

Differentiation - Marketing's Crown Jewels

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Agenda

1	What is Marketing all about, really?
2	Why be Different?
3	How to be Different
4	Any Questions?



First, The Fifield Preface

Fifield's Preface to Marketing

1. Why bother with Marketing?
 - To be able to charge the highest possible price for your product or service
2. How do you do that?
 - Seek out and add Customer Value, By:
 1. Being easy to choose (Differentiation)
 2. Treat customers as individuals (Segmentation)
 3. Giving them a reason to come to you (Branding)

The better you do these, the higher your prices will go

Peter Drucker

“Only marketing and innovation produce profits for an organisation, and all other areas should be regarded as costs”

Peter Drucker, (1909-2005), an American author of numerous economics and -related literature and professor of management.





Why be different?

Who wants 'vanilla' nowadays?



John F Kennedy

“Conformity is the jailer of freedom and the enemy of growth”.

1917 -1963) 35th President of the United States.



What do Customers Want?

Years of research has shown that (B2C and B2B) customers want:

1. To “hire” products and services to get a job done (“A product is what a product does” - Levitt)
2. Products and services that fit their lives (relevance)
3. Choice (different) but:
 1. Not too much choice
 2. ‘Real’ choice not meaningless product/service features
 3. An ‘obvious’ “Right Choice” for them

Differentiation - the basis of real marketing

- Porter's second generic strategy, differentiation, helps to achieve competitive advantage when *“a company seeks to be unique in its industry along some dimensions that are widely valued by buyers”* (Porter 1985).
- *“If the three keys for selling real estate are location, location, location then the three keys of selling consumer products are differentiation, differentiation, differentiation.”* Robert Goizueta - former chairman, Coca Cola company



But, is it worth it?..

Research of 6,000 companies worldwide (PA Consulting Group 2003) found:

1. 97% of CEOs believe their priority is to create long-term value for shareholders.
2. There are two ways that value can be created within companies
 1. Operating at a **cost advantage** (cheap) compared to others
 2. Create a superior **differentiation** that supports a price premium over others

3. The research found that:

On average **the latter is THREE TIMES more influential than the former** in creating value.



Fight the trend!

Why do managers want to be lemmings?

1. In the (benchmarked) quest for:
1) *productivity*, 2) *quality* and 3) *speed*,
companies imitate one another in a type of
herd behaviour
2. Driven by desire to 'grow' (sales and volume),
this creates unnecessary '**hyper-competition**'
3. Operational Effectiveness is necessary, but it is
not sufficient to **win** and it is not strategy



4. Competitive strategy is about being DIFFERENT and either:
(i) Performing *different activities* from rivals
(ii) Performing similar activities in *different ways*

(source: Michael Porter)

Olympic Differentiation?

1. Ski Freestyle
2. Ski Cross Country
3. Ski Combined
4. Ski Nordic Combined
5. Ski Alpine
6. Ski Jumping
7. Biathlon
8. Ice Hockey
9. Figure Skating
10. Speed Skating
11. Short Track
12. Snowboard Freestyle
13. Snowboard Alpine
14. Luge
15. Curling
16. Bobsleigh
17. Skeleton



= Sliding!

Its never too late to “Decommoditise”

1. B2C tend to view themselves as **differentiated** producers:
 1. They regularly decommoditise ‘standard’ products to capture customer value
2. B2B tend to view themselves as **commodity** producers:
 1. Value operations and sales over marketing
 2. Strive to produce more, more cheaply to sell at the market price
 3. Often overlook the nonfunctional features of their products
 4. Employ sales forces that are *not* representative of the customers they serve and believe that price is the most important variable
3. Research (conjoint analysis) must drive a "needs analysis" of customers to uncover value-based segments

“For all practical reasons, the B2B market has NO commodities”

Forsyth, Gupta, Haldar and Marn, (*“Shedding the commodity mindset”*, McKinsey Quarterly, 2000/4)

Activity time...



Decommoditising Toothpaste

Choose 3 different toothpastes from the 20 supplied and identify how they are different:

	Product	Features	Differentiating Benefits
	Product X	Contains Fluoride	Prevents tooth decay
1			
2			
3			

Differentiating Toothpaste

Product	Offer?	Product	Offer?
Aquafresh Extreme Clean		Euthymol	
Arm & Hammer Enamel Care		Macleans White & Shine	
Colgate Anti-Tartar + Whitening		Sainsbury Basics Toothpaste	
Colgate MaxFresh		Sainsbury Freshmint	
Colgate Sensitive		Signal Original	
Colgate Smiles 6+		Sainsbury Total Care Sensitive	
Colgate Time Control Gum strengthening		SR Mentadent	
Colgate Total		Sensodyne Pronamel	
Colgate Total Professional weekly clean		Sensodyne Total Care F	
Clinomyn toothpaste		Tom's Natural Care	

Cheapest & most expensive??

Differentiating Toothpaste

[Prices @ June 2006]

Product	£/100ml	Product	£/100ml
Sainsbury Basics Toothpaste		Colgate MaxFresh	
Sainsbury Freshmint		Euthymol	
Signal Original		Clinomyn toothpaste	
SR Mentadent		Macleans White & Shine	
Aquafresh Extreme Clean		Colgate Sensitive	
Sainsbury Total Care Sensitive		Tom's Natural Care	
Colgate Anti-Tartar + Whitening		Sensodyne Total Care F	
Colgate Total		Sensodyne Pronamel	
Colgate Time Control Gum strengthening		Arm & Hammer Enamel Care	
Colgate Smiles 6+		Colgate Total Professional weekly clean	

Differentiating Toothpaste

[Prices @ June 2006]

Product	£/100ml	Product	£/100ml
Sainsbury Basics Toothpaste	0.28	Colgate MaxFresh	2.29
Sainsbury Freshmint	0.64	Euthymol	2.32
Signal Original	0.98	Clinomyn toothpaste	2.33
SR Mentadent	0.99	Macleans White & Shine	2.45
Aquafresh Extreme Clean	1.09	Colgate Sensitive	2.98
Sainsbury Total Care Sensitive	1.39	Tom's Natural Care	3.23
Colgate Anti-Tartar + Whitening	1.49	Sensodyne Total Care F	3.53
Colgate Total	1.86	Sensodyne Pronamel	3.95
Colgate Time Control Gum strengthening	1.96	Arm & Hammer Enamel Care	4.65
Colgate Smiles 6+	1.98	Colgate Total Professional weekly clean	17.45 (62.32x)



How to be different

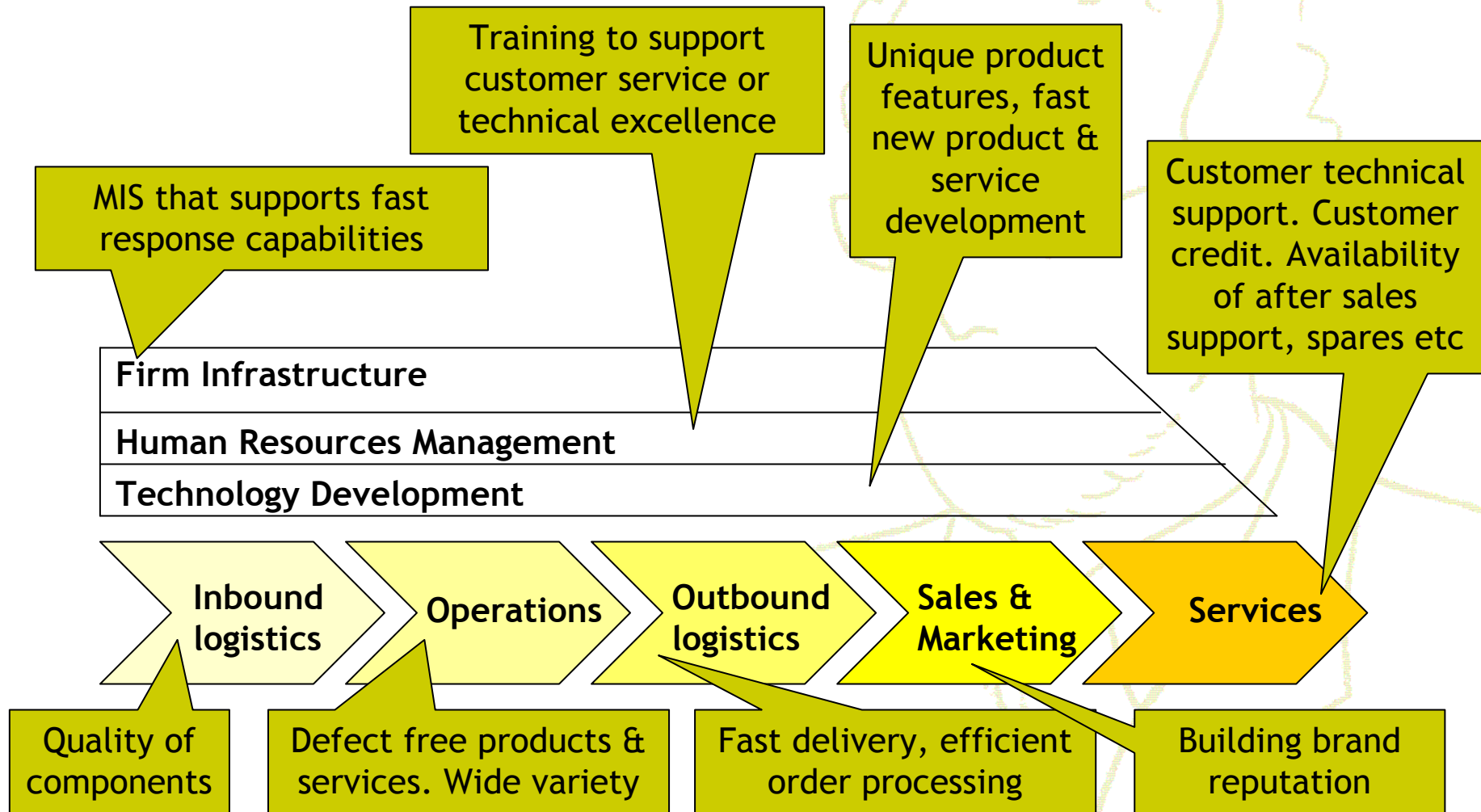
Auguste Rodin

*“I create
nothing,
I re-discover”*

François-Auguste-René Rodin; (1840 - 1917) was a French artist, most famous as a sculptor.

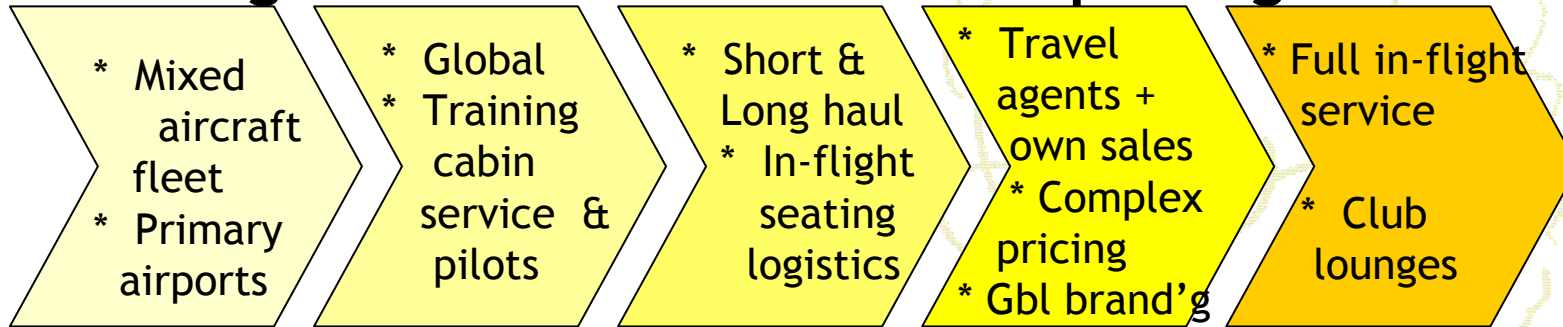


Differentiation & the Value Chain (Grant)

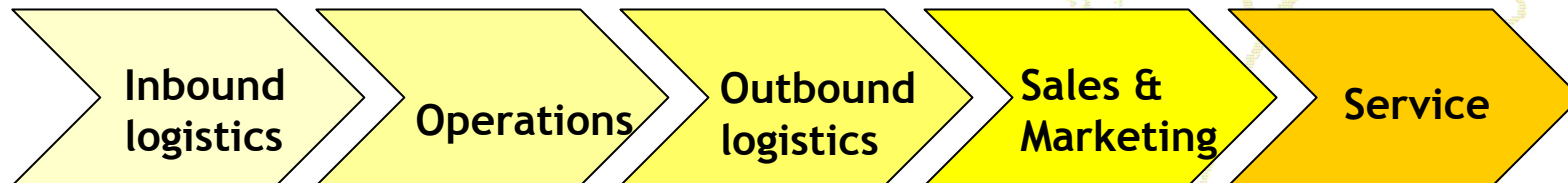
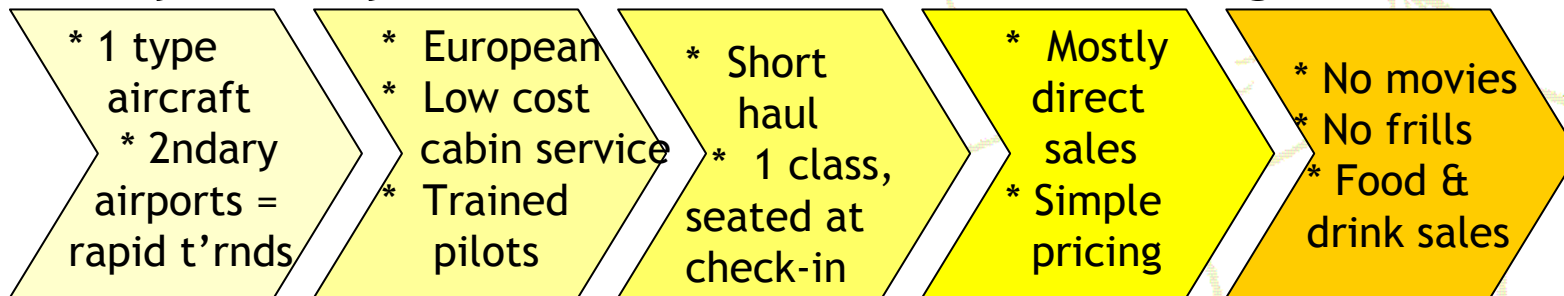


Two Differentiated Value Chains:

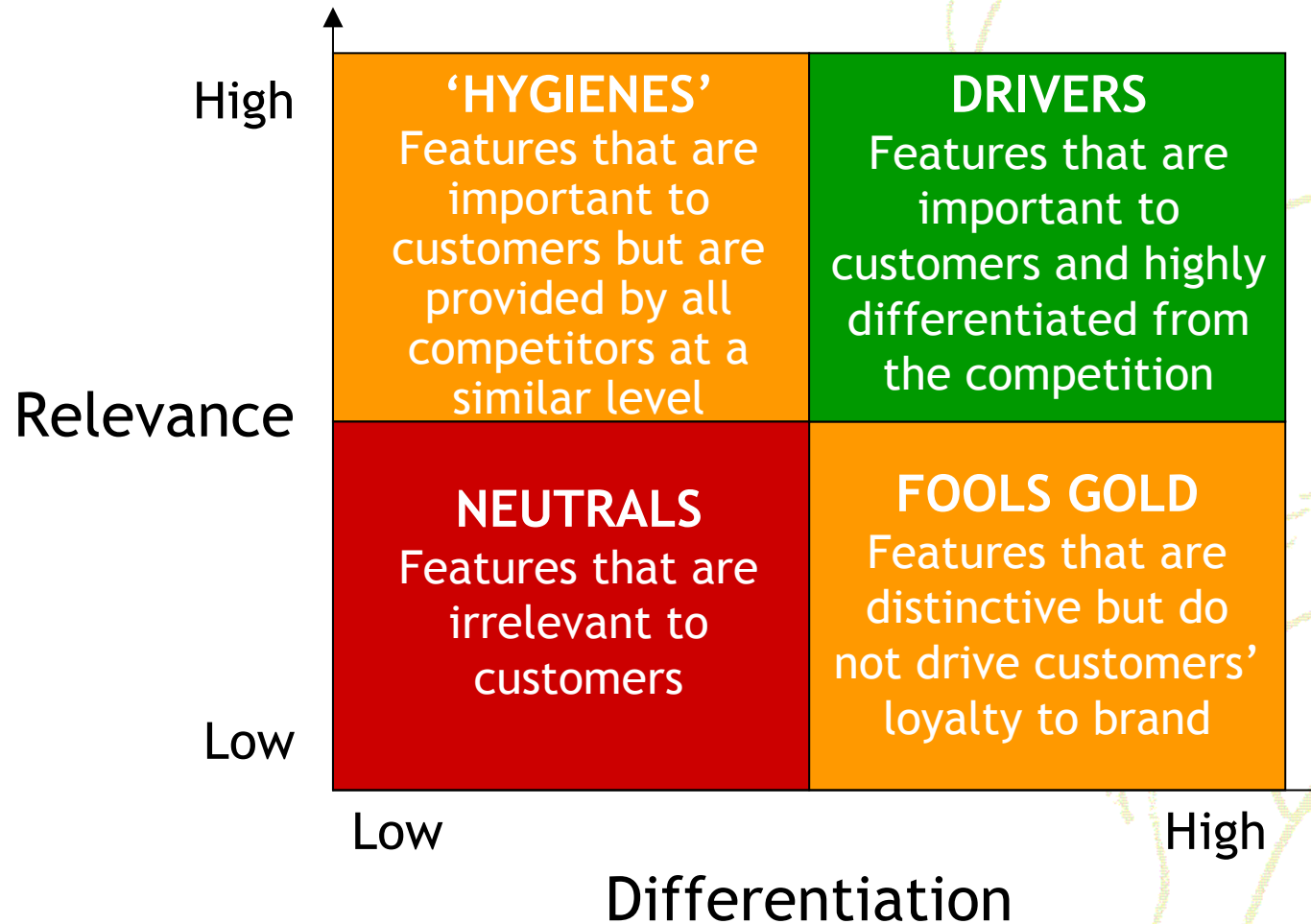
'Flag carrier' Airlines and Multiple Segments



EasyJet, Ryanair and the 'Low Cost' Segment

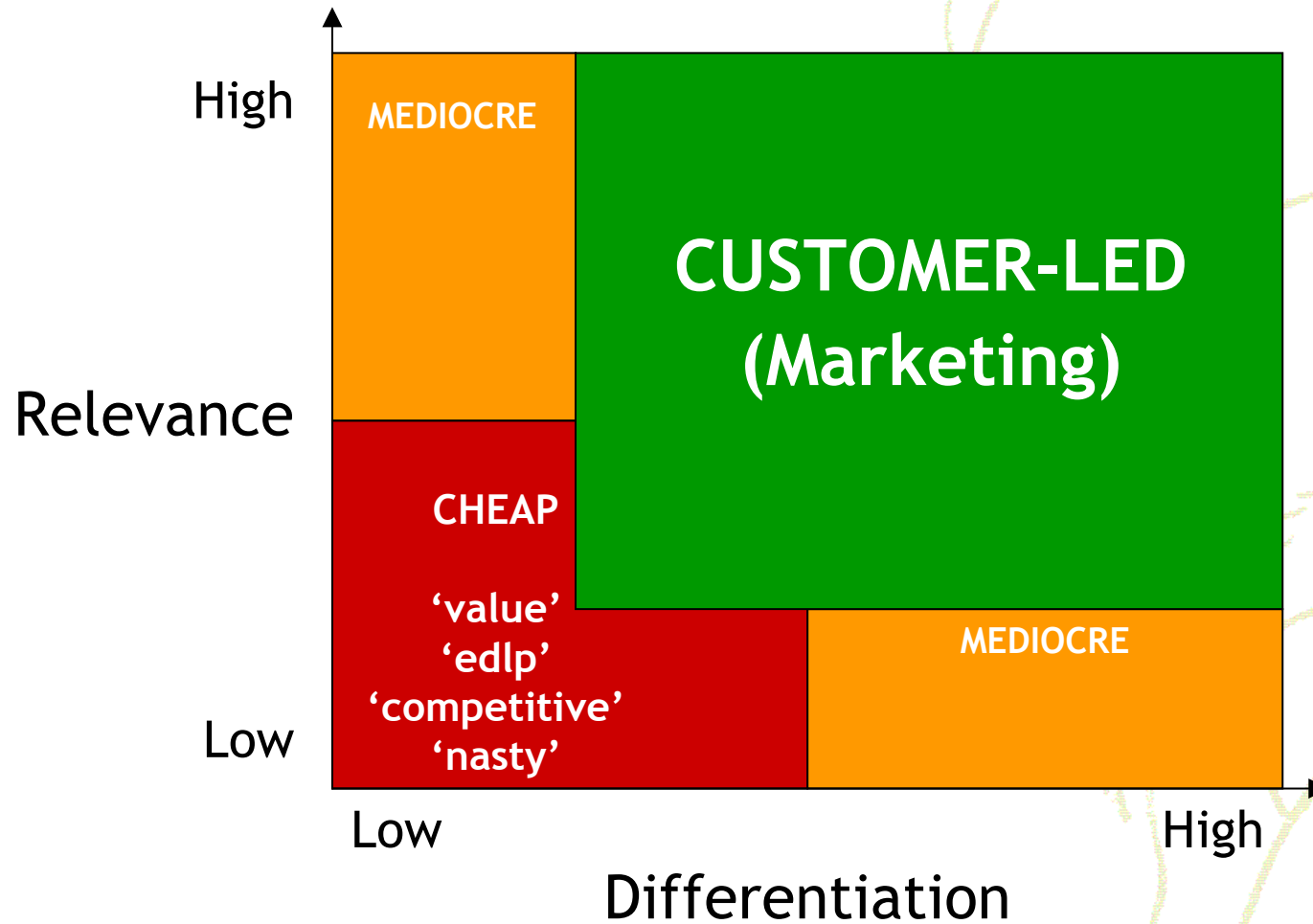


Differentiate to your market's needs



Source: Aufreiter, Elzinga, and. Gordon, 2003

Where is your future?



Source: Adapted from: Aufreiter, Elzinga, and. Gordon, 2003



Which differences are best?

Coco Chanel

*“In order to be
irreplaceable one
must always be
different”*

Coco Chanel
French fashion designer & perfumer
(1883 - 1971)



Some “winning” positions

Best quality	<i>Rolls Royce?</i>	Attribute (eg <u>size</u> , speed, colour, age, complexity)	<i>Microsoft?</i>
Best service	<i>Mercedes?</i>	Benefit (eg easiest, <u>fastest</u> , strongest)	<i>Porsche?</i>
Lowest price	<i>Skoda?</i>	Use/application (eg for holidays, for <u>celebrations</u>)	<i>Bollinger?</i>
Best value	<i>Volkswagen?</i>	User (eg for <u>young/old</u> , for experts, commuters)	<i>iPod? Saga?</i>
Safest	<i>Volvo?</i>	Competitor (eg <u>better</u> than ‘x’, cheaper than y)	<i>Nokia?</i>
Fastest	<i>Porsche?</i>	Product category (eg yoga holiday, <u>computer game</u>)	<i>PS2?</i>
Most customised	<i>Morgan?</i>	Quality/price (eg best, most expensive, <u>cheapest</u>)	<i>Easyjet?</i>
Most convenient	<i>Ford?</i>		
Most advanced technology	<i>Audi?</i>		

Which differences are best?

1	Where does <u>your customer/prospect</u> perceive the most value?	Always work with the customers. Aim to target the greatest store of perceived customer value
2	Where is most of <u>your competition</u> concentrated?	Look for gaps in the marketplace and exploit them. Only attack competitors' positions if there is no alternative
3	Where is <u>your offer</u> most and/or least credible (to customers)?	Relate to (customer) perceived strengths & weaknesses. Aim for credible areas first
4	Where is the differentiation easiest for <u>your company</u> to protect/maintain?	Profit is key and differentiation can be expensive. Balance cost (ease) against value and defensibility



**And,
Finally...**

Joseph Stalin

"Ideas are far more powerful than guns.

We don't let our people have guns,

Why should we let them have ideas?"





**Any
Questions?**