

The types of differentiation strategy marketing essay



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In order to carry out differentiation strategy and establish sustainable competitive advantage of the corporation, the corporation must have a profound understanding of differentiation strategy. The foundations of the implement of differentiation strategy are customer needs, competitors, products and services levels. On the basis of the introduction of differentiation strategy, this article analyzes the five approaches of the implementation of differentiation strategy. And then the article analyzes the advantages the corporation will achieve through carrying out these types of differentiation strategy. Also some problems, which must be paid enough attention to, are provided in the paper. In addition, a series of business cases have been used to analyze these strategies. In general, the article provides a theoretical and practical reference for corporations in the aspect of competitive strategy.

The definition of differentiation strategy: In order to achieve competitive advantage against the competitors, corporations carry out the strategy to distinguish themselves from the competitors in aspects of product, service, image, and etc (Singer, 2007). The focus of differentiation strategy is to creative the product and service, which is considered to be unique and special by the industry and customers. The foundations of the implement of differentiation strategy are customer needs, competitors, products and services levels. There are many means to carry out differentiation strategy. Such as product differentiation, service differentiation and image differences and so on. By carrying out differentiation strategy, the brand loyalty of users will be cultivated successfully and the corporation can also avoid the direct confrontation of competitors.

Therefore, differentiation strategy is an effective competitive strategy, which enables the enterprise to obtain profits above the industry average level.

2. 0 The types of differentiation strategy

2. 1 Differential product strategy

Differential product strategy: In order to get an advantage different from the competitor, the corporation provides a special and unique product line or marketing project, which brings the enterprise a differential advantage and makes people be willing to accept the higher price (Swink, Harvey, 1998).

The best way for a corporation is to apply for a patent of the innovative and unique product to prevent the competitor entering. A smart person wins by the way of low cost, while an intelligent person wins by differentiation strategy. That is to say, the intelligent corporation doesn't contest with competitors directly.

2. 2 Differential service strategy

In service differentiation strategy, when facing strong competitors, the corporation will pay more attention to the service content, service channels and service image (Leverin¼CE2006¼%). In this way, the corporation will build up its own service feature, which is different from competitors' and help the corporation achieve competitive advantage in the industry market. The purpose of the strategy is to highlight the corporation's own advantages, which will distinguish it from its competitors. Differentiated services include delivery, installation, customer training, consulting services and other factors.

2. 3 Differential personnel strategy

Personnel differentiation refers that the corporation obtains differential advantage through hiring and training staff better than competitors' (Jerome& Kleiner, 2002). The image or characteristic of the staff of a corporation reflects the strength and the image of the corporation. So it is very important for a corporation to have a good-ability team of employee. The well trained staff should be able to reflect the following six characteristics: competence, courtesy, credibility, reliance, responsibility and good communication skills. The corporation which has these kinds of employees will get a differential advantage in the aspect of the staff.

2. 4 Differential image strategy

Differential image strategy¼šSince the core of the product is the same with competitors', the corporation can build a different image of the product, which helps the corporation get the differential advantage (Timothy, 1996) . The image refers to the public's views and feelings about the product and the corporation. By the media campaigns, the corporation can form an excellent image in the customer's heart. And then the customer becomes interested in the product or the brand. That is to say, the excellent and unique image of the corporation creates and improves the loyalty of the customer to the product of the corporation. To shape different image, these tools can be used: the name, colors, the logo, the slogan, the environment and activities.

2. 5 Differential marketing channel strategy

Differential marketing channel strategy: The enterprise uses a sales channel, which other corporations have never tried to do or other corporations haven't done well (Kim, 1998). Using this kind of differential marketing channel, the corporation differentiates itself from other companies and brings much more value for the customer.

3. 0 The advantages and disadvantages of these types of differentiation strategy

The competitor

Differential advantage

Differential product strategy

Differential service strategy

Differential personnel strategy

Differential image strategy

Differential channel strategy

The product

The competitive advantage

Differential value

The customer

3. 1 The analysis of differential product strategy

The implementation of differential product strategy is the most direct way to attract the attention of the customer. Due to the unique feature of the product, the customer may be more willing for the product and like this <https://assignbuster.com/the-types-of-differentiation-strategy-marketing-essay/>

corporation, which may cause the loyalty of the customer. And in the aspect of the competitor, the corporation avoids the price fight against the competitor.

However, there are some problems that need to be careful about in the process of implementing differential product strategy. If the strategy is based on the technical innovation of the product, the strategy may cause a higher cost. But perhaps the customer won't want to pay a higher price for the product (Bacon, 2005). On the other hand, if the strategy is based on the simple innovation of forms or colors of the product, the competitor may quickly copy the strategy and the company can not maintain the differential advantage.

The first way of carrying out product differentiation is price positioning differentiation, which refers to price products according to the corporation's special customer group. For example, the group position of Zippo is the high-end consumer. In spite of the high price, Zippo achieves the loyalty of a large number of high-end consumers. Because Zippo can be used in you lifetime, and the most important, Zippo has become a symbol of status for a man.

The second approach of product differentiation is technical differentiation. Car is for people to drive. Therefore, no matter what they do, safety is always the basic principles of Volvo. The basic principles of Volvo expresses Volvo's brand concept of valuing safety. And also, Pursuing safety becomes the inexhaustible power of Volvo to advance and grow stronger (Mikaelsson, 2002).

In the recent 80 years, Volvo's technical team has been constantly exploring security technologies and practicing. The three-point seat belt is Volvo's landmark invention, which has been granted free to other vehicle corporations and has become a basic configuration of all automotive products. Although the invention seems simple, it has saved countless lives. The thought of Volvo is to lead the world in the aspect of safety technology and to stand at the forefront of the market (Branch& Smith, 1995). And now Volvo has achieved a lot of world first technological achievement.

From another point of view, product differentiation can be divided into vertical differentiation and horizontal differentiation. Vertical differentiation is to produce better products than the competition. Horizontal differentiation is to create products, of which characteristics are different from the competitors'. In reality, through the alternate use of the vertical and horizontal differentiation, many corporations have successfully launched their own brand list.

For example, we are all familiar with Procter& Gamble, which has many shampoo brands, instead of only one brand. Because of the clever use of the product differentiation, Procter& Gamble designs the personalized position of each brand and achieved impressive and remarkable results. In addition, the strategy of Procter& Gamble can also be called brand differentiation strategy.

3. 2 The analysis of differential service strategy

The implementation of the differential service strategy can ensure that the customer experiences a pleasant feeling, which makes the customer like and

prefer the corporation and its products (Zineldin, 1996). And also the excellent service can shape the good image of the company, which is very important for the development of the corporation. In addition, the service system is a big project. Once forming the complete system, the competitor will be difficult to imitate in a short time.

However, the implementation of the differential service strategy will cause a higher personnel cost. Therefore the administrator must learn to weigh the cost of the unique service and the benefit that the unique service brings for the corporation. In addition, the differential service that the corporation carries out must be able to bring the customer enough values. If the corporation pursues differential service blindly, which can not bring benefits for the customer, it can't be said as differential service strategy.

Take Federal Express for example. In the competition with American Express and DHL Express, Federal Express has successfully put the concept of next day into the minds of potential users. Sacrificing other range of services, Federal Express only concentrates on the next day parcel delivery business. The concept of next day of Federal Express is so deeply rooted among people that the word, FedEx has been use as a verb, which mean deliver something to somewhere.

The legendary standard of service quality of Disneyland is well-known and its service philosophy and standards has become a model for all types of enterprises. What shapes the myth of the Disney park service? The secret is safe, civility, show and efficiency. We can understand them in this way.

Firstly, the guests' pleasure and safety must be ensured. Secondly, the staff

must be courteous. And then, the third one is to ensure that the show is full of magic. Then the last one, the high efficiency of work must be assured on the basis of the followed above three. The effective implementation of these business concept and service promise creates a Disneyland high-quality, efficient and meticulous standards of service, which has achieved the good word of mouth and high revisit rate of customers.

3.3 The analysis of differential personnel strategy

The market competition is in fact the talent competition. Therefore the corporation should cultivate professional technical staff, managers and sales staff to enhance the overall soft power of the corporation.

From the design and development of the product to the formulation of the marketing strategy and then to the submission of the product to the customer, a professional team makes the whole process more standardized (Curtis& Wright, 2001). The differential personnel strategy is also a heavy power weapon of the corporation.

However, what must be paid enough attention to is that differential personnel strategy will inevitably lead to the higher personnel costs of the corporation. So the extent of the personnel difference must be appropriate according to the strength of the corporation and the input-output ratio of the personnel difference.

In fact, most corporations carry out differentiation strategy by combining a variety of approaches.

For example, Disneyland carries out not only the above-mentioned service differentiation, but also its personnel differentiation strategy is also a legend. In Disneyland, each employee is an actor.

In Disneyland, the implementation of courtesy requirements for employees can be said superb. It requires employees to be passionate, sincere, polite and considerate to provide service for the guests (Milman, 2010). For example, the eyes of the employees and customers must be at the same horizon. When the customer is a child, the staff must squat to hand the merchandise to the child with a smile. And also it is not allowed to deliver goods in the region where customers play. In order to do that, the delivery accesses of the goods are all located under the ground, which will not be seen by customers. In addition, in order not to disturb customers playing, there is no search call in Disneyland.

The enterprise value of Disneyland is positioned as performing company, which means that Disneyland provides customers with entertainment of highest visitor satisfaction and bring tourists pleasure and happiness. The important way to create a fun atmosphere is role-playing. In Disneyland, what an employee gets is not only a job, but also a role, which can bring joys and pleasures to customers. During the entry training, new employees will be exposed to the language of Disney: work is “ performing on stage”; work is the “ rest step down”. Every employee acts as a host of the happy Disneyland and they will create fun for guests through warm, sincere, polite and attentive service (Leung, 2002).

3. 4 The analysis of differential image strategy

The unique image of the corporation will impress the customer deeply and distinguish it from its competitor. In the process of implementing differential image strategy, the company must carry out the most appropriate strategy according to the image strategy of the competitor and the minds of the customer. Adopting the proper differential image strategy will bring an unexpected result for the corporation. Obviously, the implementation of differential image strategy is a powerful tool to distinguish from the competitor, occupy the minds of the customer and gain a competitive advantage (Rowley, 1997). Take 7-Eleven for example. In the aspect of choosing the place of the shop, 7-Eleven takes actions in the first step. Considering the convenience for people, 7-Eleven starts the stores within the scope of people's daily life. Besides, 7-Eleven takes serious about the neighbor environment. It chooses bookstores, clothing stores, office buildings, exhibition, airports, hotels and universities as its neighbors, which makes 7-Eleven a high-level image. And also, it builds up the image that people needs 7-Eleven in their daily life, which is everywhere people want to find it.

The layout of 7-Eleven shapes the perfect image of the shop. The store layout is the most intuitive thing, which can show the image of 7-Eleven perfectly. The space of 7-Eleven is small, but not seems significantly crowded or messy, in which people can do shopping with relaxed and comfortable mood. These advantages thank to the careful arrange of the limited space. Firstly, people can see the shop clearly at a glance. According to people's habit of right-hand going, 7-Eleven designs the store entrance and the exit on the left of the shop (Pesqueux, 1999). Contributing to the design, people can enter or exit the store freely without congestion.

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Secondly, the color of 7-Eleven's store is white, which makes a neat and clean feeling. Thirdly, People have enough space to line up to check out. The distance between the cash register and the goods shelf is at least 4 meters, which ensures people have enough space to wait in line. The last one, 7-Eleven take much time and effort to the display of goods, which helps customers find what they want quickly.

3. 5 The analysis of differential marketing channel strategy

On one hand, the unique marketing channel can save the channel cost. On the other hand, the channel can bring the customer some values. Only satisfying the two features, the unique channel can be said as the successful differential marketing channel strategy (Duffy, 2004).

In addition, the unique sales channel needs to be known by the public through some propaganda. And then the customer will accept the unique channel and trust in it. Because the marketing channel is new, the control of the channel and the after-sales service for consumers must be done well, which really brings the customer some value and benefits.

For example, Dell set up a marketing channel, which passes by the middleman and face the customer directly. In this sales channel, the corporation accepts the customer's order, sells the product to the ultimate customer and provides the customer with the service of the whole process. The marketing way is called Direct Business Model.

Through the Direct Business Model, the customer can interact directly with Dell. And also, the customer can get other two advantages. The first benefit is the best ratio of price and performance. That is to say, the customer can get the product of the same performance paying a lower price (Reardon& McCorkle, 2002). And also, People can get a much better computer with the same price. Or it can be said that the customer can get the product in a much more rapid speed while providing a little higher price. The second one is that the latest technology of Dell can be more reliable, stable and have more performances. In addition, in the aspect of service, Dell provides people with the nationwide warranty.

4. 0Conclusion

In general, differentiation strategy is a kind of effective competitive strategy, which is based on the customer's mind. The differential advantage, which is determined by the core competitiveness of enterprises, can form barriers to effectively prevent other corporations from imitation. The continuous innovation can produce the irreplaceable, which makes the competitor delay to response, have no time to react or need a long time to take actions. And that is the successful implementation of differentiation strategy. The implementation of differentiation strategy is an expression of capability of the corporation. However, differentiation strategy is a dynamic process and there is no differentiation which is immutable. With the socio-economic and technological development, the customer's demand is constantly changing. There is no difference that can maintain forever. Therefore, the long-lasting drug of differentiation strategy is to innovate continuously to adapt to the changing customer requirements, beat his opponent's following up and win the success of the corporation's differentiation strategy.

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