile: Inquirers

Approaches to learning: Communication skills

Do a quick web search for innovative promotional campaigns.

Select one that catches your attention and produce two or three slides to share with the class. Your slides should answer the following:

- How do businesses use creativity to differentiate?
- How do the advertisements convince the consumer their products are adding value?

Differentiation by place USPs

This element of the marketing mix is concerned with the distribution of a product. This can be as simple as having a store in a convenient location, or as complex as offering a global distribution network. If you have ever been to an airport, for example, you may have noticed that you can often see neck pillows and headphones sold in duty free shops. Placing a product in the correct distribution channel is often key to its success.

Differentiation by people USPs

Positive interactions with business employees can lead to repeat business. The grocery chain Trader Joe's is well known for its exceptional customer service. This is one of the factors, in conjunction with products and prices, that has helped the company to build a cult following. The quality of customer service at Trader Joe's is partially a result of high employee motivation, as employees receive competitive salaries and benefits.

Watch the short video below to learn more about how Trader Joe's employees help differentiate the brand.

Why Trader Joe's? | It's Not a Secret, It's People



Video 1. How the employees at Trader Joe's impact customer experience.

Differentiation by physical evidence USPs

Physical evidence refers to the physical environment of the business. It includes things like layout, interior design and temperature. Cosmetics store Sephora, for example, has changed the way make-up is presented, from a traditional presentation by brand to a presentation by type of make-up. At the same time, customers are allowed to test the products freely. This has enabled customers to compare brands easily, without the need to go from one department store counter to another. The change in the physical experience is a unique selling point that draws in a loyal customer base.

Case study

IKEA is a multinational company, originating in Sweden, that has revolutionised the way in which furniture is sold. Its unique selling points are:

- **Product.** By selling furniture in flat, easily transportable boxes – which means customers have to assemble the furniture themselves – the brand has managed to generate what is now called the ‘IKEA effect’, or the pride a person takes in assembling a piece of furniture themselves.
- **Price.** Selling disassembled furniture in large warehouse-like stores allows for significant cost cutting and, as a result, a more affordable price.
- **Physical evidence.** IKEA stores are laid out in a way that guides the customer through all of the aisles, which becomes an experience. In addition to this, having a mini-playground and restaurant with unique food items makes it easier to make a family day out of the shopping trip.

Watch the video below about IKEA's layout and its marketing and pricing strategies.

The Economics of IKEA: Why Does Labor Lead to Love? ...



Video 2. How IKEA's unique strategies have contributed to its success.

Questions

1. Using IKEA as an example, explain the importance of having a unique selling point . [2 marks]
2. Identify two USPs used by IKEA. [2 marks]

Differentiation by process USPs

Efficient process could be a way to differentiate a business. Excellent customer service and speed of service can ensure that customers continue purchasing from the business. Qatar Airways, for example, has a reputation for providing the best customer service in the airline industry. A company providing poor customer service – for example by making the refund process difficult, by having long shipping times, or by making customer service difficult to access – may find itself losing customers.



Figure 2. Good customer service ensures customers continue to purchase from a business.

Credit: Neustockimages, Getty Images

Activity

Learner profile: Thinkers

Approaches to learning: Thinking skills (transfer)

This section on differentiation has been written mainly with for-profit commercial enterprises in mind. However, it is important to remember that for-profit and non-profit social enterprises need to differentiate themselves too.

- Consider how a for-profit social enterprise might be able to differentiate itself from its for-profit commercial competition – or other for-profit social enterprises – offering the same products. Which of the Ps might be particularly important to focus on and how?

- Consider how a non-profit social enterprise might be able to differentiate itself from other non-profits engaged in similar activities. Which of the Ps might be particularly important to focus on and how?