

EXAMPLES OF SOURCES OF DIFFERENTIATION COMPETITIVE ADVANTAGE

Pablo Moura Díez
Universidad Rey Juan Carlos

The variables or sources of differentiation can be grouped into four general categories: product characteristics, market characteristics, company characteristics and other variables. There follows a presentation of a number of examples of each one.

1. Product characteristics

In terms of product characteristics, Duracell might well be one of the best known examples of differentiation in our country. Its TV advertisement has focused on the fact its alkaline battery is the one that lasts the longest, which means it costs more than its competitors. From the very start, alkaline batteries were presented to the public with their main selling point being that they lasted longer than zinc carbon batteries. Today, the latter have seen their market share significantly reduced due to the widespread use of their alkaline counterparts. Precisely because of the increased competition in this segment, the company has developed new innovations to drive its latest advances in the Duracell Ultra and Duracell Plus batteries, with which the company continues to boast the longest staying power on the market. In the company's own words, "*no other alkaline battery lasts longer*" (according to the test average for the most used devices).

Geox is another current example of differentiation based on product characteristics. The introduction of rubber soles in the footwear industry, now more than 50 years ago, meant that shoes became impermeable, keeping feet warm and dry, which was obviously an enormous advantage. The downside, however, was that rubber soles did not let feet breathe properly. The system patented by Geox some years back allows moisture to be removed from shoes thanks to a technological innovation. The rubber outsole has been perforated and a special micro-porous membrane has been placed inside. This membrane absorbs sweat and allows it to escape, at the same time stopping any water from coming in. In this example we can clearly identify the distinctive feature that is especially appreciated by customers (greater breathability) and which makes them willing to pay a higher price.

Companies often do not focus on one single feature to set them apart from their competitors but instead on several specifications. For example, there is the shape, design and power of a Ferrari; the size, design, technology and accessories of an i-phone, or the luxurious materials and elegance of a Cartier. In these cases, product differentiation is based on a varied array of tangible characteristics and intangible values associated with it, and for which customers are ready to pay more.

2. Market characteristics

The firm L'Oreal seeks to cater for a wide range of different tastes, expectations and life-styles amongst consumers of cosmetics. Its mass market products provide myriad brands amongst which we can find skincare, hair care, hair colour, styling and cosmetics..., each one of which is more suited to a specific type of skin, hair, age or different time of day, depending on the consumer's personal features and tastes.

As with mass market products, within the segment of trade products, the company upholds its policy of adapting to its customers' varying preferences and requirements. L'Oreal provides an extensive catalogue of solutions for professionals in hairdressing and cosmetics, enabling them to make the most of their creativity and providing them with options that best suit each individual personality. According to the

slogan "Because all women are different, unique", L'Oreal stresses the importance the firm gives to meeting the markets different preferences and requirements, which has a positive impact on the way customers perceive and value the product and assign intangible values to each one of the brands. Proof of this is to be found in luxury products with brands such as Helena Rubinstein or Lancome: "*Beauty is an emotion reflected on the surface of the skin*".

3. Company characteristics

Advertising agencies, legal firms and architects' studios, founded or headed by a charismatic leader with a particular way of running the company and understanding business, are typical examples of differentiation based on company characteristics. In organisations of this nature, special importance is frequently given to the culture, values and specific style that define the company and set it apart from its competitors. It is obvious that this business approach or particular style is in turn reflected in the distinctive solutions or creations these companies provide with their own unique and differentiating aspects.

An example of this is the interior decorating studio founded and directed by Francesc Rifé, an industrial and interior designer who embarked upon his professional career during his period of academic training through co-operations for design and architecture studios, whilst at the same time undertaking projects of his own. In 1994 he founded his own studio in Barcelona, which today has a "crew" of 11 people qualified in different fields of design. Its projects, both at home and abroad, range from industrial design to interior decoration, in both the commercial and private spheres. His design philosophy is based on "*spatial order, geometrical balance and formal simplicity*".

He is one of Spain's most famous designers. He is not attracted by either superfluous details or excessive ornament. Francesc Rifé designs very different types of products in interior décor, yet he always remains faithful to his principles. Accordingly, although the studio is staffed by various professionals, all its projects and creations are consistent with the design precepts and principles of the founder, who leaves his own personal stamp on each one of them, which means that although they may differ from each other all his projects follow a same line and remain in keeping with the company's characteristics (which in turn differ from those of other companies).

4. Other variables

a) The time taken to respond to customers' demands: The company Sitges Envíos, located 15 minutes away from Barcelona airport, specialises in making different types of deliveries within a very short timeframe. To do so it relies on the services of United Parcel Service (UPS), the world's largest parcel delivery and urgent courier company and a market leader in services of transport, logistics, capital and e-commerce, whereby it has access to a full range of solutions for synchronising the flow of goods, funds and information. Regarding its urgent delivery services, the company collects the goods at a given point and uses the best combination of methods of transport (air, sea, road...) to ensure the delivery is made within the shortest possible time. This company's source of differentiation is precisely "time", as it has 15 years' experience in the urgent courier sector, and its competitive advantage is precisely speed. Through its *same day delivery* service Sitges Envíos, arranges deliveries throughout Europe within a period of 3 - 5 hours and within the fastest possible time throughout the rest of the world. The following are two true cases taken from its website that illustrate the basis of its competitive advantage:

1. Bordeaux – Barcelona: Collection in Bordeaux (France) of bacteria for producing sparkling wine (cava). Cava production had been halted because of a lack of bacteria. The call was made at 12

p.m. and collection was made that same day at 2 p.m. in Bordeaux, with delivery being made at 6.50 p.m. to an address near Barcelona.

2. Valencia – Dubai: The call was made at 7 p.m. on a Friday for delivery in Dubai, (UAE) of a document (Public tender) that had to be delivered by hand that Sunday before 12 p.m. Collection on the Saturday at 8 a.m. and delivery on the Sunday at 7.30 a.m.

b) Attending to criteria of social responsibility: The ice cream manufacturer Ben & Jerry's was set up in Vermont (USA) in 1978. Two childhood friends called Ben Cohen and Jerry Greenfield opened an ice cream parlour in an abandoned petrol station after taking a correspondence course on ice cream making. In spite of their company's steady growth over the past 30 years, they still abide by their business philosophy. *"Business has a responsibility to give back to the community from which it draws its support. At Ben & Jerry's we make the best possible ice cream, in the nicest possible way! That is why we have always shown an interest in society and the preservation of the environment"*. The company's values are reflected in its socially responsible business practices, amongst which are the following:

- Its factories use only renewable energies (wind, solar...).
- For years, and in partnership with the WWF (Adena in Spain) they have been conducting an awareness campaign on the effects of climate change, instructing people on its effects and how they can reduce their CO2 emissions.
- The milk they buy is produced solely by family farms that are committed to suitably caring for their livestock and having the least possible impact on the environment.

In practice, companies do not have to resort to a single source in order to pursue a differentiation strategy, as it is often the case that they base themselves on several sources to differentiate themselves from their competitors. In the case of L'Oreal we could also refer to each product's specifications as a source of differentiation. For example, a deeper colour of lipstick, a longer lasting effect of an eye shadow, a facial cream with vitamins and minerals for a regenerative effect, etc., are just some examples of a product's properties that may be unique and exclusive (because competitors do not have them or have them to a lesser extent). In the case of Ben & Jerry's we could also mention other product properties as sources of differentiation (natural ingredients, combinations of innovative flavours, etc.).

Sources of information: www.duracell.com, www.geox.com, www.loreal.es, www.rife-design.com, www.ben-jerrys.es, www.sitgesenvios.com, www.enviomismodia.com.