

6 Differentiation Strategies

1. Differentiation

For customers to acknowledge that relevant goods/services are different from other goods/services

- Key is for targeted customers to acknowledge that a high value is being provided.
- Judgment is not necessarily made with products or costs
- Judgment of value depends on customers even about the same product.

◆ P & G's paper diaper

P & G's success in U.S. market and failure in Japanese market

Competition over high functional capabilities in Japanese market and P & G's subservency

P & G's product strategies in U.S. market

◆ Nintendo's game development

95% of the development is expended for users not to have discomfort about the product. 5% is to differentiate from others'.

That 5% is to make users feel the difference in 5 minutes after they pick up the product.

2. Segmentation & Targeting

2.1 Segmentation

◆ Segmentation

- Definition: To break down a market by homogeneous part that shows an analogical reaction on a given marketing mix
- Assumption: A market is not homogeneous, but not totally heterogeneous.
- Exemplification: Makeup life cycle for females
- Fundamental policy: "Homogeneous within a segment, heterogeneous between segments"

◆ Standard of Segmentation: Consumption goods

- Topographic axis
- Demographic axis
- Psychological axis (type of human being)
- Dynamic axis (each type's characteristics that come out into the open)

◆ Standard of Segmentation: Industrial goods

- Organizational type
- Demographic axis
- Corporate scale, type of industry, site location
- Product category

- Parts, manufacturing facilities, material
- Buying situation
- Corporate lump sum, by business department
- Suppliers' loyalty
- Reciprocity

- ◆ Using general axes makes differentiation difficult.
- ◆ Segmentation is normally implemented combining multiple axes.
- ◆ It's only after the determination to satisfy the need of "which whereabouts, whom, what kind" that the segment can be defined.

2.2 Targeting: Choice of Market Space

- ◆ Mass Marketing
- ◆ Differentiated Marketing
- ◆ Focused Marketing
- ◆ Tailored (One-to-One) Marketing

- ◆ Mass Marketing
 - Ford's once Model T



出所: wikipedia

(http://upload.wikimedia.org/wikipedia/commons/7/7c/1923_Ford_Model_T_Roadster_3b36638r.jpg)

- Single product, geared toward a whole market in terms of marketing mix
- Merit: Economical efficiency
- Demerit: Profit reduction due to fiercer competition
- ◆ Differentiated Marketing
 - Arrange an individual product and marketing mix against plural segments
 - Merit: Possible to correspond individually by segment
 - Enhance customer loyalty, and stabilize the position in market
 - Demerit: Noneconomic (many factors of cost increase)
 - Full-line maker (GM, Toyota)

◆ Focused Marketing

- Select only one segment, and arrange a specialized marketing mix
- Merit: Economical efficiency by specialization
- Demerit: Risk due to specialization, threats of other entrants
- Ferrari, light car

◆ Tailored (One-to-One) Marketing

- Individual response to each and every one of consumers
- amazon.com
- Instant Recommendations
- Present a list of “recommended books” according to the customer’s previous purchase

◆ Apparel Market

- Uniqlo: Mass marketing
- World: Differentiated marketing
- Narumiya International: Focused marketing
- Haute Couture: Tailored marketing

Narumiya’s Brand Strategies

Narumiya: 30 billion Yen in terms of sales, 11-12% in recurring profit ratio

Targets ranging from 8/9-year-olds up to 15

200 firms in the market segment for 0-8 years old, 400 for high schoolers

More firms for working women

No fashionable clothes available for the young group, in Korea, Taiwan, or even in Europe
Because all the five brands were launched in a single spell, late movers have been all judged imitators, getting little snatch by the target group.

- ANGEL BLUE···rebel kids (the order of creating brands: 1st)
- MEZZO PIANO···fairy tale (2nd)
- DAISY LOVERS···paradise (3rd)
- POM PONETTE···my lamb (3rd)
- BLUE CROSS··· street-oriented (5th)

Age bracket, pocketbook and decision-making power: Children relying on their parents’ pocketbooks make decisions without looking at price tags; To highschoolers with own pocketbooks, prices are important, too.

3. Marketing Mix

◆ Marketing Mix

- “Assemblage of controllable variables and their standards which a corporation utilizes in order to exert its influence over a targeted market”

-4 Ps

Product

Place

Promotion

Price

3.1 Product

3.1.1 Essential Service

- Product: "Bundle of services" from which to draw a variety of satisfactions
- Essential service: What a customer wants most in the "bundle of services"
- It is not easy to pinpoint what an essential service is. One way is to consider, What (who) is the "real rival"?
- “Provisions by the product” vs. “provisions by the market”

◆ Marketing Myopia T. Levitt, *Innovation in Marketing*

- Railroad companies in the U.S.
Railroad companies \Rightarrow Transportation industry
Competitors: Air lines, automobiles
- Movie companies
Movie companies \Rightarrow Entertainment industry
Competitors: TV, Disney

◆ Differentiation by Speed

- Manufacturing consignment is not limited to a cost competition.
- Example of Kyoden Co.
Experimental manufacture of printed-circuit board at free of charge
Reduction of delivery time \rightarrow Orders from development sector, leading to high profit
Price differentiation by delivery time (standard, limited express, super express)

Table 1 Type of Order and Delivery-Time Coefficient

	Ordinary	Limited Express	Super Express	Mach	Miracle
Delivery Time	5 days	4 days	3 days	2 days	1.5 days
Delivery-Time Coefficient	1	1.2	1.4	1.7	2

- Other examples: Door-to-door parcel delivery, aluminum sash

3.1.2 Complementary Service

- Brand name: However cheap a product is, it needs to be distinguished.
- Package
- Added bonus: Glico's free gift, PC's pre-install software
- Services of delivery and repair/maintenance, etc.

3.1.3 Considerations for "Product"

- Does the essential service match customer needs?
- Are complementary services being built into the structure so as to make the essential service more attractive?
- Is it adapted to changes in demands/technologies?

Example: White goods

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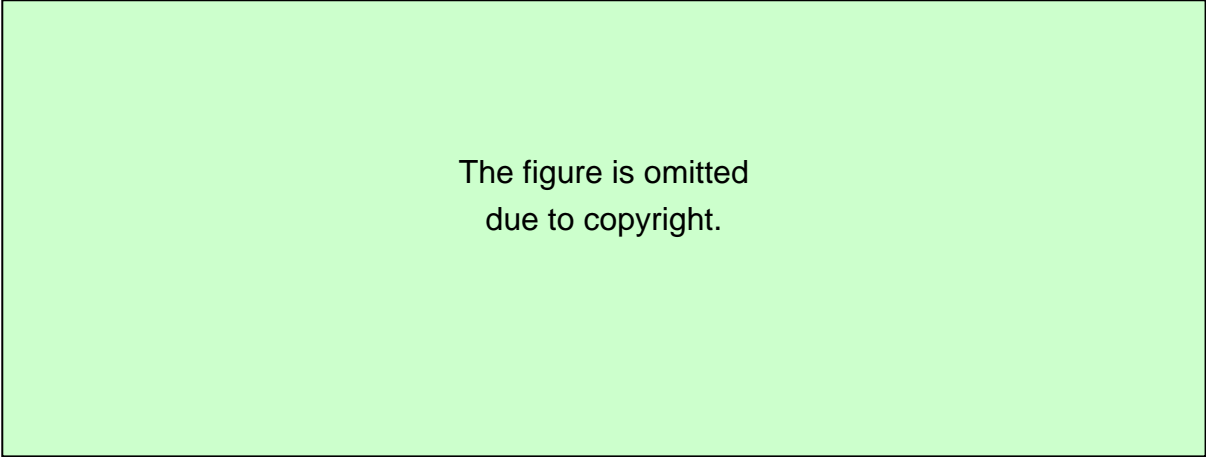
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◆Product Mix

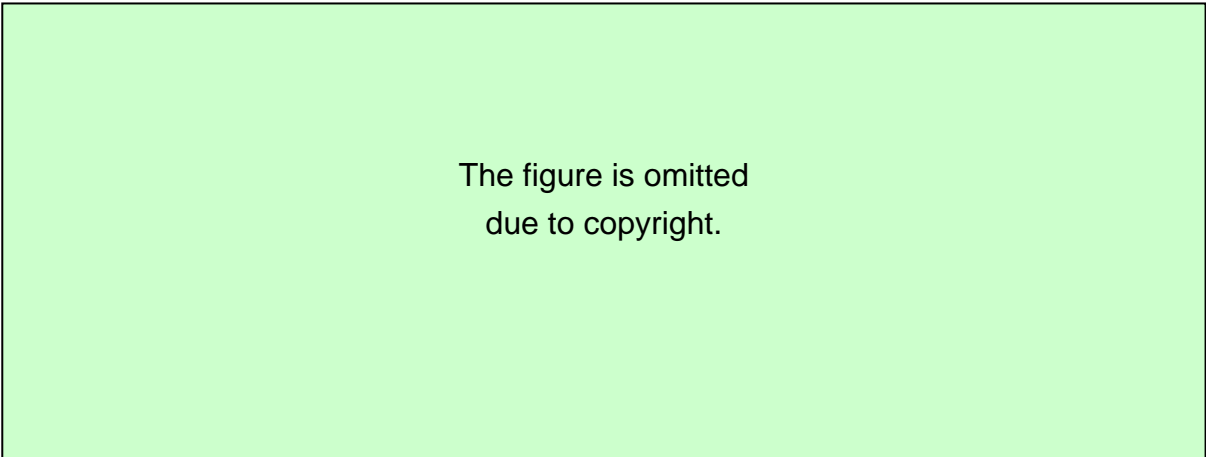
Range of product line (number of product lines)

- Single line
- Full line: Length of product line
- Number of items in the line: Number of models and variations in the auto industry



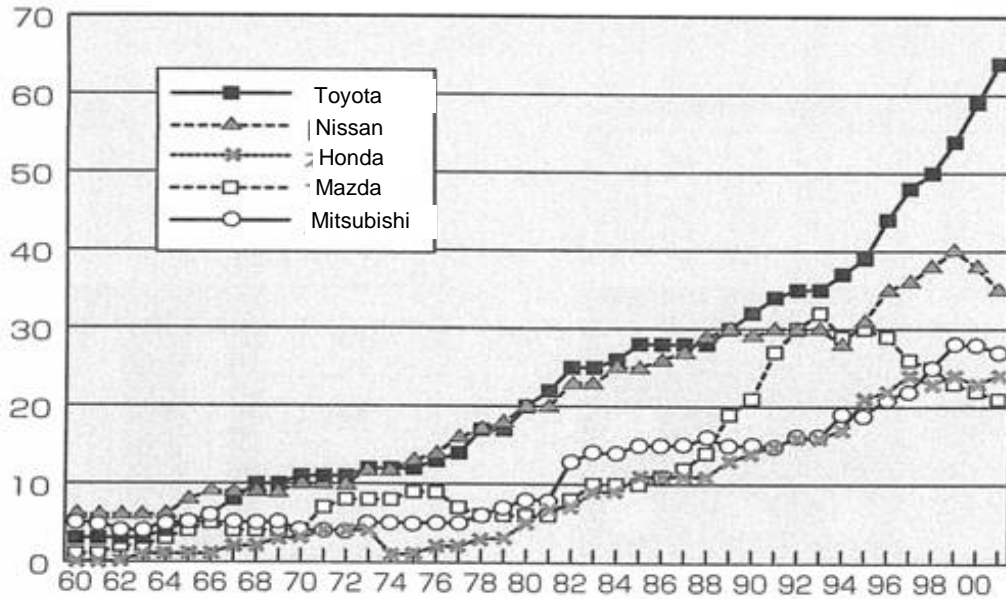
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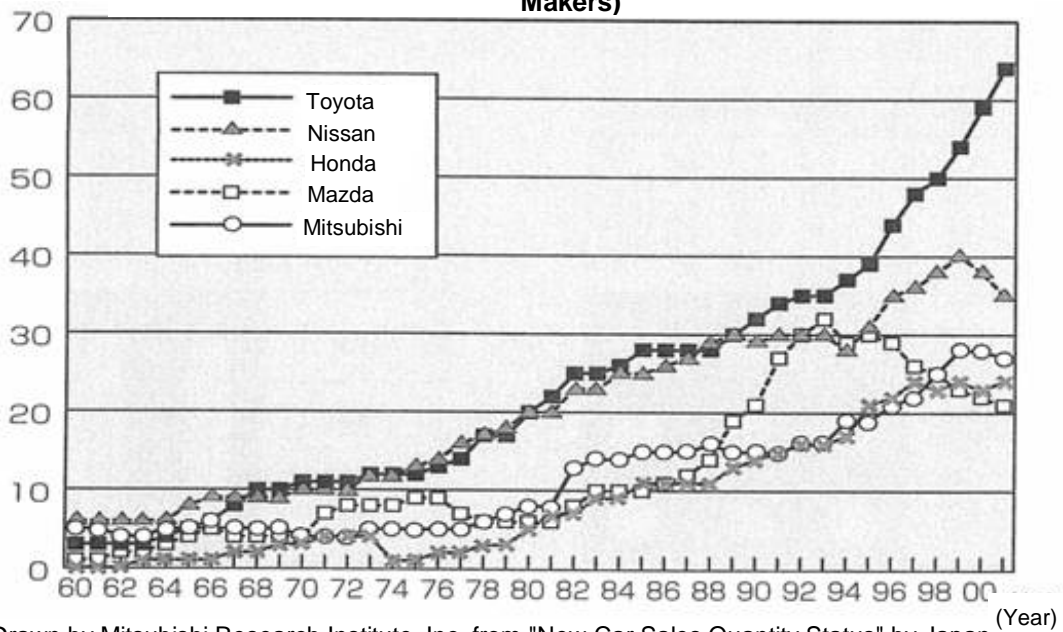
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Transition of Number of Models (Passenger-type, 5 Makers)

Data: Drawn by Mitsubishi Research Institute, Inc. from "New-Car Sales Quantity Status" by Japan Automotive Sales Joint Association, etc. (Year)

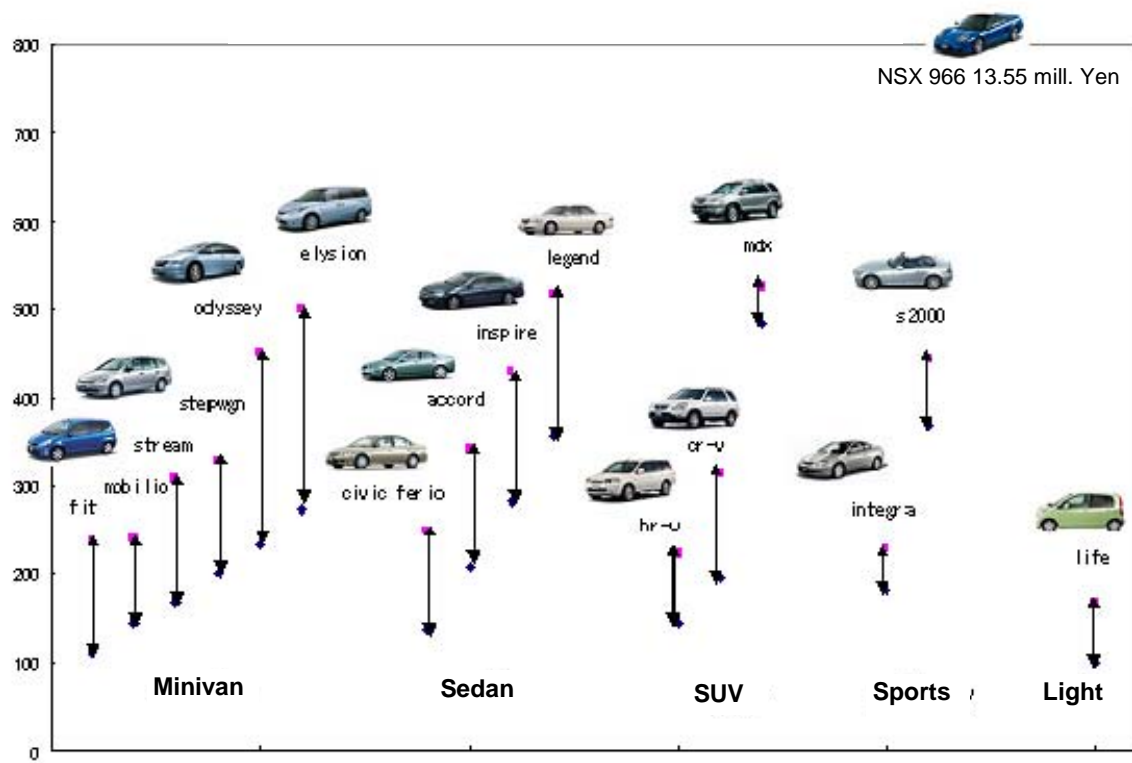
Origin: Tsuchiya, Yasuo & Ohshika, Takashi, (2002), *Latest: Potential of Japanese Car Industry*, Diamond Inc.

Transition of Number of Models per Platform (Passenger-type, 5 Makers)

Data: Drawn by Mitsubishi Research Institute, Inc. from "New-Car Sales Quantity Status" by Japan Automotive Sales Joint Association, etc. (Year)

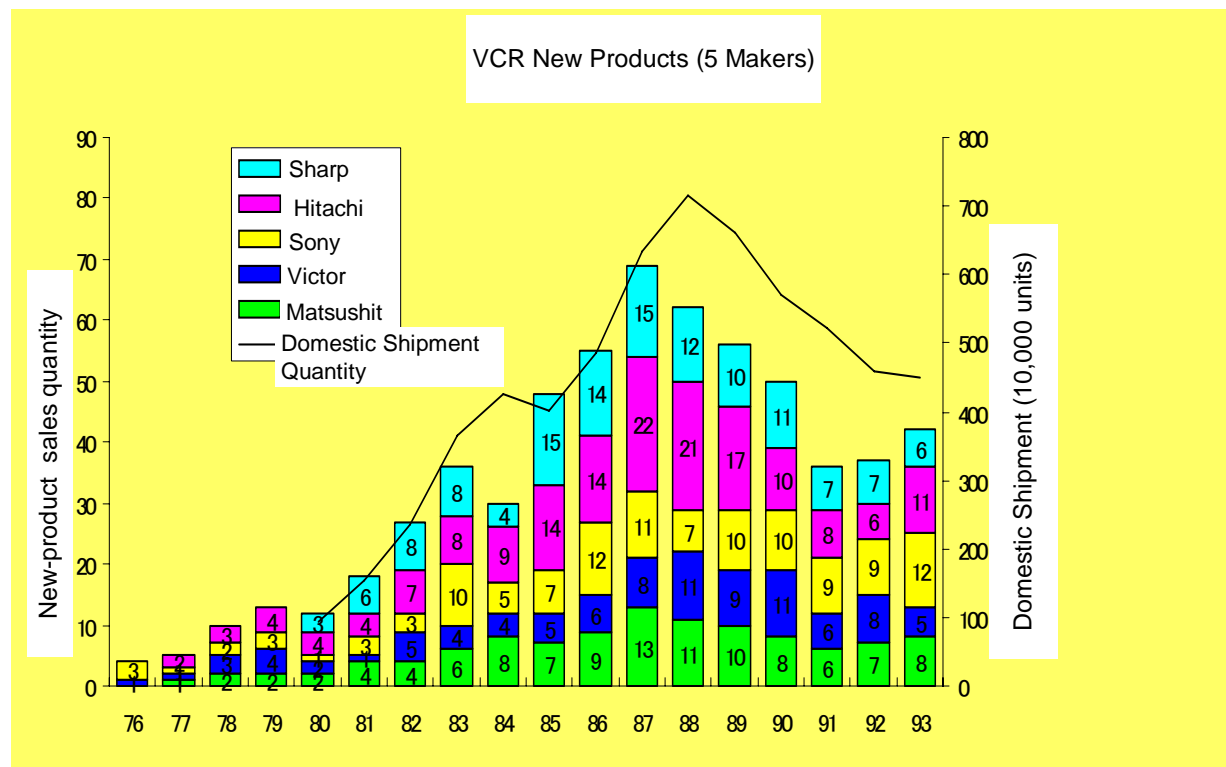
Origin: Tsuchiya, Yasuo & Ohshika, Takashi, (2002), *Latest: Potential of Japanese Car Industry*, Diamond Inc.

(10,000 Yen)

Price Bracket of Honda's Major Vehicles

Drawn from Honda Motor Co.'s home page
(www.honda.co.jp)

● Transition of VCR's New-Product Sales Quantity (5 Domestic Makers)



Origin: Drawn by Shintaku

3.2 Distribution Channel—Place

◆ Pathway from makers throughout end consumers

◆ Normal pathway

Maker ⇒ Wholesaler ⇒ Retailer ⇒ Consumer

3.2.1 Number and Type of Retailers

◆ Retailers are at “the spot that’s closest to consumers in the distribution channel”.

◆ Store: Department store, supermarket, specialty store

Nonstore: Vending machine, door-to-door sales, mail order

-Decision on the above has to be based on the consideration regarding the product characteristics and behavioral patterns of customers set as the target.

● Pot Noodle

Targets ranging from junior-high-school pupils to single males, larger-size pot noodles should be broadly delivered to super markets and convenience stores across the country. It’s minus to focus only on department stores in inner-city districts.

● The reverse is true for luxury handbags.

-Among (physically existing) stores, the choice of retailers varies along with changes in social environments/consumer behaviors.

● Beer

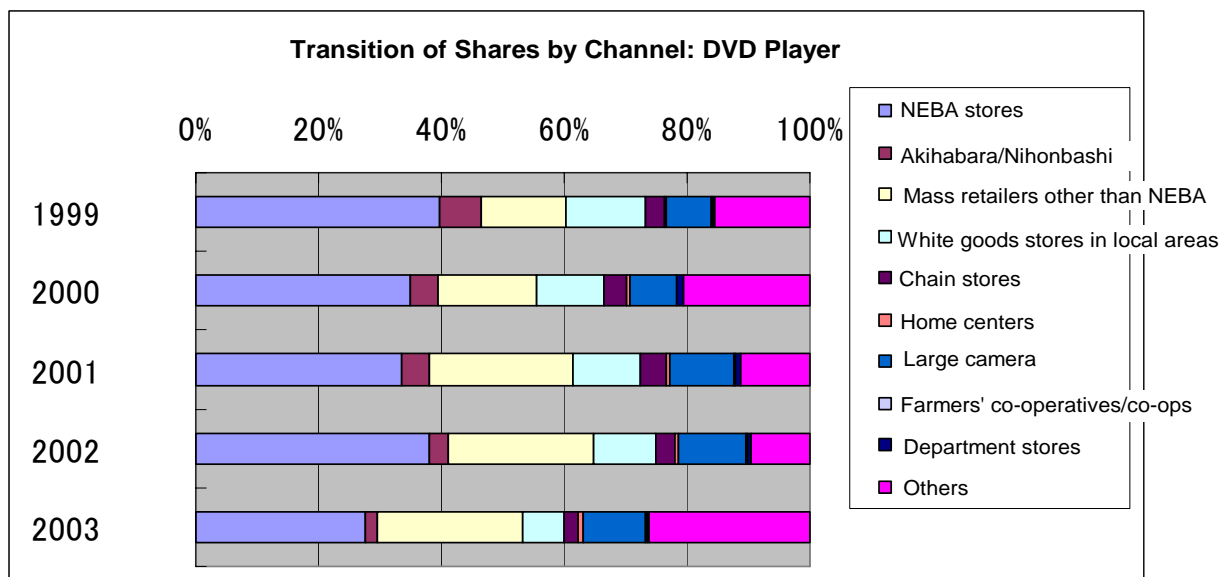
Liquor store ⇒ Discount store, convenience store (the factor for Asahi’s rapid growth)

● Home electric appliances (white goods)

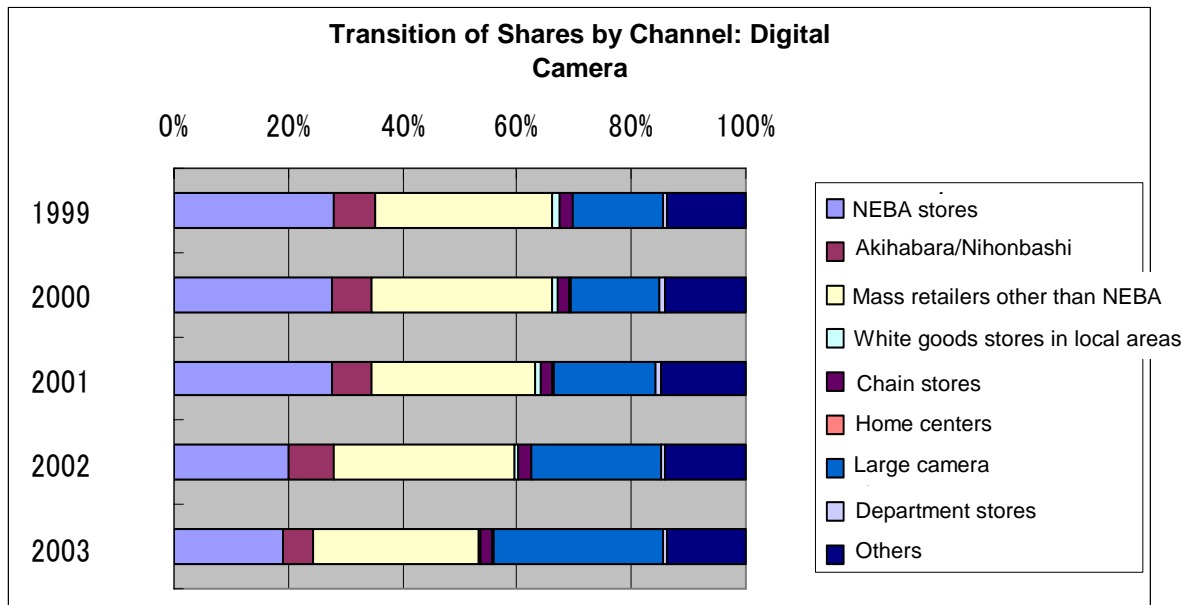
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- Affiliate sales outlet ⇒ Mass retailer
- Shares reflect the quantity of affiliate sales outlets.
- Matsushita with more than 20,000, Toshiba/Hitachi with some 10,000
- Sales share of affiliate stores occupying more than 70%
- Total number of affiliate stores at the peak: approx. 70,000 outlets
- Affiliate stores down to some 60,000 outlets



Origin: Kudo, Satoshi, ed. (2005), *Pandect of Home Electric Appliances Distribution Data 2005*, RIC Co.



Origin: Kudo, Satoshi, ed. (2005), *Pandect of Home Electric Appliances Distribution Data 2005*, RIC Co.

3.2.2 Closed-Type Channel Policy

- ◆ To pinpoint intermediate distributors, and put products into circulation targeting at a relatively narrow scope of retailers
- ◆ Suitable to maintaining prices or brand image, but not to mass sales
- ◆ Products of which consumers can hardly understand differences
- ◆ It's tough to correspond to the erosion of specialized channels (new distribution channels such as category killers and power centers)

3.2.3 Open-Type Channel Policy

- ◆ To put products into a broad circulation without pinpointing intermediate distributors
- ◆ Fit to mass sales, but not to maintaining prices or brand image

3.2.4 Logistical System

- ◆ Where to locate warehouses, with what means to transport goods?
- ◆ Such agenda is drastically influenced by technological progresses.
- ◆ Railroad, highway, aircraft, technologies of freezer/refrigeration storage, automated warehousing, etc.

-Example: FedEx "Hub and Spoke" (naming portraying a bicycle wheel):

Scheme in which the network gets concentrated in the base located in Memphis, Texas (Hub), wherefrom pathways to each city are to be insured (Spoke)

3.2.5 Usage of Internet

- ◆ Amazon.com (sales of books)
 - Established in 1995; net revenue at \$100 million in 1997, \$300 million in '98

- Vast data base on documents and search ability thereof
- Logistical function tied in with Nippon Express

◆ Dell (direct sales of PC)

- Build to order (BTO)
- Control over parts inventory

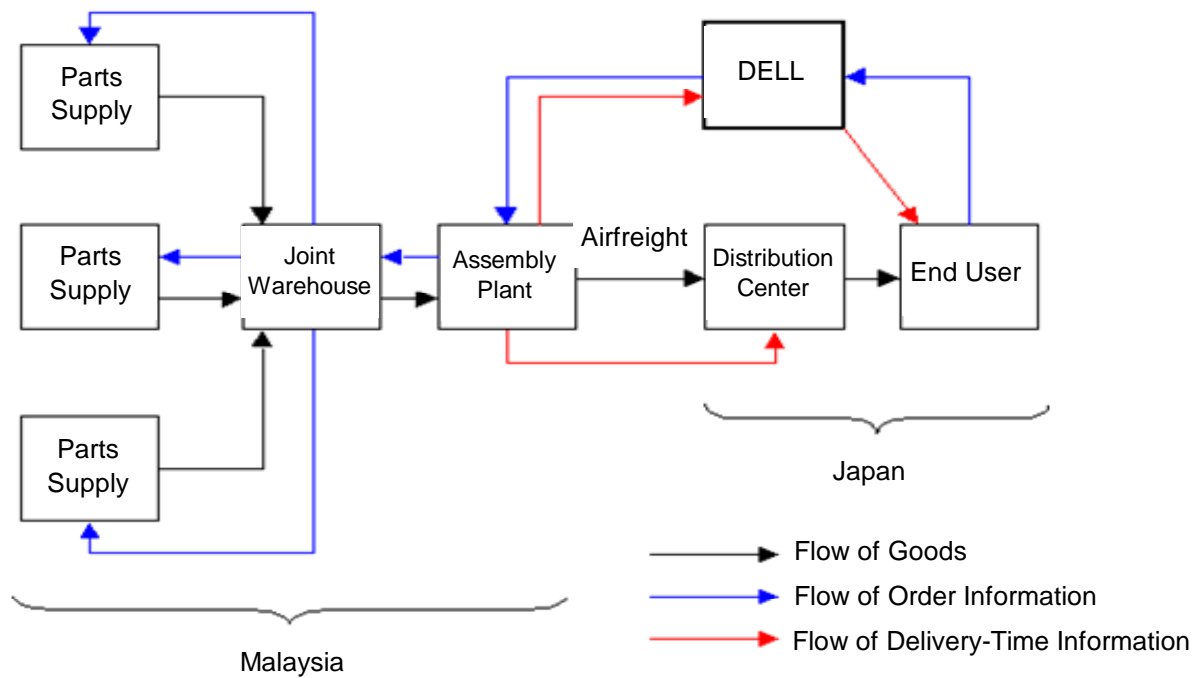
The inventory in the warehouse is regarded as being owned by suppliers and Dell pays what it has used. Dell provides suppliers with the information on order entries to help them grasp market movements and plan on their parts production.

Make-to-Stock Manufacturing



Make-to-Order Manufacturing





Note: At the time this material was created, the production was conducted in Malaysia. Now products to Japanese market are being manufactured at the Amoy Plant in China.

3.3 Promotion (sales promotion)

- ◆ Activity to convey to customers the information on specific product or own company
- ◆ Method to convey the information
 - Advertising
 - Sales force's activity
 - Public relation's activity
 - Sales promotion (in narrow sense)

3.3.1 Advertising

- ◆ Conveyable over a wide range
- ◆ Prone to one-way and shallow conveyance (skewed to image); Tough to get people's attention on detailed explanation about products; Incapable to respond individually to what users really want to know
- ◆ Necessary to choose advertising media that fits characteristics of products and targets

3.3.2 Sales Force's Activity

- ◆ Capable with deep communication (interaction), albeit within narrow limits
- ◆ "Sales persons" are the corporate flag. (Key to corporate image)

The same applies to those who directly contact customers, such as telephone operators in catalog selling and sales force in retailers

3.3.3 Public Relation's Activity (publicity)

- ◆ Third-party saying enhances believability.

- VOLVO's best sales force is police officers and doctors.

- Experts' evaluation as in magazines

Game soft: Evaluation by magazines; Tough for common users to make a prior evaluation. The same with evaluating books: People use book-review columns, except that they can browse in bookstores.

Magazines related to cars

- ◆ "Word of mouth" is also important. (Albeit tough to control)

- Internet site of an "Experience Property"

Hotel: You never know what you are going to get unless you stay there. "Travel information teller"

3.3.4 Sales Promotion (in narrow sense)

- ◆ Sample distribution, premium sale, campaign with quiz and questionnaire, cash back and coupon, distribution of commemorative gift (telephone card, ballpoint pen), etc.

- ◆ Effective for products of low awareness to register their names and to acquire their trials

- ◆ Nisshin "Cup Noodle"

- ◆ Sony "Walkman"

3.3.5 Push Model and Pull Model

- ◆ Push

- Method for makers to give certain support like their sales force, or to provide some financial assistance (incentive), to wholesalers and retailers so as to "push out" makers' own products to the consumer side.

Example: camera, cellular telephone, Windows PC

- ◆ Pull

- To run a massive ad campaign so as to let end users acknowledge the brand and promote their nomination buying (to let users "pull" the product) at retailers

Example: Sony's VAIO

3.4 Price

- ◆ To decide on the list price, discount rate and terms of payment

- ◆ Conditions to be considered

- Cost

Up to the production scale and level of proficiency

Necessary to put thought into the cost at which point in time and in which production scale

- Prices of competitive products

- Depth of customers' pockets

Word processor, PC "Toshiba Dynabook"

◆ Toshiba Dynabook (J-3100SS001) Launched in 1989

(Interview with Mr. Tetsuya Mizoguchi, Developer)

-When we made Rupo priced at 98,000 Yen, the price had to be the top priority, too. In a word, one below 100,000 Yen. The target raised for Dynabook was the price below 200,000 Yen. After all, the price spot is extremely important. The reason for the Rupo to be priced less than 100,000 Yen came from someone else's advice. When I was in Ohme, it was my habit to drop by Akihabara whenever I went to the headoffice. One time I visited for pleasure Mr. Egawa, current president of Rocket, and president even then. He said, 'Mr. Mizoguchi, video recorders don't make much sale. To begin with, there's no chance that video recorders priced above 300,000 Yen can have a good sale.' I asked him, 'What is the price they would do well?' He answered, 'In the range below 200,000 Yen, they will sell like crazy. I am convinced of it. But no makers have come along.' "

Note: Rupo released in 1986 and Dynabook in 1989

◆ Price is not necessarily good to be cheaper.

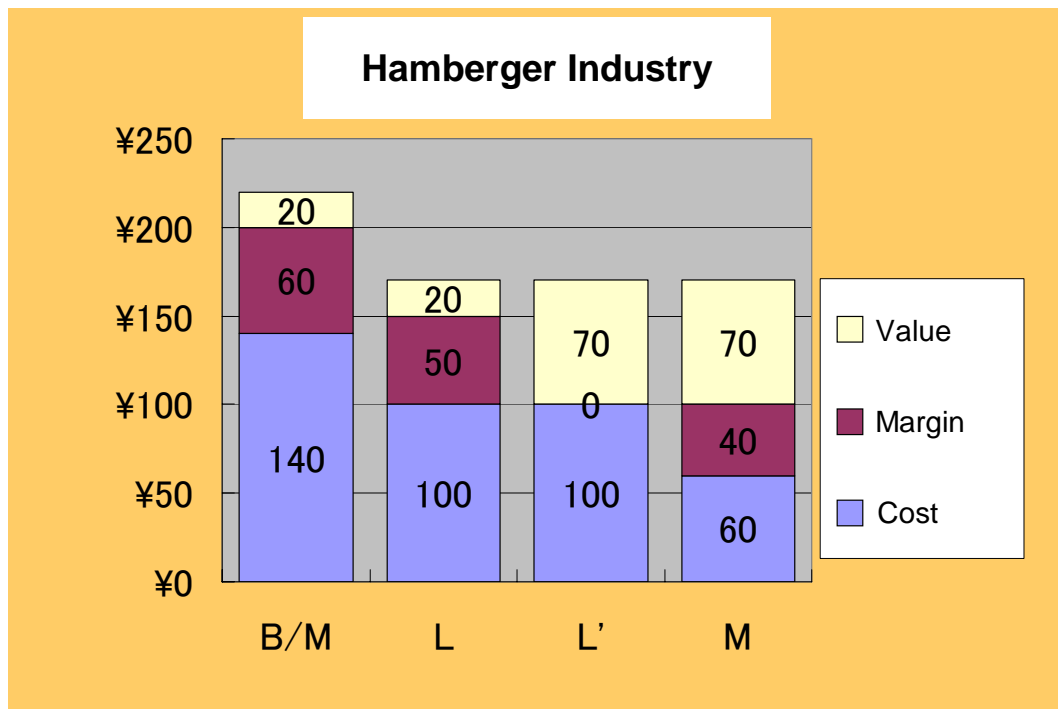
-In some cases, a "high-price" works for better sale: Products attaching high value to images like cosmetics and brandname goods (luxurious articles and nonessential grocery items).

◆ Situation fit to price reduction

-When other companies cannot follow

Difference in cost standard: Example of McDonald's

Unable to lower the price in fear of hurting the brand image



-When the market size of the whole industry grows bigger

Personal computer

Paper diaper (once used only on overseas travels)

Cellular telephone

3.5 Mutual Fit of 4Ps

- ◆ For a long-term success, the mutual fit and consistency of 4Ps are indispensable.
- ◆ If a firm, for its product of an inferior quality, runs a promotion appealing the quality and setting the price high, it may be able to deceive users for a shot while, but not for long.

◆ Internal Fit of 4Ps

- Some examples of the reverse effect are: To sell under the closed-type channel policy a product which needs to be low-priced and sold in volume; Or, to employ the open-type channel policy for a high-price product to which a brand image is important.
- To make customer needs fit with the essential service, and in order to strengthen that fit even further, to decide on the complementary services and the rest of the Ps.

■