

# Innovation for Entrepreneur

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**DIN147 (888147) 3(3-0-6)**

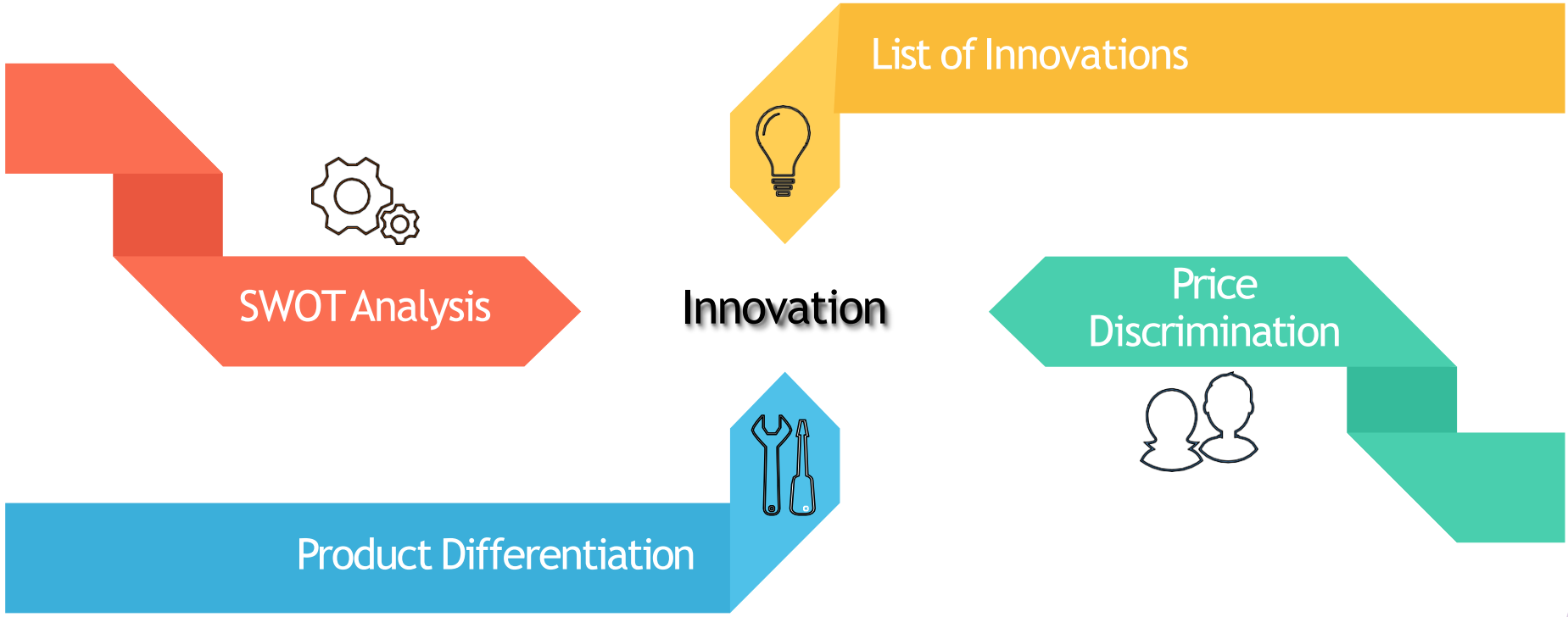
# Discovery: Differentiation

888147 - Innovation Entrepreneur

## Discovery

- “new ideas are discovered for potential development into a process, product, or business model innovation”.
- Two key activities in the discovery stage: invention and selection.
- But we must ‘*discover*’ our idea first

# Discovering Innovation



# product differentiation

## Porter's generic strategies

A company chooses to pursue one of two types of competitive advantage, either via

- **lower costs** than its competition or
- by **differentiating** itself along dimensions valued by customers

EVERYTHING YOU NEED TO KNOW ABOUT

# PORTER'S GENERIC STRATEGIES

COST LEADERSHIP

COST FOCUS

DIFFERENTIATION LEADERSHIP

DIFFERENTIATION FOCUS

		Competitive advantage	
		Low Cost	Differentiation
Scope of markets	Mass	Cost leadership	Differentiation leadership
	Niche	Cost focus	Differentiation focus



## Differentiation

A company's ability to  
**effectively communicate** to its target customer  
**why** its product is superior

## Product Differentiation

What is different about a product?

What makes it stand out from other products?

- Better
- Faster
- Value
- Suitable
- Most suited to the customer needs

Why do you have the products that you have?

## Product Differentiation

What is it important?

A company markets a product

How do you sell it?

How is it 'better' than others in the market?

What is different?

product differentiation =

the process of distinguishing a product from others

(or a service)

## Simple example

Company that provided building bricks

Competition dropped bricks at site (some might break)

Company put bricks on a palette and used a small crane to lift them on to  
the ground

So popular – it became standard

## Great example - Dollar Shave Club

- Out of work and aspiring comedian was contacted by a friend who asked  
“Hey Michael, I have a warehouse filled with 250,000 razors from South Korea—any ideas on how to sell them?”
- Buying razor blades was expensive and annoying (razors were locked behind the checkout counter)
- he thought,  
“What if I created a subscription service that sent blades to customers automatically every month, at a reasonable price?”

## Great example - Dollar Shave Club

- He decided to create a funny launch video
- perfect for the target audience: young males
- the video went viral and they sold out of those first 250,000 razors within one day
- Sold later for a billion dollars in 2016

<https://www.youtube.com/watch?v=ZUG9qYTJMsl>

## Great example - Dollar Shave Club

- customers were signing on to get a two-blade razor for \$1.
- They didn't make any money if customers only bought that \$1 razor.
- That was the entry-level offering to get more members on board.
- those \$1 members to four, then six blade razors, at progressively higher price points (and margins!).
- At the top of the pyramid were all-in-one kits that gave the customers all the equipment they need for successful shaving.

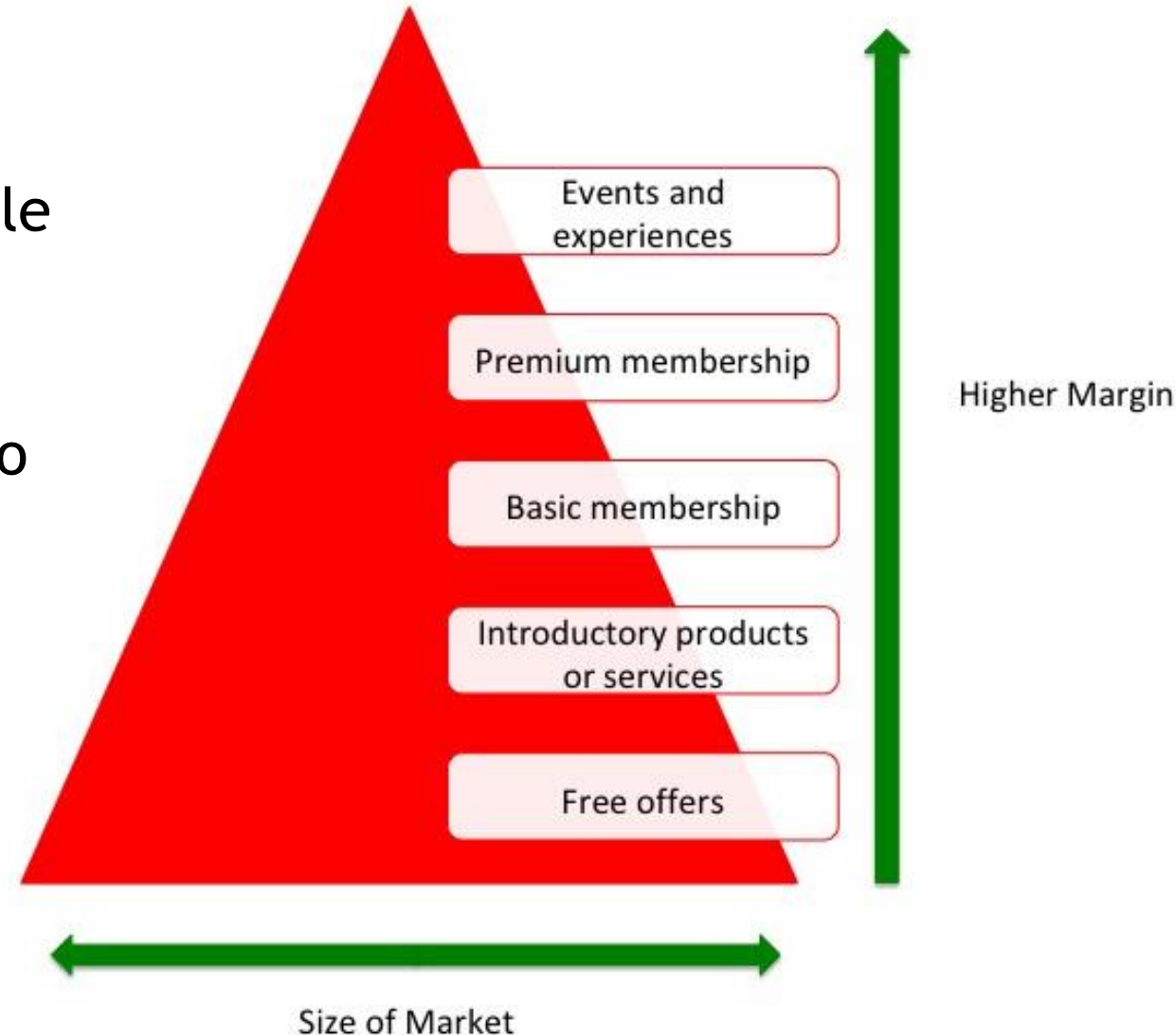
## Great example - Dollar Shave Club

- invested in top-notch user design for the website
- optimized the user experience
- making it easy for purchase
- competition was Gillette
- were able to identify and understand their customers
- developed a compelling value proposition, and
- leverage a viable business model to take 20 to 25 percent market share

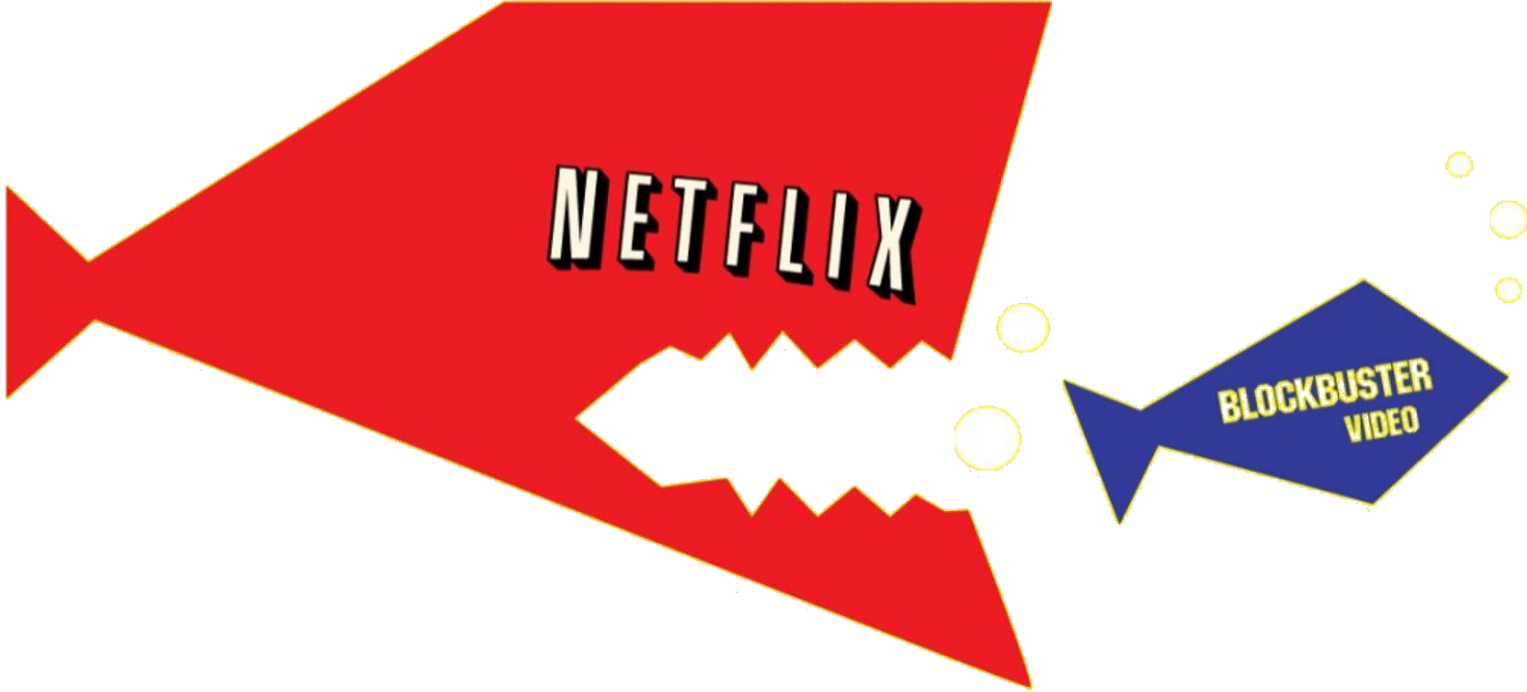


## Dollar Shave Club - why successful?

- They developed a compelling value proposition that provided both tangible and emotional benefits to a clearly defined audience
- They established a product pyramid to increase the value
- They focused on user experience and great treatment for members

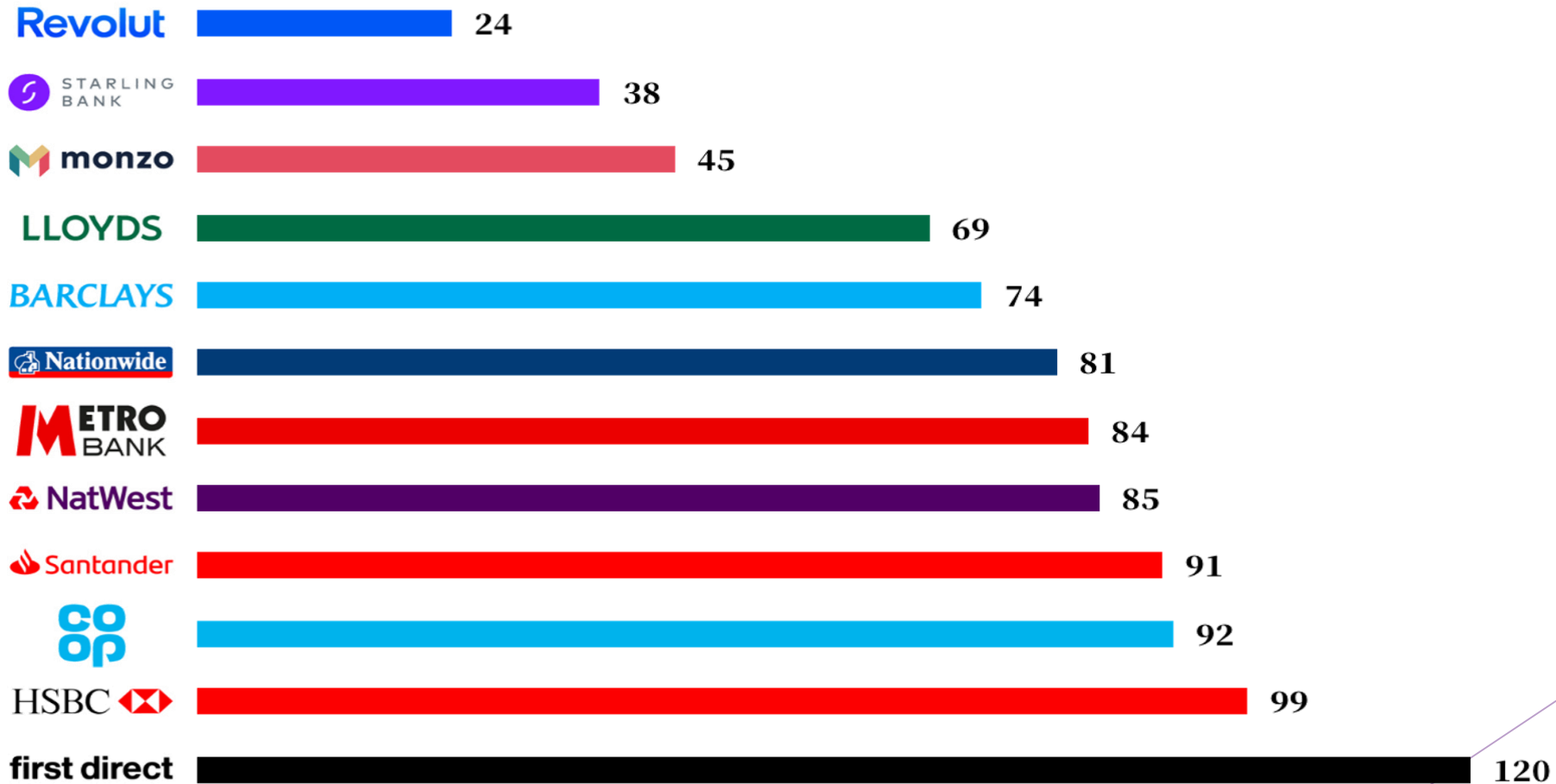


# Policies



# UX

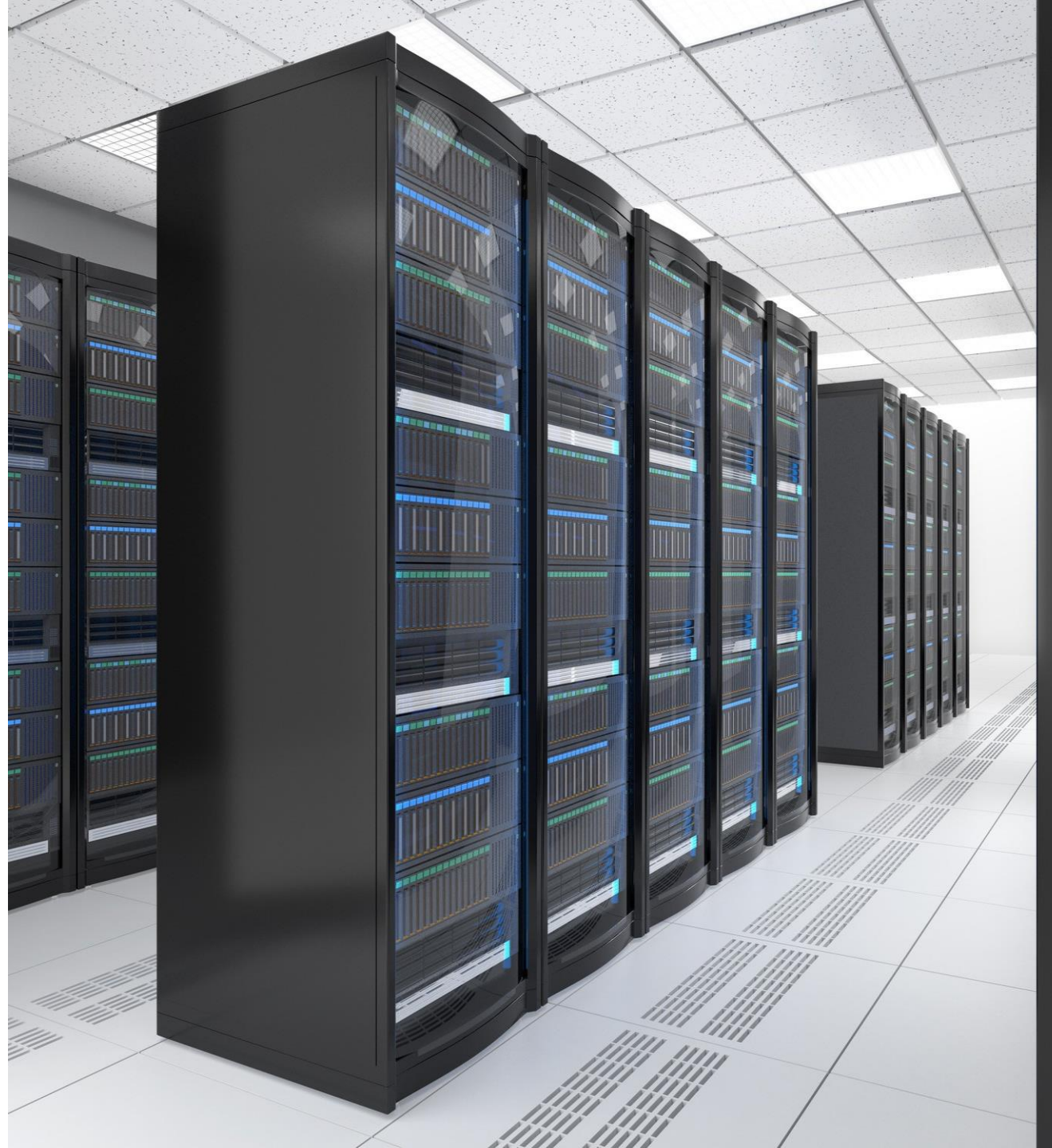
## Number of clicks to create an account



Number of clicks

[builtformars.co.uk](http://builtformars.co.uk)

# Price Modeling



# Performance



## Product Differentiation

Not always about a 'different' or new product

- Promotions
- Packaging
- Product Design
- Quality
- Extra features

## Product Differentiation

Not always about a 'different' or new product

- Features, warranty, performance
- Ease of use, customer training
- Expertise
- Brand related - competence, credibility
- Advertising, communication
- Price - customer segment, loyalty, quantity

the product 'stands out'

## Product Differentiation

what gives you a competitive advantage in your market

better quality and service  
unique features and benefits



## Product Differentiation

show potential customers what you can offer  
that other businesses can't  
and why that's valuable to them.

align with the interests, needs, and values  
of a define target audience

## Product Differentiation - customer angle

What do they want?

What is no one else providing them?

What delights them?

What frustrates them?

What makes them feel good?

What would make them feel even better?

## Sources of Product Differentiation

- Differences in quality which are usually accompanied by differences in price
- Differences in functional features or design
- Ignorance of buyers regarding the essential characteristics and qualities of goods they are purchasing
- Sales promotion activities of sellers and, in particular, advertising
- Differences in availability (e.g. timing and location).

## Types of Product Differentiation

1. Vertical
2. Horizontal
3. Mixed

## Product Differentiation

Product differentiation is the process of distinguishing a product or service from others, to make it **MORE ATTRACTIVE** to a particular target market in order to **REDUCE DIRECTNESS OF COMPETITION**



## Product Differentiation

+ **Simple:** based on a variety of characteristics

+ **Horizontal:** based on a single characteristic

But consumers are **not clear** on quality

+ **Vertical:** based on a single characteristic

And consumers are **clear** on its quality



## Horizontal Differentiation

Product A is better than product B  
But not using one feature

We may have a choice of drinks

We choose the one that we like (at that moment)

Maybe we prefer the taste

But we can't say that a cola, an orange drink, a milk-based drink,  
or another type of drink is the best quality

## Vertical Differentiation

Product A is better than product B  
according to one feature  
e.g. quality

Mixed differentiation is a combination of  
vertical and horizontal differentiation



# horizontal differentiation

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark, almost black tones. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The text is centered in the upper half of the frame against a white background.

## Horizontal Differentiation

Horizontal differentiation is when customers choose a product subjectively because they do not have an objective measurement, to tell between best or worst

# Horizontal Differentiation

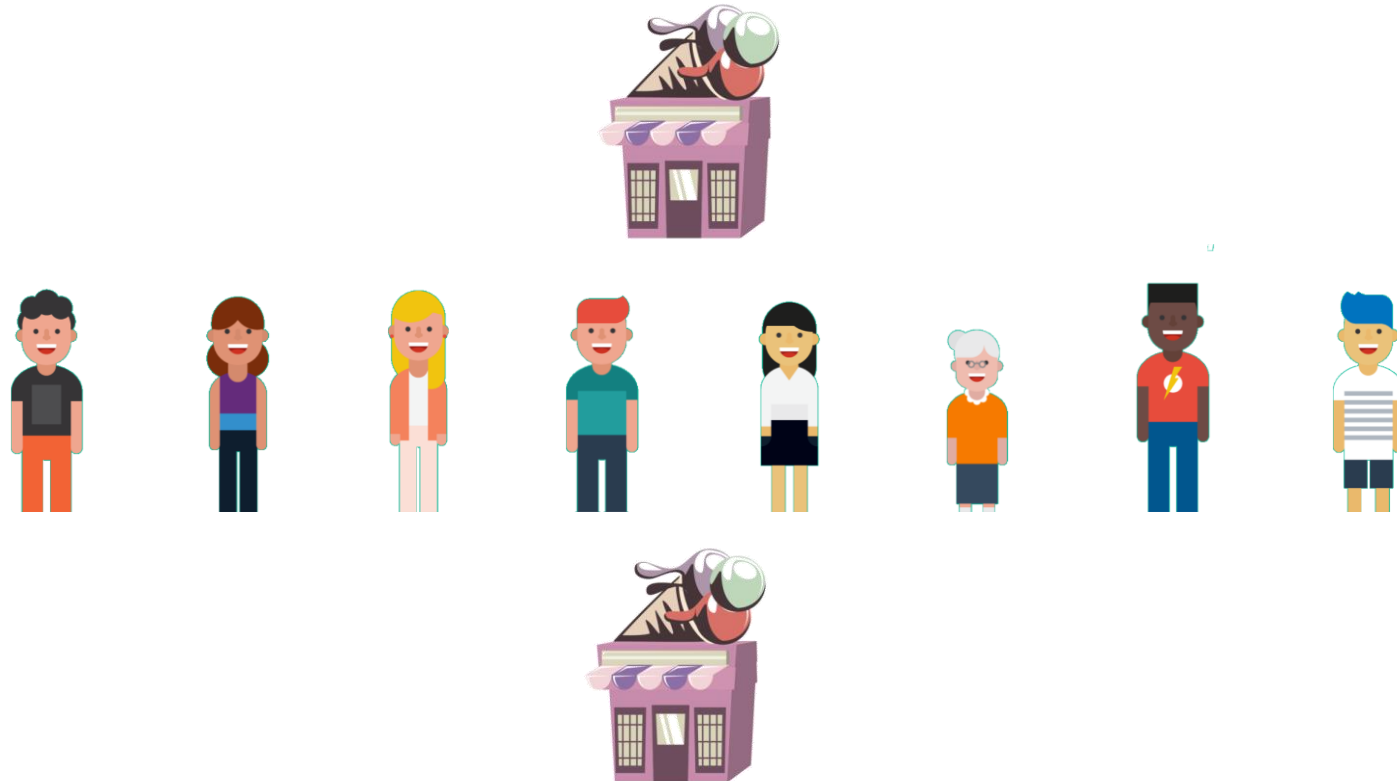


# Horizontal differentiation



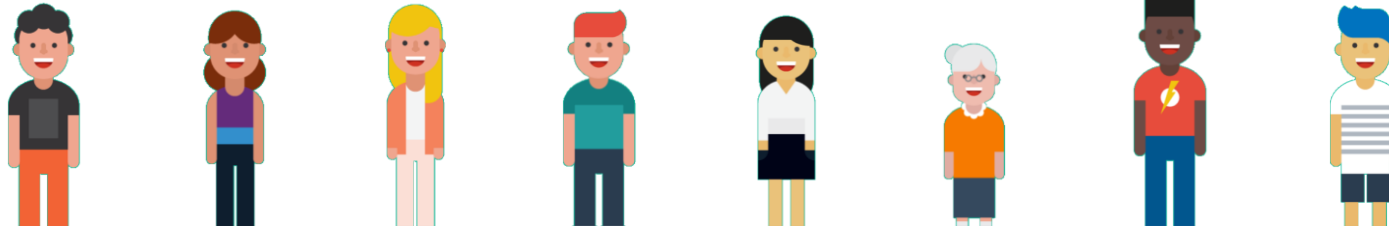
Horizontal differentiation refers to any differentiation that is not associated with the product's quality or price point. Instead, these products offer the same thing at the same price point

## Horizontal Product Differentiation - Bertrand Model (1)



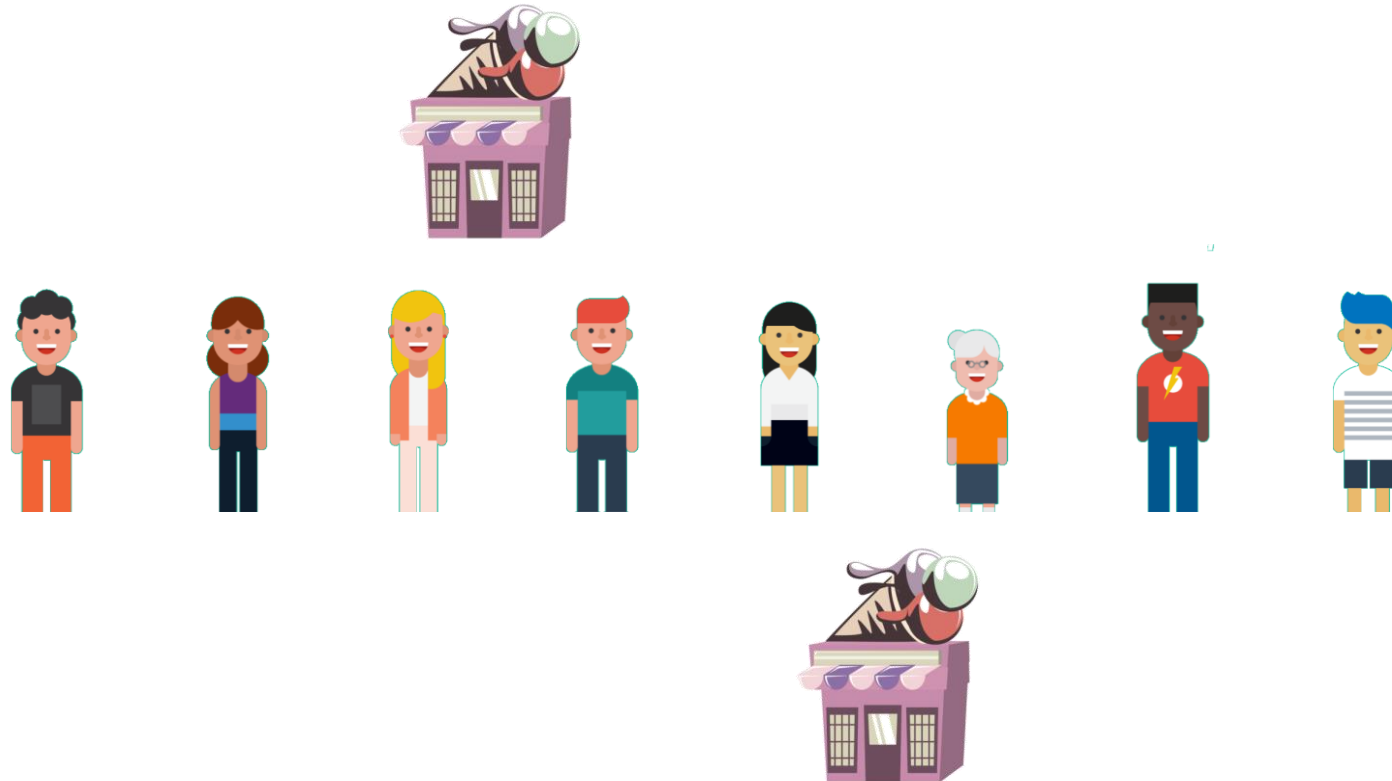
location - convenience

## Horizontal Product Differentiation - Bertrand Model (2)



location - convenience

## Horizontal Product Differentiation - Bertrand Model (3)



location - convenience

## Horizontal Product Differentiation - Bertrand Model (4)



location - convenience



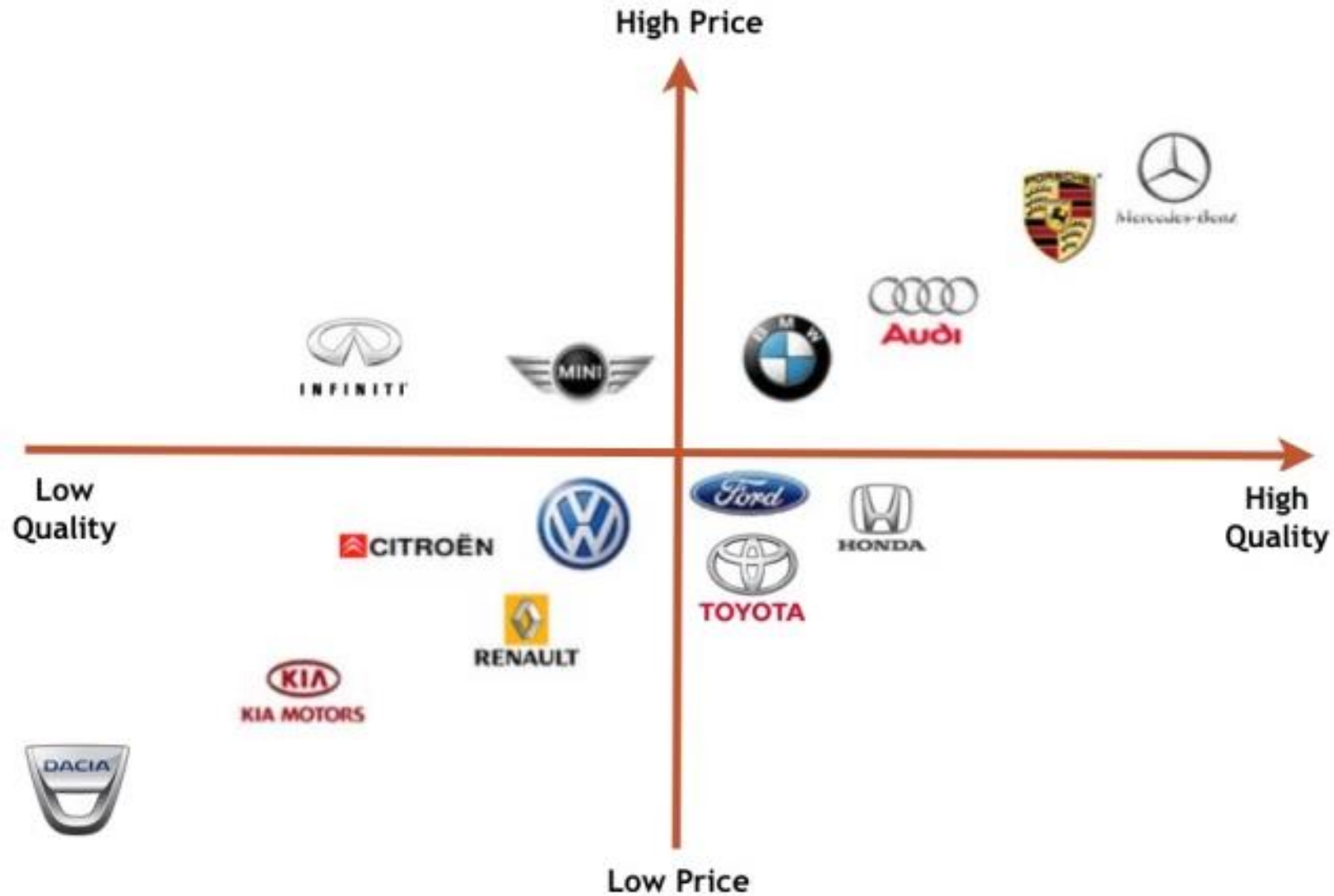
# vertical differentiation

The background features abstract, overlapping geometric shapes in various shades of purple, ranging from light lavender to dark indigo. The shapes are primarily triangles and polygons, creating a dynamic, layered effect. The text is centered in the upper half of the frame against a white background.

## Vertical Differentiation

Vertical differentiation is when customers choose a product by ranking their options from best to the worst using an objective measurement, like price or quality.

# Simple/Vertical differentiation



# Simple/Vertical differentiation



iPhone SE  
From  
**\$399**



iPhone 11  
From  
**\$499**



iPhone 12  
From  
**\$599**



iPhone 13  
From  
**\$699**



iPhone 13 Pro  
From  
**\$999**

## Vertical Differentiation

S Class

E Class

C Class



Series 7

Series 5

Series 3



# Performance



- But remember: 'Performance' means different things to different customers
- For some people, it might mean cost and convenience; for others it might mean luxury and technological complexity

# Feature-based differentiation



SINGAPORE  
AIRLINES



# Accessibility, convenience



**ซุดสุดคุ้ม**  
อร่อย ได้ทุกวัน  
เพียงชุดละ **99** บาท  
McDonald's SUPER VALUE MEALS

**ใหม่! แมคไก่ทอด**  
McFried Chicken หนอรึ่งไก่ อร่อยต่างถิ่นนี้  
ต้องลอง!  
ซุดซูเปอร์คุ้ม  
Super Value Set  
**99** บาท 13%

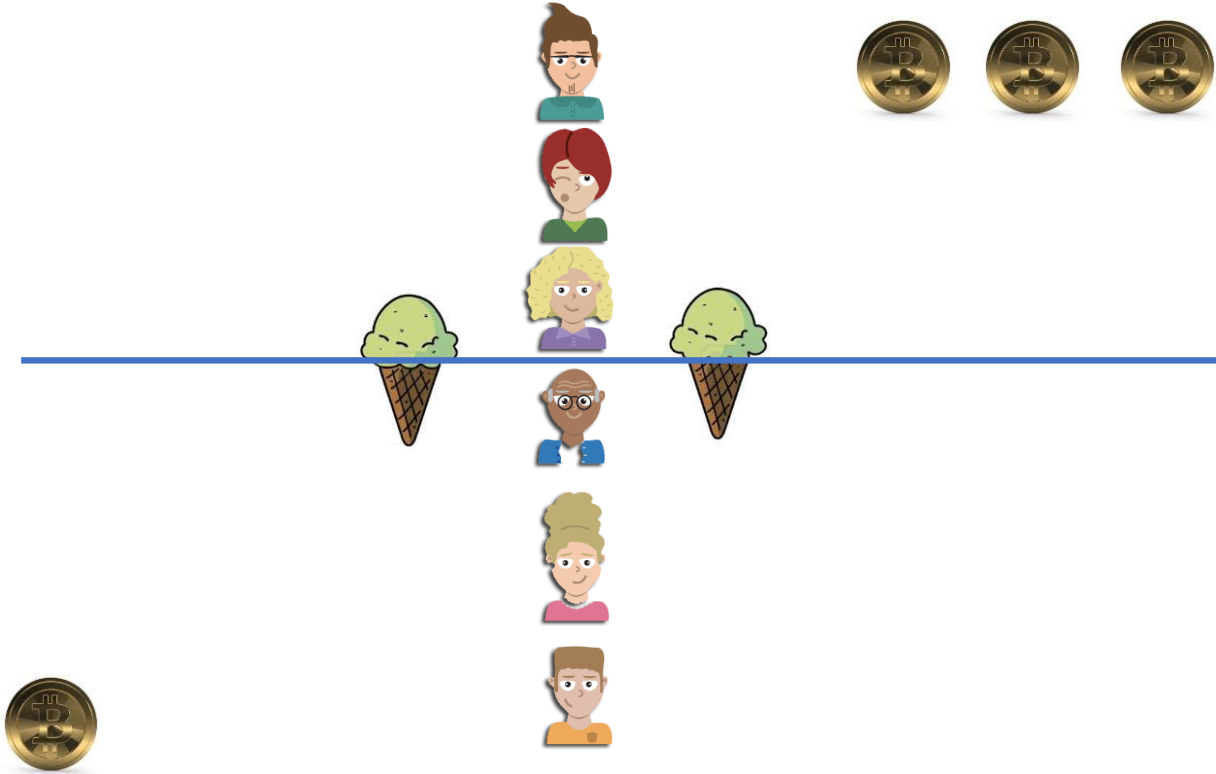
**ซุดสุดคุ้ม**  
Best Value Set  
**79** บาท 13%

**McDonald's 1711 แมงู ซุดซีต ส่วนลด แมคโดบิลด์**  
รวมโปรโมชั่นที่ร้าน, ซีดลืบบ้าน, ไตรัฟรุและแมคดีสิวอร์ บริการจัดลืบบ้าน



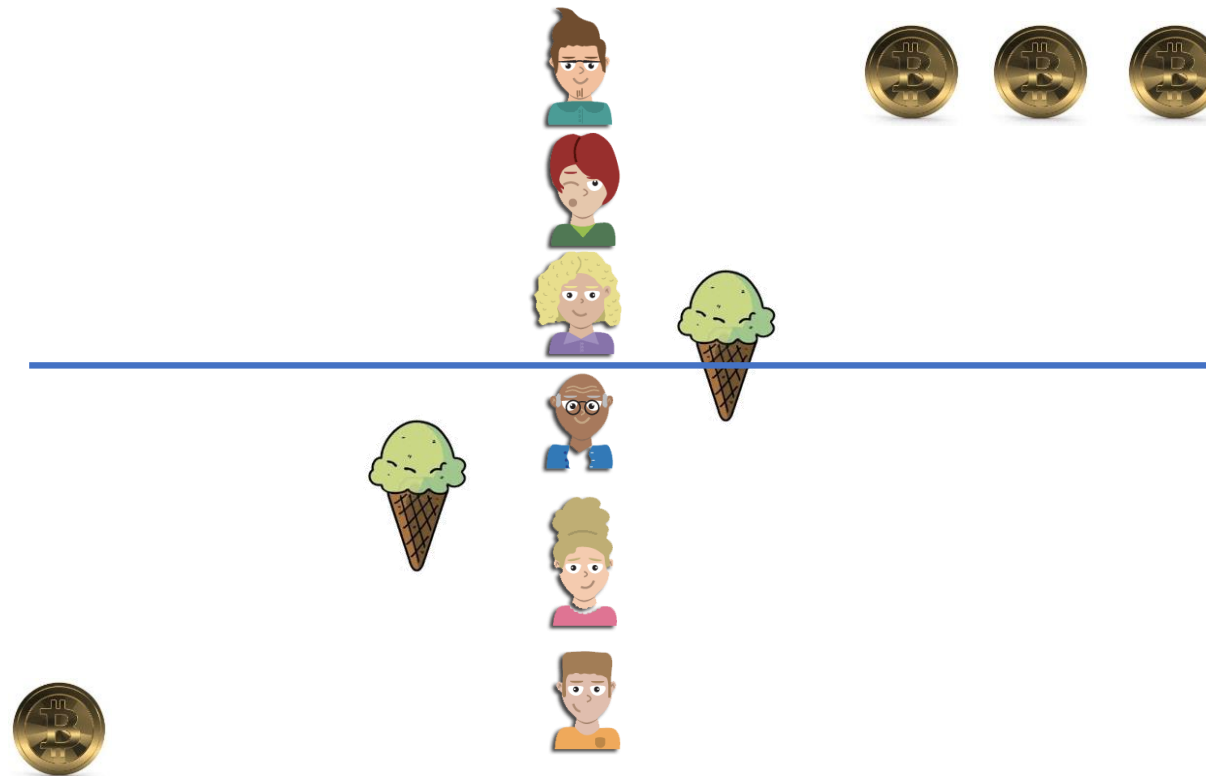


# Horizontal Product Differentiation (1)



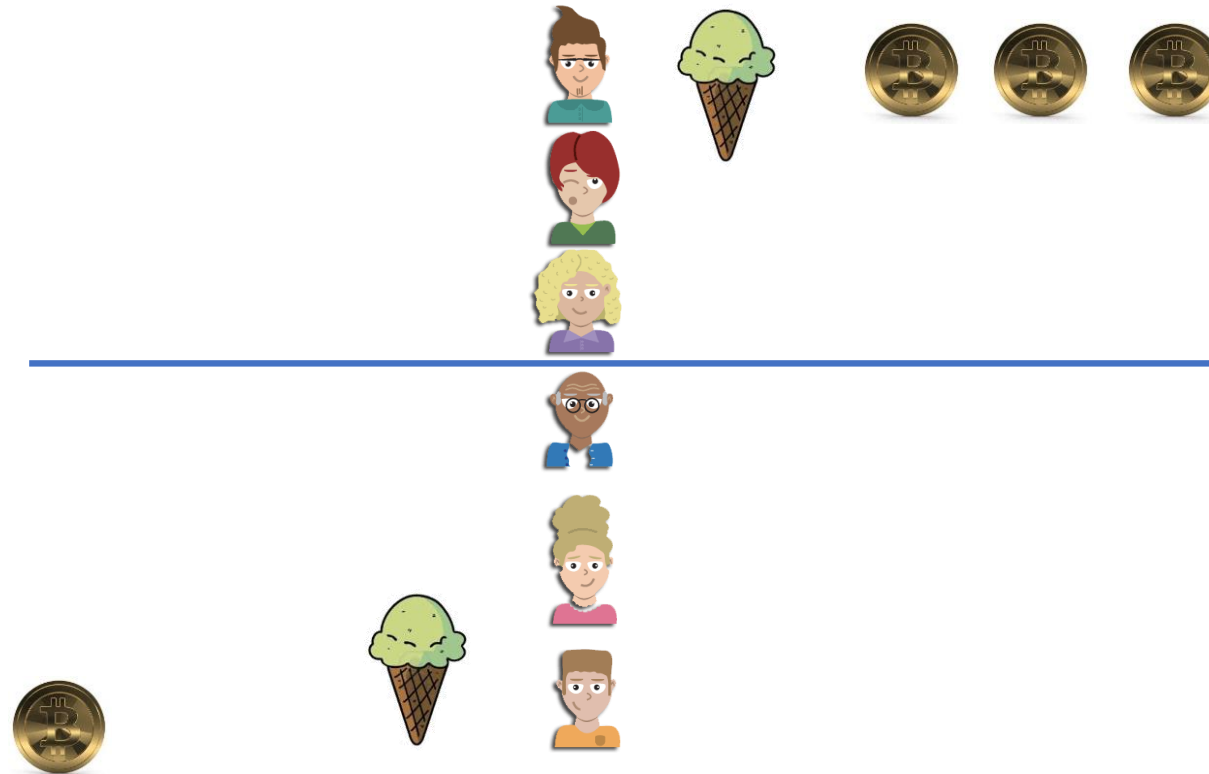
price - quality

# Vertical Product Differentiation (2)



price - quality

# Vertical Product Differentiation (3)



price - quality

## Example

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Different locations of sellers

Horizontal differentiation of products along one product dimensions

Distance of sellers

Degree of differentiation of the products

Position of a certain consumer

Preference of the consumer regarding the products

Discomfort from walking

Strength of preference, loss by deviating from the ideal good

# price discrimination

## Price Discrimination

Price discrimination happens when a firm charges a different price to different groups of consumers for an identical good or service, for reasons **NOT ASSOCIATED WITH COSTS OF SUPPLY**.

1<sup>st</sup> /Personalized pricing;

2<sup>nd</sup> /Menu pricing/Versioning; 3<sup>rd</sup> /Group pricing.



## Familiar Examples of Price Discrimination

- Coupon
- Premium pricing
- Segmentation by age, status, ethnicity and citizenship
- Discounts for member of certain occupations
- Retail incentives
- Wholesale
- Gender-based
- Academic pricing
- International price discrimination
- Sliding scale fees

# Willingness to pay

- Willingness to Pay (WtP) is the maximum price at or below which a consumer would buy one unit of a product
- Factors affecting WTP:
  - Price vs. quality
  - Unique value
  - Customer characteristics
  - Trends, fashion
  - Environmental impact
  - Fairness (does the price seem fair?)
  - Customer research
  - Discount, special offers (Two-for-the-price-of-one etc)



## Willingness To Pay

- **Willingness To Pay (WTP)** is the maximum price at or below which a consumer will

**DEFINITELY BUY** one unit of a product.

- **How to measure WTP**

- Direct approach
- Indirect approaches

- **Factors affecting WTP:**

- 1) Price vs quality effect
- 2) Unique value effect
- 3) Expenditure effect
- 4) Customer characteristics
- 5) Environmental effect
- 6) Fashion effect
- 7) Fairness effect
- 8) Customer research effect and
- 9) Two-for-the-price-of-one effect



## 1<sup>st</sup> degree Price Discrimination/Personalized pricing

- Price depends on Willingness-to-Pay
- Selling to each customer at a different price
- One-to-one marketing
- Example Auction, Adwords, etc.

e.g. you are buying an item and ask for a discount, negotiate

## 2<sup>nd</sup> degree Price Discrimination/Menu pricing

e.g. based on quality

Travel 1) Specific requirement, 2) Time sensitive, and 3) Route

Quality extra such as **First-class vs. Economy-class airplane tickets**

Quantity discount such as buy two get one free

Non-linear pricing, e.g. electric bill

lower price, increasing demand (hopefully!)

## 3<sup>rd</sup> degree Price Discrimination / Group Pricing

Price depends on certain group of customer

Example: zoo tickets for children and senior citizens

Reduced price based on some criteria

e.g. children under 120cms – half price

Why? – age harder to implement



**Thank you!**  
any questions?