

Differentiation

The stock market is a perfect example of an undifferentiated market. If you want to buy 100 shares of IBM, you will buy it at the lowest price. There may be 1,000 people ready to sell shares of IBM. All you care about is who will charge the least. No characteristic of the seller—how long he/she has held the shares, whether he/she cheats on income tax or spouse, what his/her religion is—matters to you.

We say that a product market resembles a commodity market when we don't care whose product or brand we take ("They are all the same") or we don't need to know anything about the seller. Thus we would say that oranges in a supermarket amount to a commodity if they all look alike and we don't care to know the grower or the orchard.

But there are three things that could violate the assumption of an undifferentiated market.

- First, the products may look different. In the case of oranges, they may come in different sizes, shapes, colors, and tastes, and with different prices. We can call this *physical differentiation*.
- Second, the products may bear different brand names. We call this *brand differentiation*. Oranges carry brand names such as Sunkist or Florida's Best.

50 Marketing Insights from A to Z

- Third, the customer may have developed a satisfying relationship with one of the suppliers. We call this *relationship differentiation*. For example, although the brands are well known, one company may have provided better and faster answers to the customer's questions.

Harvard's Theodore Levitt threw down the gauntlet when he said: **"There is no such thing as a commodity. All goods and services are differentiable."**²⁸ He saw commodities as simply products waiting for a redefinition. Frank Perdue, who produces one of the most popular brands of chicken, would boast: **"If you can differentiate a dead chicken, you can differentiate anything."** No wonder one professor tells his MBA class that any student who uses the word "commodity" during a case discussion would be fined \$1.

Yet some companies believe they can win through pure will power. Some years ago, the runner-up razor blade manufacturer in Brazil challenged Gillette, the market leader. We asked the challenger if his company offered the consumer a better razor blade. "No" was the reply. "A lower price?" "No." "A better package?" "No." "A clever advertising campaign?" "No." "Better allowances to the trade?" "No." "Then how do you expect to take share away from Gillette?" "Sheer determination" was the reply. Needless to say, the offensive failed.

Tom Peters broadcasts the mantra: **"Be distinct or extinct."** But not every difference is distinctive. Establish "meaningful differences, not better sameness."

Differentiation can be achieved in many ways (see box).

Jack Trout's book, *Differentiate or Die*, shows dozens of ways companies have managed to produce a differentiated product, service, experience, or image in the minds of customers.²⁹

Greg Carpenter, Rashi Glazer, and Kent Nakamoto, don't even hold that the differentiation needs to be meaningful.³⁰ For some products, such as detergents, all the valuable attributes may have al-

How to Differentiate

- *Product* (features, performance, conformance, durability, reliability, repairability, style, design).
- *Service* (delivery, installation, customer training, consulting, repair).
- *Personnel* (competence, courtesy, credibility, reliability, responsiveness, communication skill).
- *Image* (symbols, written and audio/video media, atmosphere, events).

ready been discovered and exploited. They argue that “meaningless differentiation” can work. For example, Alberto Culver makes a shampoo called Natural Silk to which it does add silk, despite admitting in an interview that silk does nothing for hair. But this kind of attribute attracts attention, creates a distinction, and implies a better working formula.