



MASTER IN ENTREPRENEURSHIP
INNOVATION MANAGEMENT
IN COLLABORATION WITH **MIT SLOAN**

IN COLLABORATION WITH

MIT MANAGEMENT
SLOAN SCHOOL



UNIVERSITÀ DEGLI STUDI DI NAPOLI
PARTHENOPE

Differentiation and marketing paradox

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Professor profile



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- Senior professional with 30 years of experience.
- Has worked in large organizations such as Deloitte, Trenitalia - Italian railways, small start-ups, and family owned businesses.
- Has worked in different industries: hospitality, tourism, spa & wellness, travel, transport, ICT, management consulting.
- Skilled in strategic management and business planning, service marketing, business development, sustainability, organizational design, capacity building, asset management, corporate governance.
- Lectures at different educational institutions.
- Geographical areas of work: Italy, West Europe, Africa, Asia.

Education

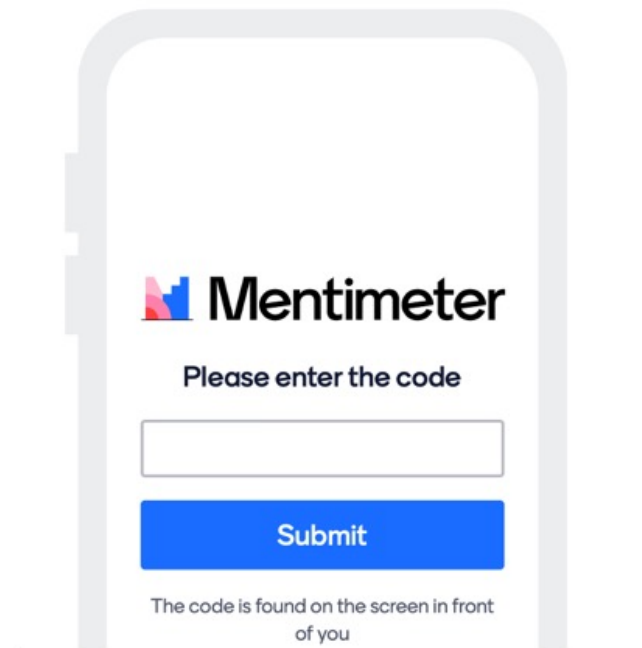
- Senior Managers Program - HEC, Paris.
- Master of Science in Tourism & Hotel Management, diploma with Distinction - School of Management - University of Surrey, UK.
- Doctoral degree in Economics and Business (with honours)

What is marketing?

Please go to www.menti.com and enter code 4775 6976

3 questions to answer

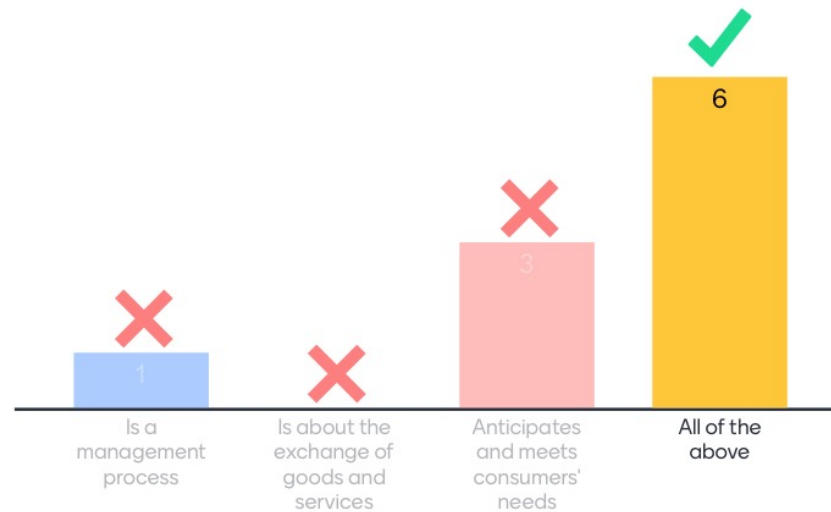
Correct and faster answer get more points



What is marketing? From Menti.com

Marketing is

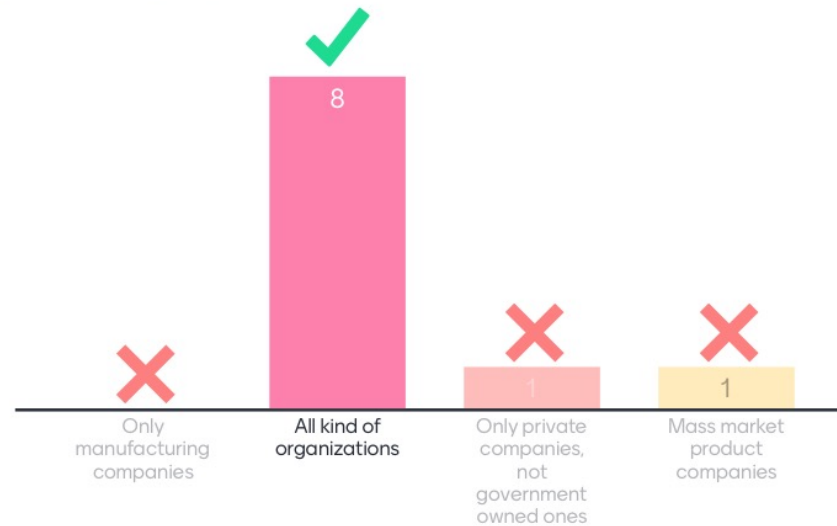
Mentimeter



What is marketing? From Menti.com

Marketing is applied in:

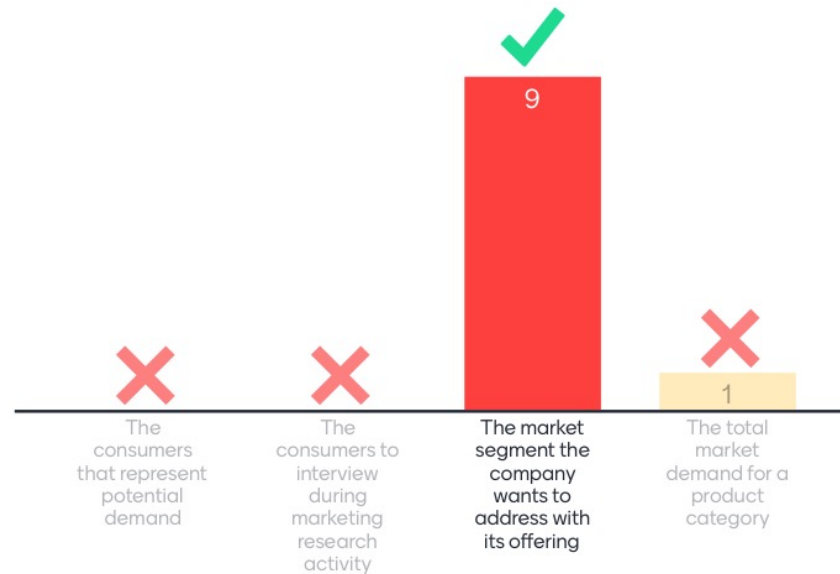
Mentimeter



What is marketing? From Menti.com

The target is:

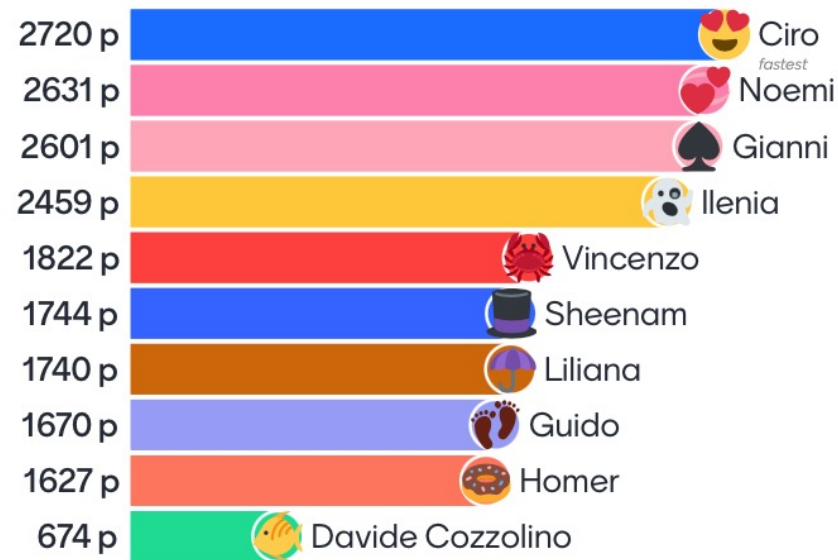
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What is marketing? From Menti.com

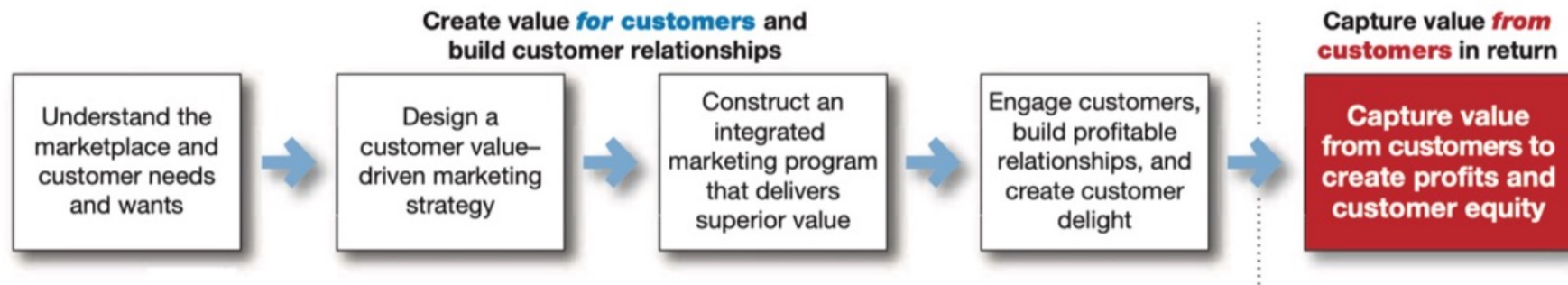
Leaderboard

 Mentimeter



10


The marketing process



This five-step process shows marketing in a nutshell: by creating value for customers, marketers capture value from customers in return.

The marketing strategy process



Marketing objectives

Specific	Measurable	Attainable	Relevant	Time-Bound
Make sure your goals are focused and identify a tangible outcome. Without the specifics, your goal runs the risk of being too vague to achieve. Being more specific helps you identify what you want to achieve. You should also identify what resources you are going to leverage to achieve success.	You should have some clear definition of success. This will help you to evaluate achievement and also progress. This component often answers how much or how many and highlights how you'll know you achieved your goal.	Your goal should be challenging, but still reasonable to achieve. Reflecting on this component can reveal any potential barriers that you may need to overcome to realize success. Outline the steps you're planning to take to achieve your goal.	This is about getting real with yourself and ensuring what you're trying to achieve is worthwhile to you. Determining if this is aligned to your values and if it is a priority focus for you. This helps you answer the why.	Every goal needs a target date, something that motivates you to really apply the focus and discipline necessary to achieve it. This answers when. It's important to set a realistic time frame to achieve your goal to ensure you don't get discouraged.

How many Ps for the marketing?

1**2****3****4****5****6****7****8**

How many Ps fore the marketing mix?

From 4Ps to 7 Ps

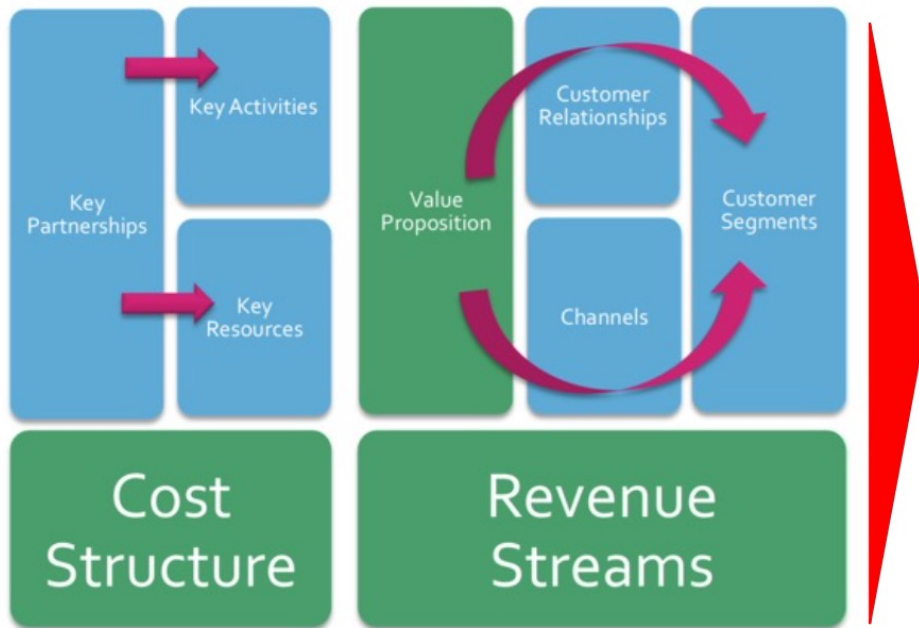


Services

There are inherent differences between goods and services, and these differences result in unique, or at least different, management challenges for service businesses.



Business model canvas



<p>Key Partnerships</p> <p>Who are our key partners? Who are our key suppliers? Which key resources are we acquiring from partners? Which key activities do partners perform?</p>	<p>Key Activities</p> <p>What key activities do our value propositions require? Our distribution channel? Customer relationships? Revenue streams?</p> <p>Key Resources</p> <p>What key resources do our value propositions require? Our distribution channels? Customer relationships? Revenue streams?</p>	<p>Value Proposition</p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to customer segments? Which customer needs are we satisfying?</p>	<p>Customer Relationships</p> <p>What type of relationship are we expect to establish and maintain? How costly are they?</p> <p>Channels</p> <p>Through which channels do we reach our customers? How are our channels integrated? Which ones work best?</p>	<p>Customer Segments</p> <p>For whom are we creating value? Who are our most important customers?</p>
<p>Cost Structure</p> <p>What are the most important costs inherent in our business model? Which key resources or activities are most expensive?</p>		<p>Revenue Streams</p> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying?</p>		

What is differentiation?

Differentiation

Differentiation, in mathematics, process of finding the derivative, or rate of change, of a function. In contrast to the abstract nature of the theory behind it, the practical technique of differentiation can be carried out by purely algebraic manipulations, using three basic derivatives, four rules of operation, and a knowledge of how to manipulate functions.

Differentiation

Business

- Differentiation (economics), the process of making a product different from other similar products
- Product differentiation, in marketing
- Differentiated service, a service that varies with the identity of the consumer or the context in which the service is used

Source: Wikipedia

Differentiation

- Differentiation strategy is one of Porter's key business strategies. Differentiation refers to the development of a unique product or service.
- Differentiation strategy is a strategy in which an organization seeks to distinguish itself from competitors through the quality of its products or services.
- According to Porter, if product or service is unique, this strategy provides high customer loyalty. Therefore, if customers perceive the product or service as unique, they are loyal to the company and willing to pay the higher price for its products.
- According to others, differentiation of product or service is an expression of individual and group creativity inside firms, which means that the risk of imitating differentiation is dependent on firms' capacity to be creative in finding methods that make the product unique.
- Porter showed the relationship of this strategy with firm performance and the advantages that firms earn from pursuing differentiation strategy referring to realizing higher incomes compared with competitors because of mark trust, quality, and perception that clients have for the company product.

Differentiation

- A successful differentiation strategy allows a firm to charge a higher price for its product and to gain customer loyalty because consumers may become strongly attached to the differentiation features.
- To the extent that differentiating attributes are tough for rivals to copy, a differentiation strategy will be especially effective, but the sources of uniqueness must be time-consuming, cost-prohibitive, and simply too burdensome for rivals to match. Therefore, the firm should pay attention when it decides to pursue the differentiation strategy.
- The ways that managers can enhance differentiation based on value drivers according to Thompson et al. include the following: create product features and performance attributes that appeal to a wide range of buyers; improve customer service or add extra services; invest in production-related R&D activities; strive for innovation and technological advances; pursue continuous quality improvement; increase marketing and brand-building activities; seek out high-quality inputs; and emphasize human resource management activities that improve the skills, expertise, and knowledge of company personnel.

Differentiation in FMCG

- Differentiation in the Fast-moving consumer goods (FMCG) market is difficult because producers can only compete in availability, range of products and prices. Their products can be easily substituted, specially in emerging markets like Asia or Africa where they use traditional alternatives.
- FMCG or consumer packaged goods (CPG) are products that are sold quickly and at relatively low cost. Examples include non-durable goods such as soft drinks, toiletries, and grocery items. Though the absolute profit made on FMCG products is relatively small, they generally sell in large quantities, so the cumulative profit on such products can be substantial.
- Fast-moving consumer electronics are a type of FMCG and are typically low priced generic or easily substitutable consumer electronics, including lower end mobile phones MP3 players, game players, and digital cameras, which have a short usage life, typically a year or less, and as such are disposable.

FMCG big players



- Fast-moving consumer goods**
- From the consumers' perspective:
- Frequent purchase
 - Low involvement
 - Low price
- From the marketers' perspective:
- High volumes
 - Low margins
 - Extensive distribution networks
 - High stock turnover.

Differentiation in India FMCG market

REAL CASE

- India represents worlds 12th largest consumer market and the FMCG Industry in India is worth more than USD\$ 13.1 Billion making it the fourth largest sector in the economy. Mckinsey predicts that by 2025 India will become worlds fifth market.
- Indian FMCG market remains a very highly fragmented market wherein roughly half the market is flooded with unbranded, unpackaged home made products. The need of differentiation is required in offering of the products by the companies. To create differentiation. which is based on features of the product has become a difficult task as competitors will take no time in acquiring or imitating that feature.
- Although features that are patented provide powerful differentiation, but it is a very time consuming and expensive process and in the case of FMCG products such as shampoos or soaps patenting the products is not a viable proposition.
- In such a scenario Ingredient branding concept brought a ray of hope, which is a differentiated marketing technique that helps companies to distinguish their offerings. In electronics Intel, for example, owes its corporate success to their “Intel Inside” campaign, in the early 80s.

Differentiation class work

Differentiation class work

1. APPLE
2. TIFFANY
3. EMIRATES AIRLINES
4. HERMES
5. TESLA
6. HAPPY SOCKS
7. HARLEY DAVIDSON
8. LUSH
9. COCA COLA
10. NESPRESSO
11. ROLLS ROYCE
12. ZALANDO



1. MELANDRI
2. ARIENZO
3. MAIORANO
4. AYYUB
5. PESACANE
6. BARRA
7. MAROTTI
8. COZZOLINO
9. MARCIANO
10. PORZIO
11. LEONE
12. PAGANO

CLASS WORK

YOUR TASK

Each student, individually, has to analyse the given brand and in will produce a short presentation explaining, with his own words, how that company has differentiated itself from the competition and how strong and sustainable in the long term this strategy has proved.

Time available: 1 hour

Presentation: 15 min. max per student

Differentiation strategy example #1

- When we talk about differentiation, **Apple is one of the brands** that will most often come to our mind. In fact, nowadays it is considered one of the Big Tech companies, also known as the Big Five – among Amazon, Google, Facebook and Microsoft.
- Ever since its creation, Apple has been **well-known for its innovative products**, including Macintosh line computers, the iPod, iPad, and of course – the iPhone. And it has successfully managed to distinguish them from their competitors through a multi-layered approach:
- **Product Design** - The iconic, elegant and minimalist design on all Apple's products is one of the first things that makes the brand stand out from its competitors. Their products not only display a different visual style which is aesthetically pleasing, but is also well-thought to simplify the use of each device.
- **Operating system** - Another factor, which of course is considered a part of the product, is **Apple's unique operating system**. Apple also differentiate their products with an operating system that further enhanced user experience, bridging the gaps that were unseen or unaddressed by competitors.
- **Pricing strategy** -The company's **pricing strategy** is another factor that takes part in their differentiation strategy. The prices for most of their products are significantly higher than those of competitors, set with the idea of being proportionate to the level of quality – with Apple still maintaining high profit margins.

Differentiation strategy example #2

- **Tiffany & Co. the jewellery company**, which you may also know from Audrey Hepburn's iconic movie "Breakfast at Tiffany's", is famous for its stunning **hand-crafted and timeless designs**. The company has managed to target a very particular niche target market of wealthy and affluent customers who appreciate the high quality products and the outstanding reputation of the brand.
- **Product differentiation** - Tiffany & Co aims to differentiate its products with stunning, unique, and hand-crafted designs that undoubtedly **stand out from the crowd**. Additionally, the iconic blue boxes in which the jewellery is carefully placed have become a trademark logo of the company. All this attention to design and detail shows very well how the brand is aiming to position as distinctive and exclusive on the market.
- **Brand name** - Although establishing a reputable brand name takes a long time, Tiffany & Co has really put the extra effort in positioning itself as an **innovative company with timeless designs**. Over the years, they have built a solid brand image that helps with their differentiation strategy.
- **Price** - And last but not least, it is worth mentioning another element that differentiates Tiffany from their competitors: the high prices for their jewellery. Similar to Apple, the company wanted to match the prices with the high quality and exclusivity of their products. However, they went further by setting up even **higher prices and profit margins** to make sure that they only reach their niche, affluent audience. With a single piece of jewellery costing thousands of dollars, it is not difficult to see how.

Differentiation strategy example #3

- **Emirates** - based in Dubai is the state-owned airline and flag carrier of the United Arab Emirates. The company operates about 3,600 flights per week to more than 150 cities in 80 countries.
- Other airlines like Ryan Air and Wizz Air have chosen the approach of cost leadership as a competitive advantage strategy, other companies within the industry are looking for ways to differentiate themselves. Let's see what makes Emirates stand out:
- **Exceptional customer service** - Emirates provides exceptional service and commodities to its passengers, taking great care of them throughout their whole flight.
- Even Economy class, the cheapest one from their offerings, includes: High-quality, regionally inspired dishes from the flight destination; In-flight digital entertainment with over 4,500 movies to choose from; Excellent customer service and catering; Complimentary beverages; On-board Wifi;
- As for First Class, Emirates was awarded the airline with the Best First Class for 2020:
- **Latest technology** - An important part of Emirates' differentiation strategy is the fact that they invest a lot of money in the latest technologies available on the market.
- From using advanced navigation technology for their airplanes to ensuring the best entertainment on board, their dedication to innovation is a fundamental part of the customer-centric experience that they aim to provide.

Differentiation strategy example #4

- French brand **Hermés**, their brilliant approach to differentiation, combined with powerful storytelling, is what makes people spend thousands of dollars on a purse...and keep coming back for more.
- **Exclusivity** - the most important aspect of the company's differentiation strategy is exclusivity. Of course, this is a very generic word, and practically any high-end brand tries to achieve it as a part of their unique selling proposition. However, Hermés took this one step further with their famous Birkin bags. To position them as exclusive and beyond:
 - **Difficult access** – you can't simply enter a Hermés shop and purchase a Birkin bag. You need to have a history with the brand, having spent a good amount of money on it over a consistent period of time.
 - **Waiting list** – if you want a Birkin bag, you will not only have to wait for your invitation to purchase. You will also have to wait for your Birkin bag to arrive, which could take weeks and even months!
 - **Lack of choice** – now, if waiting for a few months wasn't enough, you will most probably not have a saying in what your bag will look like. They will offer you a model, and you can take it or leave it.
 - **Scarcity** – Hermés Birkin bags are handcrafted, and the lack of massive production processes, combined with the high quality of the products, means that there will be not many bags like yours. Some bags may cost up to 380 thousands dollars!
- **Craftmanship** - the Birkin bags, but also all the brand's purses and handbags, are **hand-crafted**. In fact, they are all handmade by one artisan in a process that can take up to 48 working hours.
- Despite the existing mass production tools and automatization processes, the company is still using traditional processes. Which is highly valued by their customers as well!

Differentiation strategy example #5

- **Tesla** with a mission to accelerate the world to sustainable energy, the American electric vehicle company initially entered the market with the idea of targeting affluent customers in the luxury sector. Then, **move into larger markets** at lower price points.
- **Product innovation** – is the first and most important point. Tesla entered the automotive industry offering market-disruptive electric vehicles that people absolutely loved. Their cars are not only **environmentally friendly** and extremely **high tech**, but also have a very distinctive and beautiful aesthetic. Over the years, many companies have tried building electric or hybrid cars, but none of them with the detail and elegant design that Tesla achieved.
- Other aspects of Tesla’s product differentiation include: the possibility to customize your car; regular software updates; solar panels and supercharging compatibility; and self-driving features. From the tech functionalities to the materials the cars are built it, it is no surprise that Tesla really managed to differentiate from competitors.
- **Marketing strategy** - another point of differentiation for Tesla is their Marketing strategy...or the lack of one. According to Forbes, the company focuses more on **referrals and word of mouth advertising** rather than traditional TV advertisements and pushing their products onto the target audience. And of course, let’s not forget that its CEO Elon Musk is a walking advertisement himself. From his iconic interviews to his even more iconic Tweets (and more than 30 million followers), he is constantly attracting the attention to both himself and Tesla. And constantly creating controversy around himself as well!

Differentiation strategy example #6

- **Happy Socks** is a Swedish manufacturer and retailer of socks, underwear and swimwear, but they are mostly famous for their super colourful and **vibrant sock designs**. From starting small in Stockholm, the company has now grown to over 12,000 points of sale across 90 countries, becoming a \$100 million eCommerce business. And here is why:
- **Product differentiation** - again, we have another example of how a differentiation strategy can become successful by focusing on the **product**, and making sure that it stands out from competitors. Happy Socks saw the opportunity to convert a simple everyday garment that people didn't care much about to a **fashion trend** that you see many people proudly wearing as a part of their outfit, in the most visible way.
- The company created high-quality socks with **gorgeous and unique designs**, and put them in beautiful distinctive boxes. In fact, they created such a great product that people started buying socks as a gift to their family and friends.
- **Storytelling & Happiness** - of course, it is not only about their fun and creative design that makes Happy Socks so unique. The company managed to build a **great storytelling** behind it.
- From the Sock Factory, which is “like Charlie in the Chocolate Factory but with socks instead of candy” to the Sock Scientists (the founders of the company), the enchanting storytelling really gets you excited about the brand. You can read more about it here.

Differentiation strategy example #7

- **Harley Davidson**, founded in 1903, the American motorcycle manufacturer is one of the oldest and most reputable companies in the industry. According to Wikipedia, it was also one of the two major motorcycle manufacturers to survive the Great Depression, among with many other periods of economic crisis over the years. And although this information may not seem so relevant, this strength and resilience over the years has helped the company establish and maintain a **rock solid reputation** even today.
- But here is what also differentiates them:
- **Distinctive features** - the sound of the V-twin engine in Harley-Davidson motorcycles is so distinctive that the company filed a sound trademark application in 1994. And although it was opposed by competitors and not given to Harley, this **unique sound distinguishes the brand** even today, at every point of customer interaction. But this is not the only thing that makes the Harley-Davidson motorcycles so unique. The company is also noted for a customization style that gave rise to the chopper motorcycle style.
- **Community & brand culture** - Harley Davidson has become so iconic over the years that it has established an entire community and brand culture around its motorcycles. The company has hundreds of fan clubs around the world, the oldest one of which can be found in Prague (founded in 1908).
- There are also theme restaurants, such as the Harley-Davidson Las Vegas Café. The company attracts a loyal brand community all over the world.

Differentiation strategy example #8

- **Lush**, this company has managed to stand out in a very saturated market: **cosmetics**. Lush is a UK-based cosmetics retailer that has grown to operate in 49 countries, and is quickly building its way in the highly competitive industry. Here is what makes the company stand out.
- **Handmade quality**
- The first differentiation point for Lush is quality – not only in terms of ingredients, but also when it comes to the production of the final product.
- All Lush products are **100% vegetarian**, and about 85% are also vegan, often containing fruits and vegetables such as grapefruit juice, fresh papaya, vanilla beans, avocado butter, and aloe vera. Their products are also handmade, which is highly valued by their customers.
- **Ethics**
- The company's values are also aligned with those of their target customers in terms of **ethics and social responsibility**. Instead of testing on animals, the company actually tests on human volunteers before selling their products to the public.
- They are also involved in a series of donation and charity campaigns, such as the Charity pot campaign. Launched in 2007, the campaign generated over **\$33,000,000** in profits, of which 100% were donated to small organizations in the areas of human rights, animal welfare, and environmental conservation.

Differentiation strategy example #9

- **The Coca Cola Company** is one of the most powerful brands in the world,
- **Trademarks & Patents** - starting from their trademarks, The Coca Cola Company has done everything to ensure that their product will remain unique in the market of soft drinks. It also owns a number of other successful brands in the drinks market.
- The Coca Cola Corp owns the trademark to the name Coca Cola, including the trademark for the bottle shape, and even the graphic representation of the brand name. All these elements help distinguish the company's iconic products on the market.
- Coca Cola also owns the patent of their famous soft drink formula, which means that **no other company is allowed** to make their cola using the same formula. They are also famously quite protective of it, too.
- **Unique campaigns** - The Coca Cola Company achieves its differentiation not only through special packaging and branding, but also through its carefully positioned advertising.
- The brand is famous for its unique and powerful campaigns that help spread their core values and mission: **to inspire moments of happiness and refresh the world.**
- A great example is their multi-national Share a Coke campaign, in which they printed out cans and bottles with the 250 most popular names in each country. The campaign was subsequently rolled out in 80 countries, and managed to generate an incredible global impact.

Differentiation strategy example #10

- **Nespresso** is one of the most **powerful** brands. The Swiss-based operating unit of the Nestlé Group is a premium price coffee, and it is mostly known for its single-use coffee capsules.
- **Product differentiation** - the capsules, offered in stunning elegant boxes, are made of Aluminum and hermetically sealed, preventing the coffee aroma to degrade over time. (As opposed to a pack that has been opened). The company is currently offering a huge variety of options on the market, selling 28 different Original Line arabica and robusta capsules. They also release Limited editions occasionally, allowing their customers to select from a **wide range of carefully selected flavours**.
- Additionally, the beautiful, elegant packaging gives out a sense of luxury and premium quality.
- **Physical locations** - another way Nespresso differentiates from its competitors are the company's physical locations. The majority of its competitors **doesn't have stores exclusively for their capsules**, and you are only able to purchase them in conventional stores and supermarkets.
- Additionally, the company's shops are not just any randomly looking shop. They are designed to **create an experience** once you are there, and feel that you are purchasing a very premium product.
- The way their capsule boxes are ordered by colour and flavour only adds up to the high-end experience. You can also **try their coffee right there**, in the shop, which is something that competitors are not able to offer in a conventional store. Unless they do a specific try out campaign within the store.

Differentiation strategy example #11

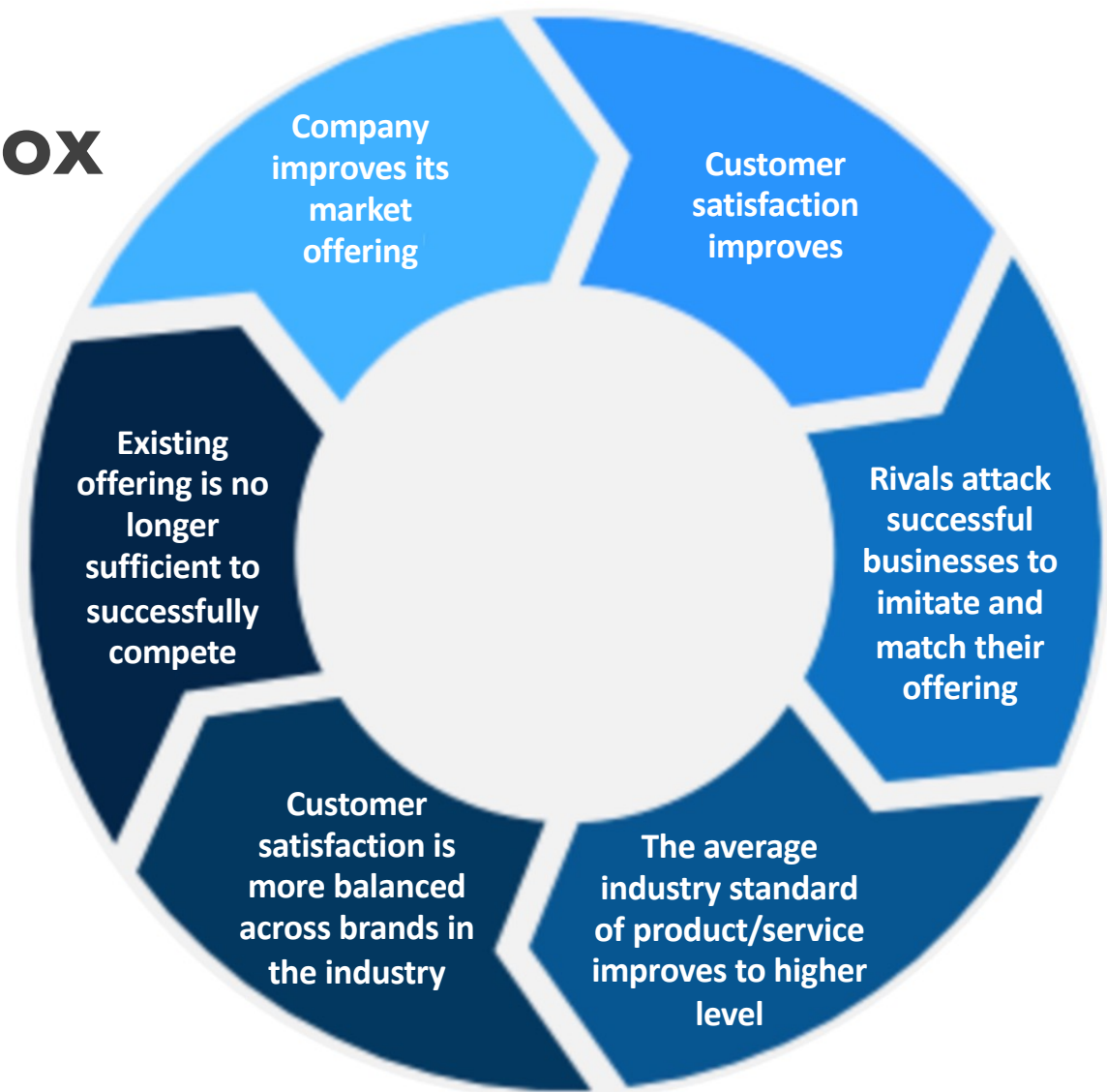
- **Rolls-Royce**, since its establishment in 1998, the British luxury automobile maker has been extremely successful in positioning itself as the provider of superior quality branded products, and here is why:
- **Hand-made**
- One of the main reasons why Rolls Royce has managed to establish itself as a leading super-luxury product is its **exclusive craftsmanship**.
- The company, now owned by BMW, stands firm by their handmade motto, confirming that very little robotics is involved in the production of their cars. Some parts of the process, such as the paintwork, are automated by only for consistency.
- **Customization**
- In fact, **no two Rolls-Royce** are ever exactly the same – customers tailor their vehicles with variations in wood leather, colour, and other requirements. According to Business Insider, a whopping 84% of Phantom customers customized their cars with some sort of unique and bespoke design.
- The luxury brand notes that “no request is left unexplored”. In the past few years, their design team has matched leather colours to customer lipstick, sourced wood from a tree on the buyer’s real estate, and they even found ways to incorporate wine glasses and picnic sets into their cars.

Differentiation strategy example #12

- **Zalando**, a European e-commerce company based in Berlin, Germany that offers fashion and lifestyle products across 17 European markets. The company has really managed to differentiate itself among thousands of other competitors in the clothing industry, and here is why:
- **100-day returns** - Zalando originally offered an outstanding delivery and return service. In fact, you have **100 days** (3 months!) to return your clothes for absolutely free, which is more time that most clothing and fashion companies will ever offer.
- And the best part is, you will not have to explain yourself on why are you returning the clothes. You can select the reason if you want, but it's optional and is only for their feedback in order to improve.
- Another way in which their return service is exceptional is that they can actually come to collect your clothes **from your own home** if you don't want them. Yes, you don't have to go anywhere, and is completely free as well.
- **User experience** - another way in which Zalando stands out is **user experience**. Their platform is extremely intuitive and easy to navigate through, and you can easily mark clothes in favourites or check other buyers' reviews.
- Additionally, the platform will regularly offer you **selected clothing pieces** and collections based on what you've marked as favourite or what you've purchased. In other words, they build tailored collections that you may like, and needless to say – it's working really well.

Marketing paradox

- Differentiation is a key strategy to compete on markets and to achieve a distinctive positioning
- In highly competitive markets there is a continuous effort to attack and match the value proposition of the market leader to take customers away
- It emerges a need to review and improve the existing offering system continuously in order to maintain the market leadership



Marketing paradox

- What happens when the marketing paradox process takes place?
- What is the customer's reaction? One reaction or more?
- What can the different companies/brands do to keep their leadership?

Marketing paradox

- What is the customer's reaction? One reaction or more?

**CLASS
DISCUSSION**

Marketing paradox

**CLASS
DISCUSSION**

- What is the customer's reaction? One reaction or more?
 - What kind of customer are we talking about in terms of:
 - Experience with the brand
 - Frequency of use of the specific product
 - General consumer behaviour

Marketing paradox

**CLASS
DISCUSSION**

- What can the different companies/brands do to keep their leadership?

Marketing paradox

**CLASS
DISCUSSION**

- What can the different companies/brands do to keep their leadership?
 - Invest to develop new product features or new products to stay relevant for their consumers
 - Change/review their business model to perform better
 - Make a move to anticipate rivals and keep their position

Marketing paradox

- As consumers, we know almost instinctively when a product or service really stands out from other available offerings and we seek it out accordingly. But it's much harder for a management team to design a differentiated product or service and deliver it to consumers consistently.
- As consumers, we're happy with most products or services if they're good enough — as long as it 'does what it says on the tin', as the English say. But for some products, differentiation matters a lot: We pass by the nearby retailer to go the shop we really like, and we ignore cheaper store brands because we prefer a more expensive product that we believe is better. And certain items — our phones, cars, shoes, handbags, favorite hotels, etc. — get us quite excited.
- We don't just buy those products, we advocate them to others. At the extremes — Harley Davidson and Marmite — we tattoo their logos across our bodies. We don't question this behavior; it's just something we understand.

Marketing paradox and differentiation

- Ask a company's management team exactly what it is that makes their products or services different from competitors. You'll often hear as many as a dozen different responses.
- And yet, if a company isn't clearly differentiated from competitors, it essentially has no strategy. The assets and capabilities that form true differentiation are your company's crown jewels, determining whether you outperform competitors.

Marketing paradox and differentiation

- So what is differentiation?
- We know what it isn't. It isn't 'just a brand' — good brands are necessary, but they are not enough. It isn't your collection of products and assets per se; they may describe well what you own and sell, but not what you do well for your customers. And it isn't your mission statement, vision, or strategy in and of themselves — those things amount to statements of what you intend to do.
- Ultimately, **differentiation is found in what you do for your customers each and every day**. It is embodied in the routines that people throughout the company follow, especially front-line employees. Unfortunately, more than half of front-line employees say in surveys that they're unclear about their company's strategy and what makes it different from competitors.

Marketing paradox and differentiation

- So differentiation isn't what you own or what you say you're going to do, it is what you do, every day, through repeatable activities to serve your customers better than the competition.
- It can be measured. Is your cost position better, product quality better, or loyalty better? It can be defined precisely.
- Differentiation may begin with the founders or leaders of a company, but it doesn't become real until management and the front line lives it and breathes it.
- That's why the most successful enterprises — companies with what is called Great Repeatable Models — translate their strategies into front-line activities and focus maniacally on routines.

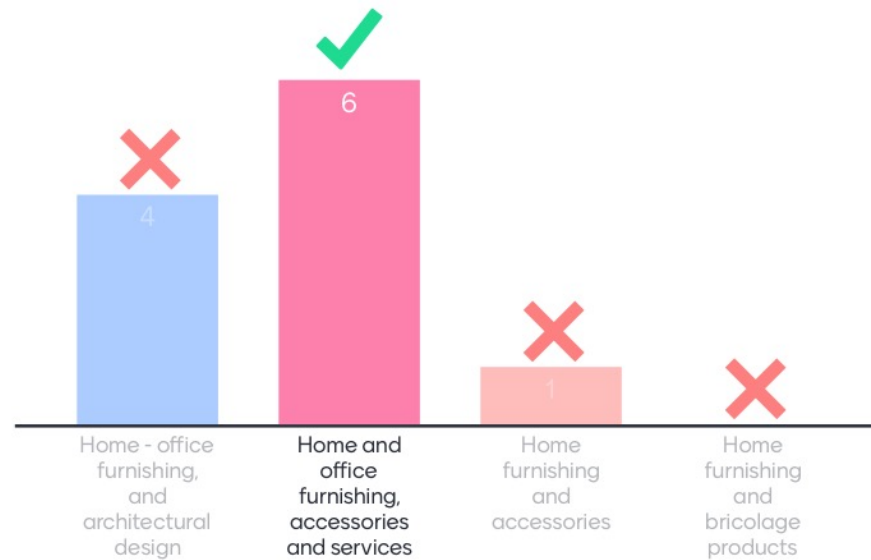
IKEA case

- Video
- Quiz
- Case history

IKEA case

Product, what IKEA sells is:

 Mentimeter



IKEA case

Price, IKEA pricing strategy is:

 Mentimeter



IKEA case

Place, IKEA sells its products in:

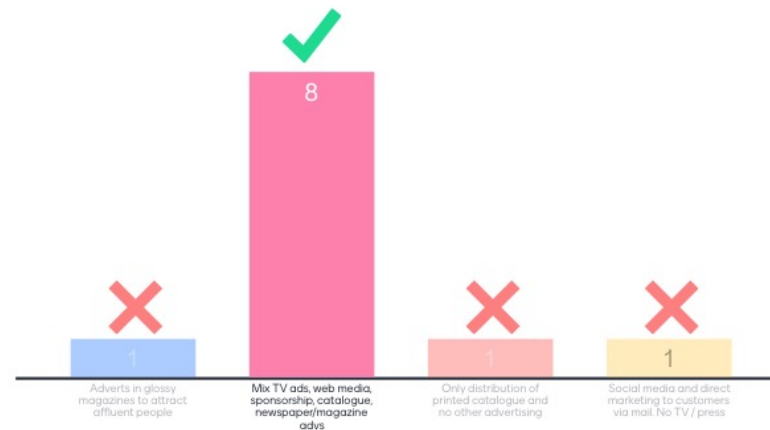
Mentimeter



IKEA case

Promotion, how IKEA communicates to the market:

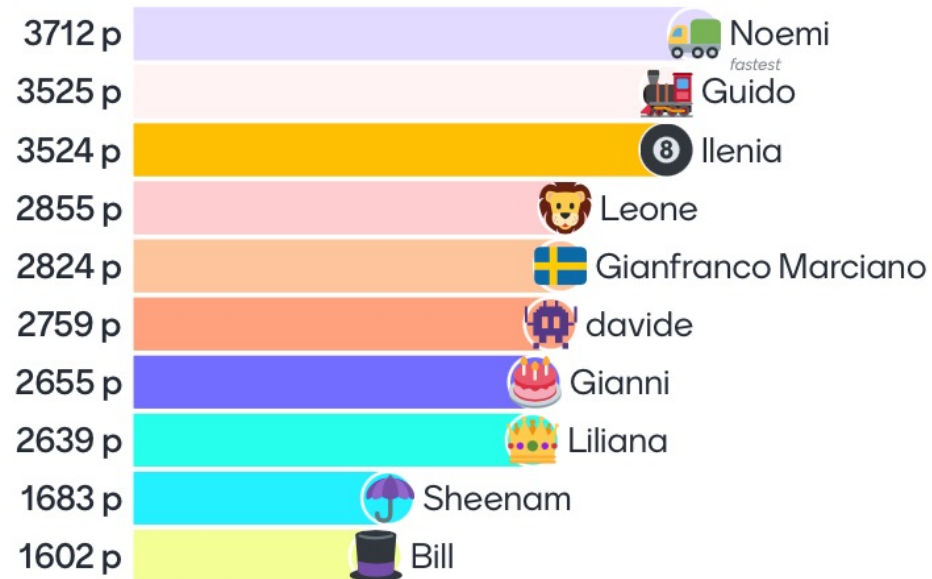
Mentimeter



IKEA case

Leaderboard

 Mentimeter

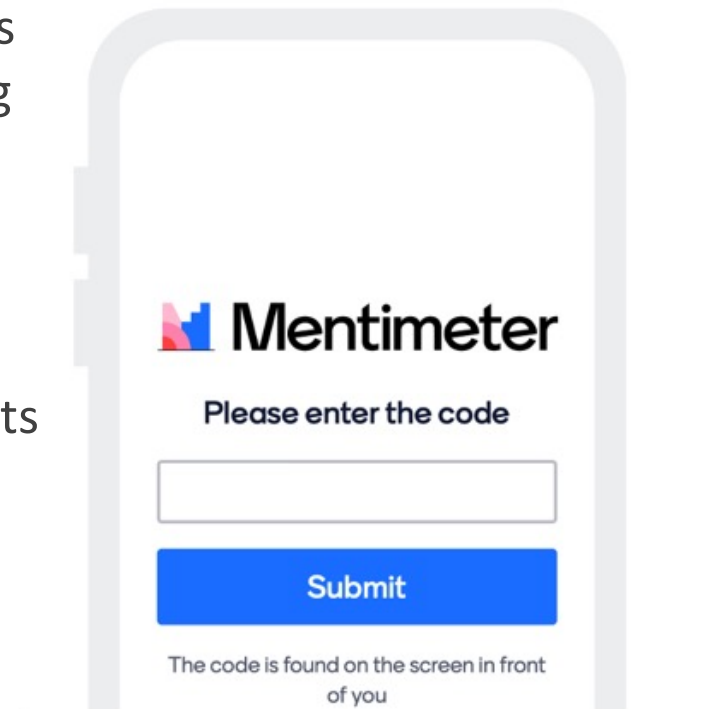


IKEA case

Please go on www.menti.com and enter code 9071 6965

4 questions to answer on the 4Ps of Ikea as per your perception coming from watching the video and your personal direct experience. Time available: 1 minute per question.

Correct and fastest answers get more points



Marketing mix IKEA case (1/2)

- **Product**, IKEA is one of the world's largest furniture retail brands, including coffee tables, side tables, TV solutions, DVD storage, shelves, sideboards, bookcases, sofa beds, armchairs, leather sofas and fabric sofas, as well as many other products. The brand itself is based upon the concept of offering home furnishing products at value prices.
- The basis of **pricing** for IKEA is value i.e. low prices or no-frills pricing. They are not a premium pricer or a skimmer. So products are designed, raw materials sourced, the products are manufactured, they are distributed, and they sold by retail, within this no-frills low-cost framework. Home delivery is available although this is at an additional cost to the customer.
- **Place**, the IKEA group is an International Marketing business, which sells furniture and accessories in Europe, North America, Asia and Australia. IKEA's main business relates to its retail stores. There are more than 300. Many of these stores are in out-of-town locations and do not benefit from the footfall of primary and secondary locations. The stores themselves are very large. Many of the stores even have restaurants, food shops and a Swedish market. Some stores even have a bespoke play area.
- IKEA is one of the world's largest furniture retail brands. The brand itself is based upon the concept of offering home furnishing products at value prices. The **promotions mix** includes TV advertising, sponsorship, newspaper and magazine advertising, and many other elements. Some of its TV advertising is considered controversial whilst others see it as pretty plain. Recent campaigns include the IKEA kitchen party advert 'Be Happy Inside' campaign and the kitchen party advert. Obviously their iconic yellow IKEA logo serves to support the brand.

Marketing mix IKEA case (2/2)

- **Process**, the furniture is made by IKEA itself whereby IKEA makes its own wood-based furniture and wooden components. So for example the business owns forestry sawmills. The customer drives to the store, selects a product, orders, it, and then collect it, only then to have to drive the product home themselves. This is all part of the low pricing commitment.
- **Physical Evidence**, interestingly IKEA was a business that encompassed sustainability quite early in its strategy. Many of its products are recyclable IKEA has invested in very green energy solutions such as solar power. Physical evidence for IKEA is its very large stores. They are out of town and offer a huge selection of furniture products. Stores tend to be well-equipped with restaurants, very large car parking, the space to move around and modern display technologies.

Source: <http://www.marketingteacher.com/ikea-marketing-mix/>

Is this a differentiation strategy?

CLASS WORK

- IKEA has most definitely set itself apart in the furniture industry by keeping their prices low and by achieving sustained cost leadership. They have been able to do this implementing a low cost strategies (designing low cost, modular, self assembly furniture and long term supplier relationship) and by implementing a target marketing strategy (focusing on the young family that is conscious of how much they spend).
- Has IKEA also implemented a differentiation strategy? If yes how?

IKEA differentiation strategy

- IKEA has most definitely set itself apart in the furniture industry by keeping their prices low and by achieving sustained cost leadership. They have been able to do this implementing a low cost strategies (designing low cost, modular, self assembly furniture and long term supplier relationship) and by implementing a target marketing strategy (focusing on the young family that is conscious of how much they spend).
- IKEA has also implemented a differentiation strategy by setting itself completely apart from the average furniture store. The whole experience of IKEA is unique from the minute customers step in the store. From the magnitude of the stores, walking through out the entire store in a maze taking in all the sights and smells (thanks to the in store restaurant) to the actual experience of picking the furniture from the bins, to checking out and assembling the furniture at home, IKEA offers customers something no other furniture store does. This concept is so unique to IKEA. Customers blog proudly about their IKEA furniture and how they have customized it.

Differentiation at IKEA

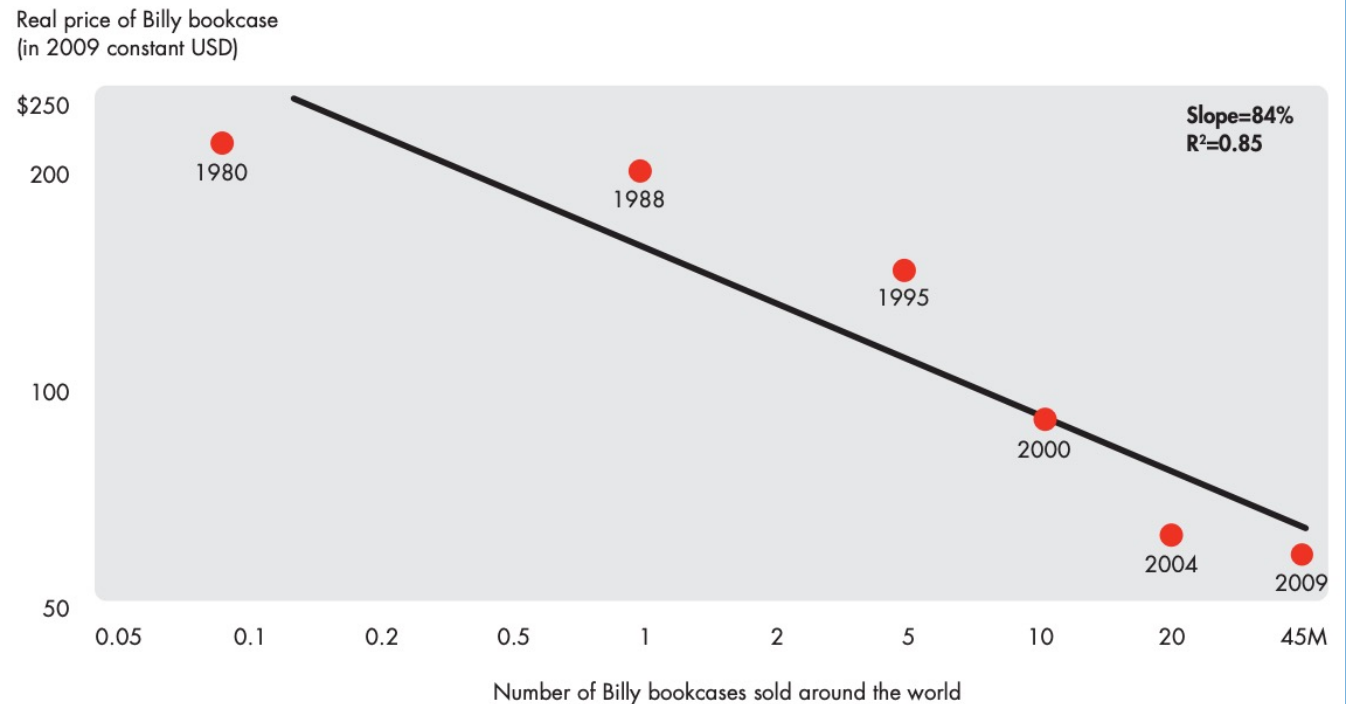
- Differentiation can be considered as a sort of social contract with target customer.
- IKEA's founders wanted closeness to the front line to be baked into the DNA of the successive managers and a sharp differentiation was central to the reason for existence of the company.
- For IKEA, differentiation starts with an implicit deal — the company promises to deliver well designed furniture at 'breathtaking prices' (in its words), if you, the consumer, agree to share some of the assembly and distribution costs.
- But differentiation is also hidden in the maniacal routines followed by IKEA staff to deliver. There's a team obsessed with increasing the number of cups that can be stacked on a pallet. There's a working group on particle board that found if you increase the density of board at the joints, you can decrease it everywhere else, lowering costs and increasing quality. No wonder the Billy Bookcase has dropped 76% in price since first introduced.

Differentiation at IKEA

The Billy Bookcase

- Learning from key operations. An important set of feedback loops are systems that monitor and highlight key operating parameters, enabling managers both to react to problems and to share learning across the system.
- The idea of the experience curve, defining the relatively predictable relationship between repeated experiences and unit cost, shows the power of this learning.
- As the figure shows, IKEA has reduced the cost of its famous Billy bookcase by an astonishing 76% (corrected for inflation) through innovations in materials, fasteners and construction details

Experience curve of IKEA Billy bookcase



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Thank you

AND
GOOD LUCK

IT'S BEEN A GREAT PLEASURE WORKING WITH YOU TODAY