

Product Differentiation

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Abstract: Product differentiation is a key component of market structure, according to the theory of industrial organization, and the degree to which enterprises control the market depends on how well they differentiate their products. In addition, the company generates enough uniqueness in the components making up the product entity or in the delivery of the product to distinguish it from competing goods of a similar nature and draw in customers, earning their preference and loyalty. This paper introduces the causes of product differentiation, analyzes its application in the market and the implementable strategies for enterprises to achieve product differentiation, and uses some examples to illustrate that product differentiation is a highly visible marketing strategy, which should be widely promoted. At the same time, it also has certain limitations and instability. Products need to establish a variety of different advantages and long-term supply chain between enterprises, cannot blindly exaggerate the role of product differentiation. In the current market environment, the same product categories emerge in endlessly. Therefore, businesses must properly create differentiation in order to make their products stand out.

Keywords: competitive advantage, technical innovation, price differentiation, establishing cognition

1. Introduction

Product differentiation is the process by which a business modifies essentially identical products in a specific way to trick consumers into thinking they are distinct and engendering various preferences. Product disparities are typically common, with the exception of monopolistic markets (single items) and completely competitive markets (uniform products). Businesses have absolute monopoly rights over commodities that are distinctive from other goods, and these rights create obstacles for rival corporations to enter a market or industry and gain a competitive edge. Thus, product differentiation not only sets the enterprise apart from other businesses in the same market and competes for an advantageous position in the market competition based on product differences, but also forces external entrants to spend huge amounts of cash to win the loyalty of existing clients and thus creates some obstacles. Product differentiation is therefore extremely important to businesses' advertising strategies.

There are two types of product differentiation: vertical difference and horizontal difference. The term "vertical difference" describes items that outperform rivals. Products with level differences set them with the exception of rivals. In real life, there are countless examples of successful brand launches by alternating vertical differentiation and horizontal differentiation. For example, customers

all very familiar with Procter & Gamble company. There are six Procter & Gamble shampoo brands in China. P&G has created individualized positioning for each of its six brands thanks to the intelligent use of product differentiation, which has helped the company establish an excellent track record in the shampoo industry. From the perspective of consumer demand, product differences include different attitudes of consumers towards similar products. Thus, the reasons for product differences include the reasons that lead a buyer to decide to buy one product over another. Specifically, the reasons for product differences can be summarized as follows:

(1) Quality or design reasons;

(2) Causes of blocked or incomplete information. The basic quality and performance of the product being purchased are not comprehended by consumers, as evidenced, for instance, by the design of sophisticated durable goods or by the fact that they are not frequently purchased;

(3) the distinction in a brand, trademark, or business name brought about by a seller's promotional activity, specifically in terms of advertising, promotion, and service;

(4) Geographical location differences of similar enterprises.

While the reasons for product differences vary, they vary in different industries. For example, because consumers have no information and are easily lured by advertising, advertising plays an important role in generating product differences, especially in soap, cigarettes and alcohol. The primary area of variation between cars and electrical appliances is product design. The researchers also discovered that the consumer goods industry has more product variation than the raw goods industry because in the latter, consumers are more knowledgeable about the technology and quality of the products they purchase, and many products are normalized, so there are fewer observable differences in the products themselves. Evidently, product variations are not important in the mining, forestry, aquaculture, or agriculture sectors, but they are in the construction, transportation, service, and wholesale sectors. [1].

2. Application

2.1. Core Level of Products

Implement technical innovation and serialization of product functions to differentiate products at the core level. The result of technical advancement is product differentiation. Therefore, businesses should increase their Focus on R&D, actively monitor the science and technology development trends in their industry and around the world, research the most recent trends in the development of the equipment and raw materials that businesses need, and make informed decisions about technology and product development. When a product is serialized with a variety of functions to meet the various needs of its customers, this practice is known as function serialization. As an illustration, if some features are added, they become luxury goods (or high-end products), and if certain functions are removed, they become middle- and low-grade consumer goods. Depending on their spending limits and personal preferences, consumers can select items with the appropriate features.

For example, the mobile phone is used for mobile communication, such as the development of its function to the depth of the direction, increase the storage function of the mobile phone, the Internet connection with the computer function, mobile stock market reflection function, and even start the home smart appliances and other functions, to meet the needs of different levels of consumers. In the face of fierce market competition in China's shampoo industry, the American Procter & Gamble Company finds out product gaps and develops products by subdividing the market. First targeted at the common dandruff diseases, launched the "Head & Shoulders" shampoo, the dandruff shampoo has become the best-selling shampoo in China in just three years. Rolled out again subsequently "vitamin original b5", "have healthy, shine of course" pan ting, "compliant" float downy "protect wet"

sand camp. Consumers have been deeply affected by the development of such differentiated advantages, which have also significantly influenced market competitiveness [2].

2.2. Form of Products

Utilize product differentiation strategies such as brand image optimization, quality enhancement, attractive packaging design, and others. Although the brand is represented by the product layer, the value of the product goes beyond its straightforward differentiation from competing goods. The external appearance of the product is what differentiates it more than its interior composition. For instance, a business must use CI design and brand strategy to strengthen and shape the brand image, highlight the personality, and create a distinct advantage for the brand image when competing with other similar products to get consumers' attention and awareness—and ultimately, the desire—to purchase. The success of Haier brand, in addition to good quality service, the most important is in the brand image shaping. When the advertising war of domestic refrigerator manufacturers was like a fire like tea, Haier passed the 1509(X)0 certification for the first time, and its products directly entered the American market, and established an overseas company in the United States. When the domestic manufacturers praised their products, Haier CCTV camera crew invited into Haier's management site, let consumers experience Haier's scientific management; When domestic entrepreneurs entered the MBA, Zhang Ruimin was invited by Harvard University to do business mergers and acquisitions report and so on. Through a series of activities, the international image competitiveness of Haier brand has been significantly improved, and consumers have reached the recognition of the brand image difference from the concept [3].

Enhancing quality involves more than just the applicability and durability of the product, reliability, security, and economy of the natural attributes, such as narrow sense quality, and should also include its social attributes, such as the subjective feeling of the consumer, the ability to meet the specific needs and expectations, such as the gap between the social nature of quality has a very important role for product differentiation. Because packaging can enhance product appearance, increase consumer visual appeal, and inspire consumer purchase motivation, it can create product differences and increase sales.

2.3. Additional Layer of Products

With the advancement of science and technology and the escalating level of competition, imitation and penetration between businesses make the trend toward product homogenization very evident, and the difference between similar products in terms of function, quality, style, and other factors is becoming increasingly less noticeable. However, because there are no limits to the services offered, businesses can increase customer satisfaction levels through high-quality service, which will foster repeat business. Customer loyalty can be continuously increased through the word-of-mouth effect of customers by continuously accumulating customer pleasure. In this, the implementation of product differentiation. For example, Jiangsu "little swan" in many enterprises unique launch "red carpet" service, the company stipulates that maintenance personnel before entering the door must cover their own plastic shoe cover, specially prepared a red carpet, specially used for putting parts and tools, so as not to dirty the floor of consumers, maintenance after the initiative to take away the garbage and so on. These seemingly mundane things left a deep impression on consumers, created service differences and improved consumer loyalty [4]. It should be pointed out that it is necessary for enterprises to expand the level of service, not only pay attention to after-sales service, but also to pre-sale service, in-sale service, consulting service, technical guidance and other aspects.

Price differentiation is based on the full assessment of product differences, consumer demand differences, time differences, location differences, and other variations to not reflect the proportion of

cost differences and make different prices. For instance, businesses establish different prices for various product models or forms, and the price differences between the various models or forms of items are not directly correlated with the variations in costs and expenses. Differentiating products based on price is a significant way that markets display this. Businesses can therefore reflect product differentiation through price differentiation.

According to their own product differentiation and the benefit of enterprise, there are differences in distribution for the same products, to choose the appropriate sales channels, for consumers to purchase, this requires that enterprises in the trading place, space distance and trading means, way to trade, the method of payment, delivery, provide a full range of convenient service manual. For instance, American Avon company is based on the characteristic of cosmetic, use the unique means that door to door sales directly, obtain special management result thereby [5]. Consumer preferences for product differentiation are particularly important, particularly for the limited number of commodities where many consumers do not understand its performance, quality, and style. As a result, the business should use promotion differentiation, specifically promotional tools like advertising, sales promotion, personal selling, and public relations campaigns for successful coordination, to offer customers a preference for a subjective image.

3. Strategies for Enterprises to Achieve Product Differentiation

Users should be given a cause to "select the one over others" through differentiation. It's critical to differentiate. If a company or brand lacks distinctiveness, buyers won't be devoted to it because it offers nothing special. Differentiation "fits the needs of consumers," as the saying goes. The goal of regression, regardless of the type of distinction, is to better match user needs. Companies must begin by considering user demands when developing their differentiation strategies in order to fully explore the benefits of difference. For example in daily shampoo, this mother demand, there are a lot of different needs and corresponding products, "dandruff - Head & Shoulders", "raise hair - Pantene", "anti-off - overbearing", "compliant - soft" and so on. Differentiation is reflected through a whole system, not a single point. A common misunderstanding is that many people think that differentiation is "taste", "cost performance", "packaging design" these single order, that on the other hand, in fact, consumers will choose a product because of the cost performance, but also because others choose competing products when the cost performance is higher.

To develop the differentiation strategy, first of all, there are three steps to develop the differentiation strategy: First, exploring the market opportunity, find the target market. Second, comparing the competitive products and finding the differentiation advantage. Third, spreading the differentiation advantage and establish the cognition. These three steps are centered on the three core elements of differentiation: market audience; the enterprise itself; competitors to carry out.

3.1. Market Opportunities and Target Market

A differentiation strategy is an attacking one that seeks to expand into an existing market (for industry oligopolies, it is more often a defensive strategy). Our first responsibility when determining the target market is to examine the market's target demographic and discover demands that can be better satisfied. To analyze the market audience, our core is to find out:

(1) Unmet demand: This is often referred to as the blue ocean market, there is still no product to meet the needs of consumers.

(2) Needs that can be subdivided: for example, the mother needs of skin care can be subdivided into water replenishment, whitening, repair, etc.

(3) Needs that can be upgraded: for example, mobile phones, battery capacity, screen proportion, and camera pixels are constantly being upgraded.

This piece is easy to understand, not complicated, but there is a common mistake: when analyzing consumer needs, it's tend to focus only on what consumers want to obtain, but ignore the cost of consumers. For example, most users can't tell the difference between "Coca Cola" and "Pepsi Cola". Even if they don't realize the brand positioning of "Pepsi Cola is youthful" or "Coca Cola is more traditional and classic," they still get a good feeling when they purchase Coke. Most of the time, when people want to drink Coke, then they will buy whichever brand is sold at the snack bar next to them, and they will buy whichever brand is on sale [6]. Regardless of all the complicated decision models, the user makes a choice, and the bottom logic is the cost-benefit ratio, which choice brings higher revenue, the lower cost. To excavate consumer demand, excavating from the two dimensions of revenue and cost is very important. First, how to improve the benefits of consumer decision-making (let consumers choose merchant, the benefits will be higher), Second, how to reduce the cost of consumer decision making (let consumers choose merchant, the cost is lower). Keep in mind the following equation when examining consumer needs: benefit (functional value + emotional value) - cost (monetary cost + time cost + effort cost + trial and error risk). After all, various consumer needs will have different top concerns. Consumers typically prefer huge brands to decrease the risk of trial and error because, similar to when purchasing insurance, their perception of the advantages is delayed (the product is complex, and it is frequently unknown whether it is excellent or not until it is in danger).

3.2. Differentiation Advantages

Through the previous analysis, find the demand breakthrough, determine the target market, not only begin to look for their own differentiation advantages, but also the competitiveness based on the target market. In this part, the core is to compare the strengths and weaknesses with those of competitors, and starting from the four P's (product/service, marketing, channel and price).

The core of this step is difficult to imitate and systematic. The differentiation advantage should have a certain threshold to make it difficult for competitors to imitate, otherwise the differentiation will soon become homogenized. A salted egg yolk ice cream explosive product, cannot become the differentiation advantage, too easy to imitate. But if an explosive product can be produced every week, then this is the advantage that is difficult to be imitated. For systematic, differentiation is a whole system, not a single point. The advantage of complexity and multi-dimension not only allows merchant to have more board, but also greatly increases the difficulty of imitation of rival products.

To better understand, this paper combines the previous two steps and look at a classic case, Luckin coffee and Starbucks. First, Luckin's chosen target market is freshly ground coffee in China, a huge but under-exploited market for growth (the pie is big enough to make it worth doing). Secondly, from the perspective of consumer demand, many boutique coffee shops, Starbucks, Costa Coffee, etc., have been improving the decision-making benefits of consumers, better coffee and experience space, while ignoring the decision-making costs of consumers [7]. Luckin has just grasped this point and built its differentiation advantage from multiple dimensions from the perspective of reducing the decision-making cost, providing cheaper coffee (reducing the cost of money), opening stores in all office buildings, and making the purchase more convenient and faster (reducing the cost of time and energy).

3.3. Differentiation Cognition

After the first two steps, the next step is to spread differentiation, to establish the "differentiation" cognition in the minds of consumers. After all, if the seller does not say, no one knows the characteristics of differentiation, and, "cognition is greater than the fact" is the marketing field cannot be rejected, "Nongfu spring is a little sweet" consumers really drink out [8]. Therefore, in this step, the core is to strong perception and grab cognition. For strong perception, one's differentiation should be able to make consumers feel it. The failure cases are Ganten Mineral water, water aristocrat, after

listening to the Slogan and watching the advertisement, may ask where is the aristocrat, just because there is a luxury car [9]. The success cases is that Nongfu Spring's core advantage is water source. By shooting the real scene of the Changbai Mountain water source, could felt strongly that "What kind of water source breeds what kind of life" [10]. For cognition grab, consumers' cognition pool is limited, and the one who grabs first will be the one who wins. Wedding photo tour, which brand can be thought of other than platinum Jue Tour. Differentiation is a highly visible marketing strategy, but also extremely important, whether for individuals or enterprises, represents a unique value. There are some views for differentiation and the understanding of its underlying logic, seek product differentiation appears to be a difficult task, but if according to the three steps mentioned in this paper, the mining market opportunities, to find the target market of the competing goods, look for differentiation advantage and differentiation advantage, build cognitive, the development of product differentiation strategy is actually not very brain - racking.

4. Conclusion

Application has a major role in product differentiation. The business incorporates enough uniqueness into the items it offers clients to elicit their preferences using a variety of techniques, enabling customers to effectively identify it from rival products while also securing a competitive advantage for the product. To achieve product differentiation, there are other issues that require consideration. Businesses should apply overall difference and conduct product differentiation through the three tiers of the overall product. It is challenging to be durable if product differentiation only appears in the main product layer because a single differentiating factor is likely to be swiftly copied by rivals. Contrarily, differentiated integration makes it challenging for rivals to quickly invest additional money to fully mimic, maintaining the endurance of the advantage. Implement the link between company supply chain and product differentiation second. To construct the groundwork for product differentiation and obtain long-term differential advantages, businesses should build tight relationships with their suppliers and create proprietary organizations on the basis of having cost advantages. It also puts barriers in the way of rivals.

Finally, master the degree of product differentiation and don't overstate it. The production of exaggerated differentiated products means that the enterprise has entered a relatively narrow market with limited capacity. The benefits provided by the differential advantages in such a highly developed sector are difficult to balance out against the related expenses. In contrast, if an organization's service or product standards go above and beyond what customers require, its position in the market is severely weakened in comparison to rivals offering equivalent prices and suitable product standards.

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