



**Karunya INSTITUTE OF TECHNOLOGY AND SCIENCES**

(Declared as Deemed to be University under Sec.3 of the UGC Act, 1956)

A CHRISTIAN MINORITY RESIDENTIAL INSTITUTION

AICTE Approved & NAAC Accredited

Karunya Nagar, Coimbatore– 641 114, TamilNadu, India



## 20MS2007 – Business Plan

**Topics:** Possibility of creating product differentiation & Details about competition.

Academic Year : 2022-2023  
Semester : Even Semester (4<sup>th</sup>)  
Class : II B.Tech. CSE  
Batch : 6





# Product Differentiation Definition

Product differentiation is the effort organizations make to highlight the unique characteristics of their products and brand compared to their competitors.



# Product Differentiation

- A product differentiation strategy involves identifying and communicating the unique qualities of a product or company while highlighting the distinct
- Product differentiation goes hand in hand with developing a strong value proposition to attract a product or service to a target market or audience.





## Why is product differentiation important?

- The goal of product differentiation is to create a competitive advantage or to **make your product superior to alternatives** on the market.
- In other words, you don't just want to stand out from the competition, you want to stand above it.



- It's important to differentiate your product in any industry, especially if you're in a crowded market with many competitors.
- The goal is to show potential customers **what you can offer that other businesses can't**—and why that's valuable to them.



Businesses that make product differentiation work for them, have the following **qualities**:

- Innovative and inventive
- The resources to create high-quality products or services
- A strong research and development team
- Marketing and sales strategies that communicate the benefits and competitive advantage of the product or service

A business's differentiation strategy will depend on its industry, competitive market, and the products or services it sells.

## Ice Breaking



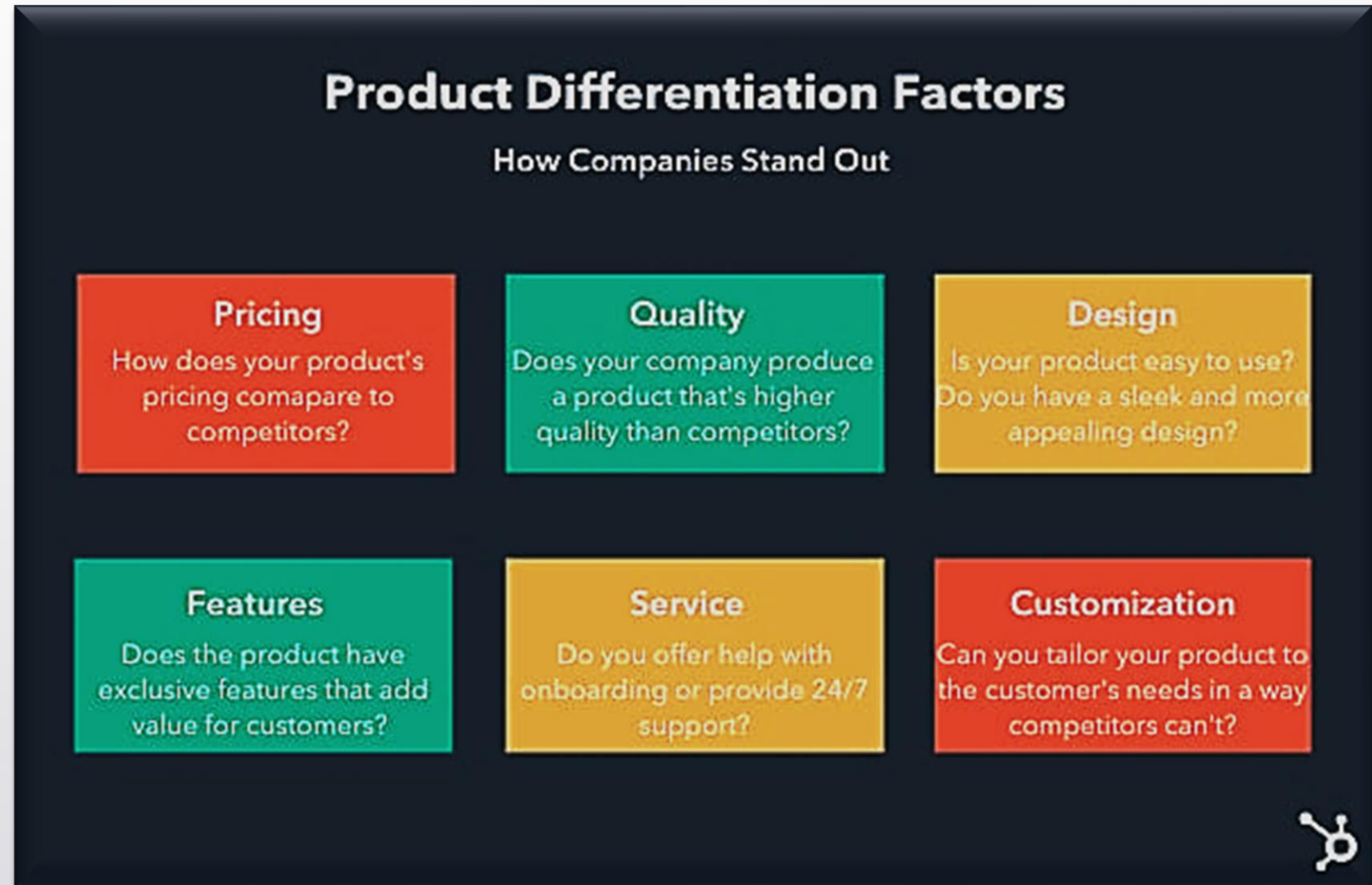
### What is Apple's differentiation strategy?

- Apple differentiates its products by pricing them higher than its competitors implying that the products are better quality and incorporate the latest technology.
- The company also stimulates consumer interest by introducing hype before product launches through clever marketing and distribution strategies.



# Product Differentiation Factors

- Companies use a variety of ways to distinguish themselves from competitors.
- From pricing to customization, what sets you apart will depend on your brand's unique offerings.





**Depending on the type of strategy you choose, there are specific areas where you can differentiate your product.**

1. Price
2. Quality
3. Reliability
4. Features
5. Design
6. Location
7. Brand image
8. Customization
9. Distribution channels
10. Post-sale support

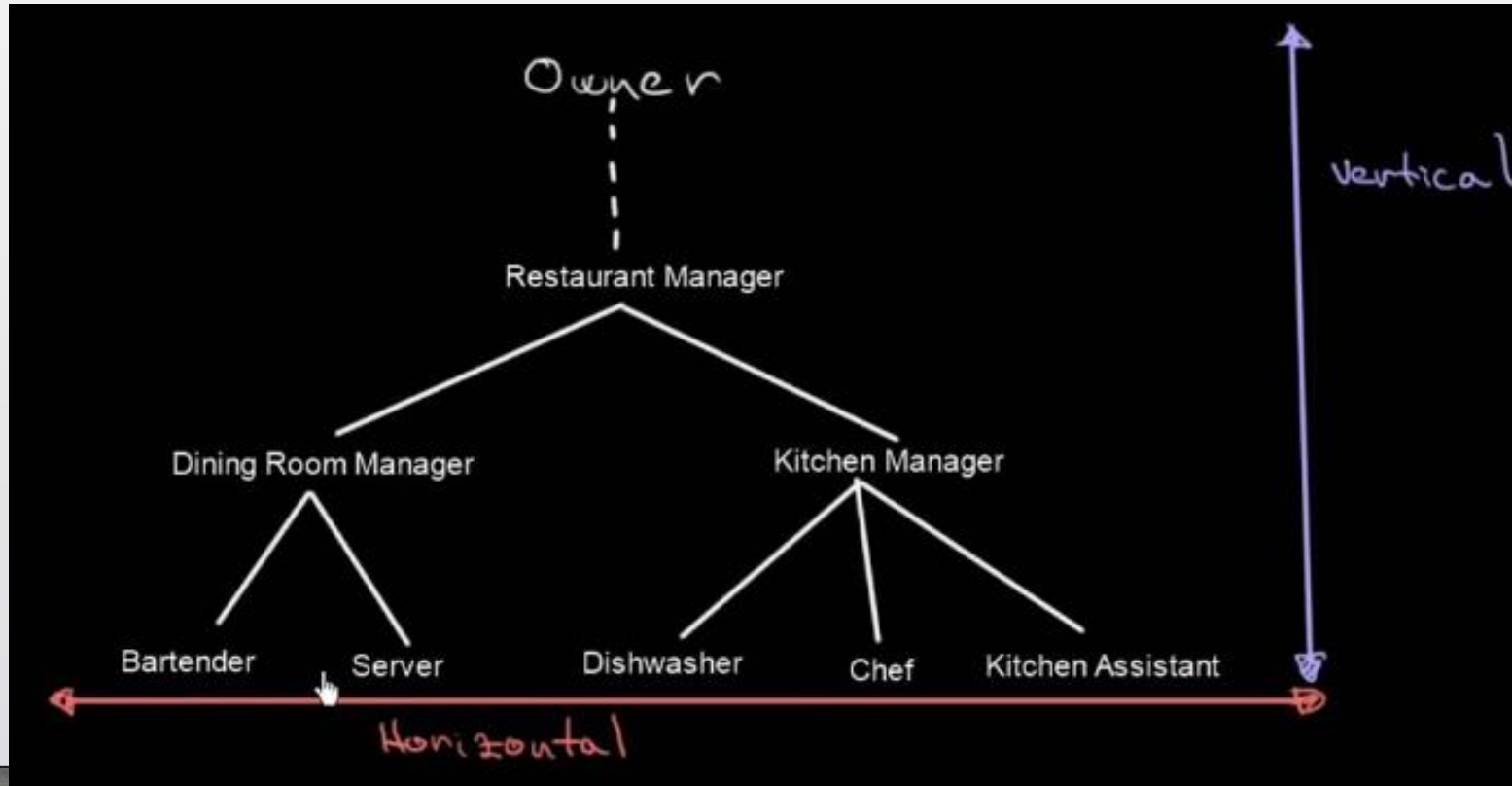
# Types of product differentiation

- ✓ Vertical differentiation
- ✓ Horizontal differentiation
- ✓ Mixed differentiation



# Vertical differentiation

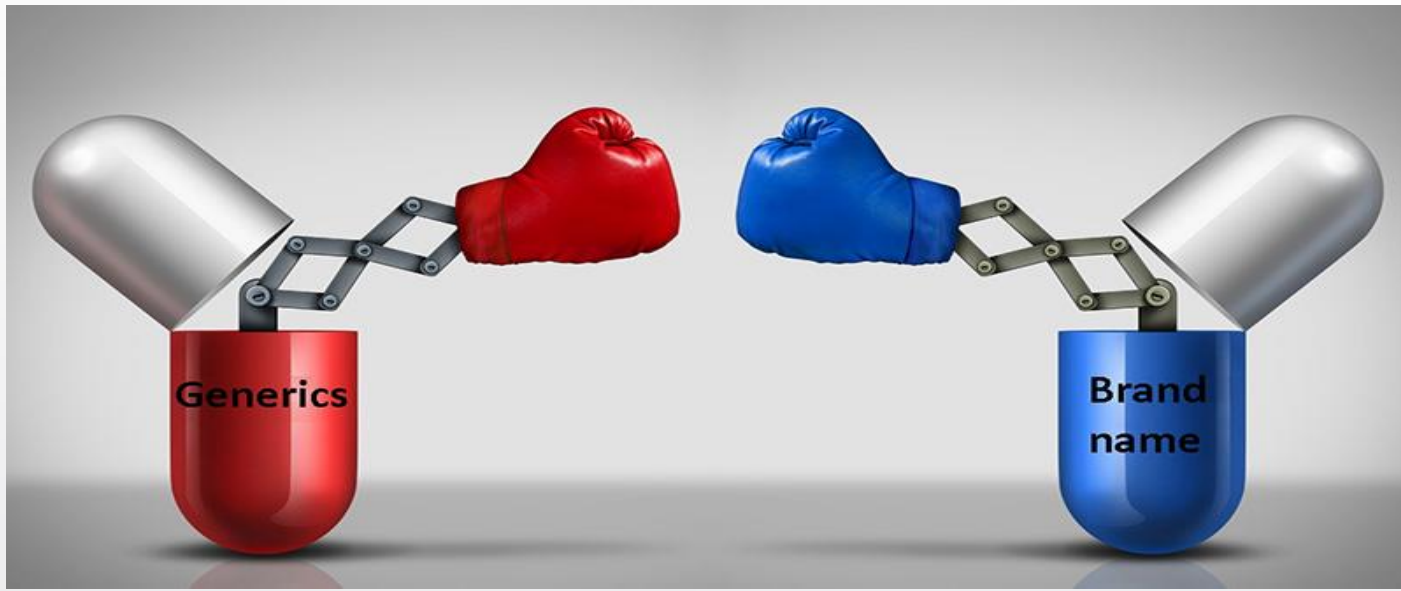
Vertical differentiation is when customers choose a product by ranking their options from best to worst using an objective measurement, like price or quality.





## Vertical differentiation

- While the **measurements are objective**, the value each customer places on them **might vary**.
- For example, 1 meal at a restaurant may be lower in calories than another meal.
- To a customer who is watching their weight, the lower-calorie meal represents a "better" option.
- Another customer might place a higher value on price and choose the higher-calorie meal if it costs less.



## **Examples of vertical differentiation:**

Apple vs. Android products, generic vs. branded items



# Horizontal differentiation

Horizontal differentiation is when customers choose between products **subjectively** because they have no objective measurement to distinguish between best or worst.



## Vertical differentiation

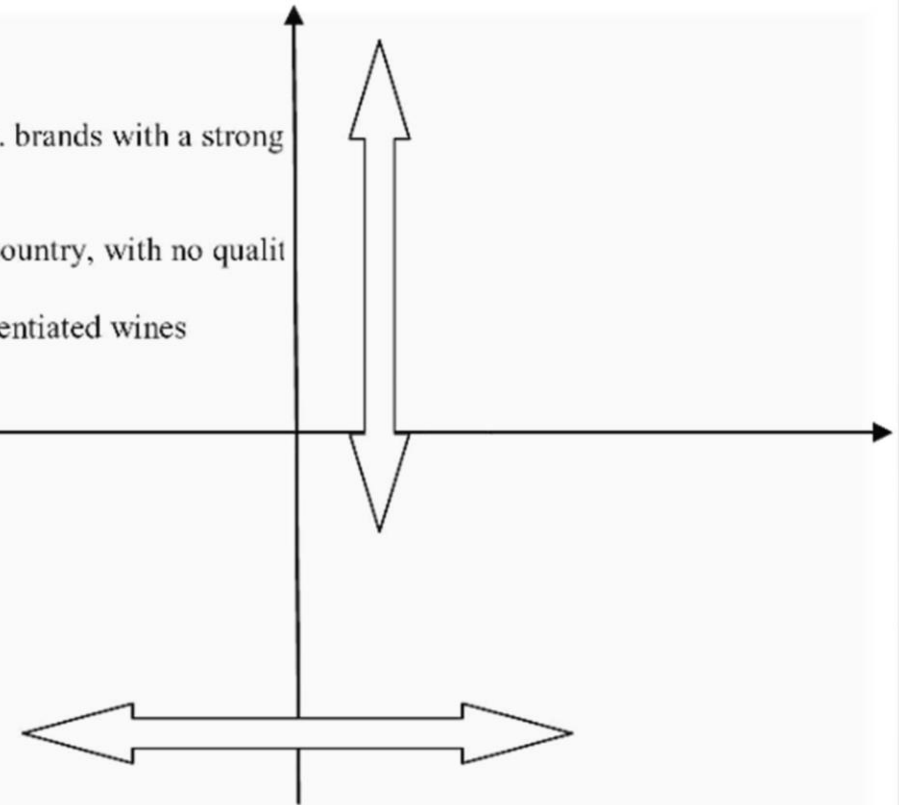
Quality decreases as follows:

1. High-priced products (e.g. brands with a strong reputation)
2. AOC wines
3. Differentiation by grape/country, with no quality signal
4. Table wines, and undifferentiated wines

## Horizontal differentiation

Within the same vertical segment:

- Colour
- Brand
- Country of origin
- Grape variety





## Example1:

- There is no qualitative measurement to rank ice cream flavours.
- Whether you choose chocolate, vanilla, or strawberry is entirely a matter of personal taste.
- If most of the products on the market cost about the same and have many of the same features or qualities, the purchase decision comes down to subjective preference.



## Example 2:

A customer may choose the chicken sandwich from Shake Shack over Chick-fil-A due to a personal preference, rather than quality or cost concerns.





## Mixed differentiation

Customers making more complex purchases tend to use a mix of vertical and horizontal differentiation when making purchase decisions.





- Let's say you're shopping for a car.
- You might consider 2 similarly priced four-door sedans from 2 separate manufacturers.
- You'll likely use mixed differentiation to make a decision.
- Objective measurements to **vertically differentiate between them include gas mileage and safety ranking.**
- **Horizontal differentiation, between subjective preferences like design aesthetic and impression of the car brand, also plays a role in the decision.**
- As with both horizontal and vertical differentiation individually, each customer will value the combination of these factors differently



## **Advantages of Product Differentiation**

1. It creates additional value.
2. It develops brand loyalty.
3. It allows businesses to compete in different ways.

# Advantages of Product Differentiation

## 1. It creates additional value.

- Product differentiation will give your prospective customers added value.
- This value can either come directly from the product and service, or from the brand perception.





# Advantages of Product Differentiation

## 2. It develops brand loyalty.

- Every time people see your products on store shelves or in an online ad, they'll know exactly what your brand represents.
- And they'll be more likely to choose your product over the competition.



# Advantages of Product Differentiation

## 3. It allows businesses to compete in different ways.

- With product differentiation, companies have the ability to compete in areas other than price.
- They can be innovative in style, quality, features, etc.
- It's up to the business to decide which area of differentiation will work best for their target markets.





## **Disadvantages of Product Differentiation**

1. Revenue increases are not guaranteed.
2. The offering's perceived value can decline.
3. It can strain resources.



# Disadvantages of Product Differentiation

## 1. Revenue increases are not guaranteed.

- Will consumers find value in the unique features your product provides?
- A differentiation strategy doesn't necessarily guarantee that consumers will find the value that separates your product from other, standard options.
- For example, **if your product is more expensive** than the competitor selling the standard product, and **the consumer doesn't see the added value in your product**, they'll likely choose the cheaper option.

## 2. The offering's perceived value can decline.

- As consumers become savvier and technology and products advance, the differentiation of your product might no longer provide value to customers.
- You should consider how long your differentiation strategy will last and if it will need to be modified at a later date.

### 3. It can strain resources.

- Pursuing a differentiation strategy means a lot of time, energy, and resources will be spent to develop a product that sets itself apart from the competition.
- This can put a burden on research and development teams, product manufacturers, and even your profit margins.
- These effects are felt more by smaller businesses that have few employees and limited resources.



# Summary



## Why is product differentiation important?

- Product differentiation is important because it allows different brands or companies to gain a competitive advantage in the market.
- If differentiation were unachievable, the bigger companies with economies of scale would always dominate the market because they can undercut smaller producers in terms of price.
- Product differentiation is also a way to control costs for the consumer by maintaining a competitive market.

# YouTube video link for Product Differentiation



<https://youtu.be/IgXz94e1X3M>

# Assignment II for Product Comparison



Dear Students, pl select your choice of product and do a thorough product comparison and submit in the GCR

## Examples:

1. **Toyota Vs Maruti**
2. **Pizza hut Vs Dominos**
3. **Hp Vs Dell**
4. **LG Vs Samsung**
5. **Mysore Sandal Vs Dove**
6. **Colgate Vs Vicco**
7. **Amazon Vs Flipkart, etc.,**

