

# differentiating

*alternative ways to differentiate in  
an increasingly commoditizing  
market place*

six degrees

white paper 02

# ALTERNATIVE WAYS TO DIFFERENTIATE

Several recent studies have found that despite increased marketing spend to create differentiation among competing products and services, virtually all sectors are characterized by increasing commoditization. Globalization of markets, near instantaneous worldwide communication and substantial improvements in quality control have resulted in a plethora of “me-too” offerings.



As a result, many marketers of B2B and B2C products have found themselves on the treadmill of product innovation and promotion in order to protect sales and share...and to avoid having to drop price. Unfortunately, product innovation and promotion are like a drug: Soon or later, you need more. And, it's an expensive habit to maintain.

But, in our experience, there are 4 methods for increasing product differentiation that are generally underutilized, if not completely ignored.

## 1. Leveraging the Brand

We have found that many clients, especially B2B clients, focus exclusively on marketing product features and neglect to leverage the corporate brand, which often has substantial equity.

In one particular case, we worked with a client whose market research continually told them that what their customers most cared about was innovation on a very specific product feature. But when we did a latent driver analysis on what variables most determined purchase intent, we found that corporate reputation and trust in the company were the primary drivers of purchase intent, with the specific product feature coming in third.

Based on that analysis, we recommended to the client that they

deploy a brand image campaign to create market “pull” as an additional element beyond “pushing” product features through the sales force.

## **2. Service Innovation**

Another way of differentiating yourself from the competition is by innovating in the service arena. This means transcending the traditional focus on price, availability and after-sale support. It means identifying and delivering value-added information or services that will make the customer’s job easier or better. It means thinking of your business differently: The product itself is not sufficient to secure the sale. Service innovation may secure the business.

Consider the following example from the highly competitive telecom industry. A leading cellular phone manufacturer had a great reputation for advanced technology, reasonable price and ease of use. However, this market leader quickly came under pressure as competitors launched “me-too” products at similar prices and promoted aggressively. Looking inward, the company created a focused approach to service innovation by re-defining the service side of the business, including warranties and contracts to be best-in-class and sustain their leadership position.

Another example is how IBM reclaimed its dominance by inventing an IT service division and moving beyond hardware.

## **3. Product Design**

Beyond innovating the service side, product design is often a great opportunity for differentiation. All other things being equal (e.g., quality, price, promotion), the design of your product can make the difference in getting the sale.

Design should not be viewed as an engineering afterthought, but as a valuable tool for differentiation.

Take for example the scissors shown below. They both cost the same and perform the same.



Assuming manufacturers of equal reputation and service, which would most customers want to purchase for their organization? Evolutionary psychologists and other researchers have shown that people inevitably are drawn to the aesthetically pleasing over just functional. Product design allows the manufacturer to communicate something beyond the functional attributes of the product itself. Something that appeals to the target audience.

In a largely commodity market, product design can help tilt the purchasing decision in your direction and away from the competition.

#### **4. Package Design**

Another vehicle that can differentiate your offering from the competition is packaging. Take, for example, the medical device manufacturer challenged with differentiating their product, which is viewed by customers as a commodity.

After visiting medical facilities where their products were on the shelf, along with three of their competitors, the client was surprised to see that none of the product packages stood out from the other. All used the same general size and shape of packaging, muted colors and lots of copy. What would compel a physician to reach for their brand versus another?

After redesigning their package for greater differentiation while

emphasizing their brand attributes, the company's products now stand out from shelf clutter that permeates their market. In such cases, it is not unheard of to witness double digit sales increases.

In a commoditized B2B market, there are four additional ways to differentiate your offering from the competition and increase your differentiation: leveraging the brand, innovating your service offering, as well as designing product and packaging in a way that creates an aesthetic beyond the functional. None of these methods are expensive. All are ways that can increase your perceived value to the customer and increase your market share.

Unconvinced? Do a little pilot project and see the value of these methods and measure the impact they can have.

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