

**Principles of Management**  
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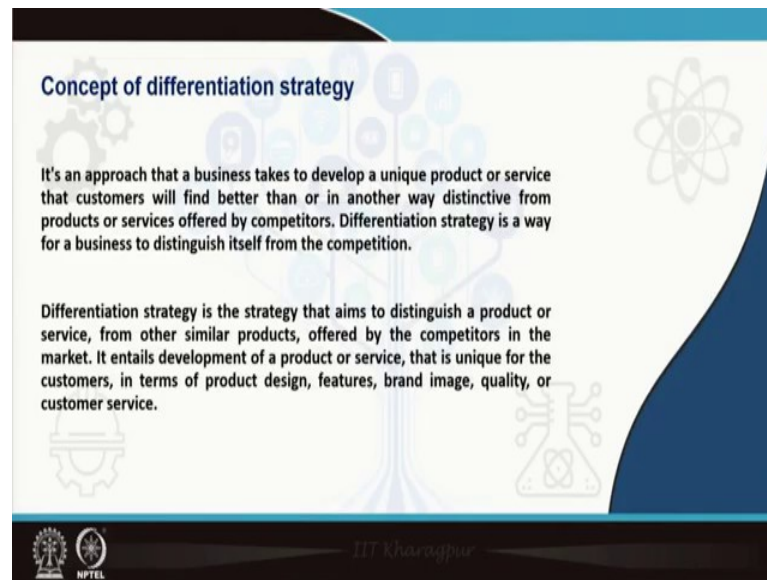
**Module - 05**  
**Lecture – 24**  
**Differentiation in Management**

Welcome to lecture 4 on module 5, today we are going to discuss about Differentiation in Management. In the last lecture we discussed about coordination and principles of coordination, today we are going to discuss about differentiation in management.

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Let us try to understand, what is differentiations? You know every company always try to differentiate you know differentiation, create differentiations and to you know get a comparative advice. Now try to understand, what is differentiation is? It is actually an approach that business takes to develop a unique product or a service that customers will find better than or any other another way distinctive from the product or services offered by the competitors.

Generally, you know every company wanted to create some value proposition or you know create value for their customers, and then how do they want to do you know differentiation; it becomes a strategy or an approach which they try to create a product or service which are different from their competitors.

Let us say you know now you talk about you know mobile phones you know. Every company, many brands provides mobile phones; now differentiation become a strategy to see that you know which you know brands people will buy for right. So, you create some differentiation strategy, like say you know for example, you know some mobile phones will have a better camera some, mobile phones will have a better you know applications, or let us say better processor, better you know storage capacity, that there are that is all a differentiation strategy right.

Now, you are actually trying to differentiate your particular product from the other products. So, you know it you know it can be you know in that is unique for a customer.

Now it in terms of a design, in terms of a features, in terms of a brand image, or a quality, or a customer service, you are actually you know trying to differentiate your product or service from the pool of other products available from the competitors. That is called a differentiation.

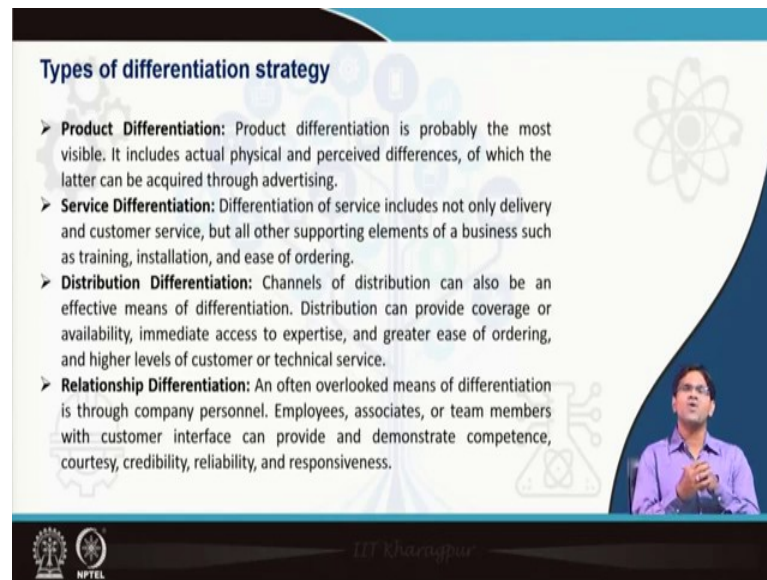
And let us say, you know I talk about you know iPhones versus other mobile phones. So, iPhone actually you know creates a differentiation by way of their you know, let us say you know you talk about the securities provided in by the mobile phones, let us say the tracking systems or even the operating systems they have; maybe you know that is actually differentiations they bring in to you know differentiate their product from the other you know existing mobile products from the indifferent brands right by the product designs of the features.

iPhone is actually different and let us say talk about the customer service. Let us say you know you wanted to buy a mobile phone, unless you talk about the you know in you know sim cards for your usage right now, you have multiple service provider, telecom service provider. So, based on their kind of a service they provide, you actually choose right no. You they are actually differentiating.

For example, let us talk about you know data packages provided by the multiple telecom companies right you know for example, you take Reliance Jio or you know Airtel or the Vodafone. Now, you know the kind of you know price based on the price they might you know give the data packages.

Let us say you know, with the similar price some may be giving the higher data packages and the other might be giving lesser than that is a differentiation, that is why they are differentiating from the other brand.

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**Types of differentiation strategy**

- **Product Differentiation:** Product differentiation is probably the most visible. It includes actual physical and perceived differences, of which the latter can be acquired through advertising.
- **Service Differentiation:** Differentiation of service includes not only delivery and customer service, but all other supporting elements of a business such as training, installation, and ease of ordering.
- **Distribution Differentiation:** Channels of distribution can also be an effective means of differentiation. Distribution can provide coverage or availability, immediate access to expertise, and greater ease of ordering, and higher levels of customer or technical service.
- **Relationship Differentiation:** An often overlooked means of differentiation is through company personnel. Employees, associates, or team members with customer interface can provide and demonstrate competence, courtesy, credibility, reliability, and responsiveness.

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So, now let us try to look at you know what are the types of differentiation strategy exist. One is product differentiation. So, product differentiation is probably, they are most visible one, because you know you will be able to, just looking at the product you will be able to differentiate. You know these two products are different right. You know, it includes you know physical and perceived differences, of which the letter can be acquired through advertising.

Let us talk about you know, now we move from mobile phone to some other product. Let us say, talk about a car right. So, let talk about you know basic cars provided by you know let us say talk to you know two companies; - one is you know Tata and another is Hyundai ok.

Let us talk about maybe, you know both of them are there are entry level cars, so by the appearance of the car, the design of the car, it is actually by product they are differentiating you know. These are differentiations. One might like Hyundai, one might like Tata product you know, that that is a product differentiation.

Now, service differentiation; see differentiation of service include you know only delivery and customer service, but all other supporting elements of the business such as training, installation, ease of ordering all comes into a service differentiation.

For example, let us talk about a e commerce platform ok. So, let us talk about flip kart and Amazon. Some prefers Amazon, some prefer flip kart, because of the service differentiation, maybe you know people say you know on time delivery or some people say you know you know last mile delivery is poor, the you know let us say you know returning a particular product I find it better with you know one of these E-commerce platforms.

Let us say you know many E-commerce platforms are there. So, maybe based on the services they provide you know value service they provide you know maybe you know promptly responding to the customer phone calls or let us you know giving the update on where your product is whether you know let us say you when you order something on a E-commerce platform, it says right it is packed it is shipped, it is arriving, you will it will be delivered today. These are all kind of a service differentiation they might provide to you know attract you that is where they differentiate their company with the other company right.

Then distribution differentiation; distributions you know, because when for example, then you know people who are not actually working in a company, now you will be able to appreciate what is this channel of distributions right now. When the moment you get your final product or let us say you know you go buy a particular product in a particular company or let us say you know supermarket or a retail store, but you just imagine the channel distributions happens behind you know or right from the you know production of the product.

When the production is made then it has to move to a warehouse, then that has to move to existing distributor center, then there may be a wholesaler, then the wholesaler might distribute to a retail shops, there is a distribution channel right. Somebody will create in an attractive channel of distribution, so that maybe the distribution is quite quicker or a faster maybe, you know better competitive pricing being offered through the distribution channels.

Let us say you know, some company who set up you know multiple locations warehouses to in order to you know serve their clients in a lesser time right.

For example, I said I place an order from one particular locations, if I have let us say you know one particular company has the warehouse only you know far off places, then from

that it has to be provided. So, the channel distributions may be different when the other company has a multiple warehouse. They maybe you know quicker in distributing, so distribution differentiation also provides a lot of differences with respect to the you know services they provide.

Then relationship differentiation; I know it is also sometime you know the quality of you know employee relationship you know relationship oriented also.

For example, let us talk about you know going to a physical store. You imagine a brand right, like they take you know let me take two brands, like you know Reebok and Nike, two brands ok. So, you are walking into their stores and let us say you know I am just in a hypothetical ok. So, I am not just comparing two products, it is just like then let me take it you know product x and product y. Both of them are the you know shoe providers, let us say you know sport shoes.

Sports utilities, then you are walking onto the store the kind of you know employees, they have are the company culture you know kind of greeting, being polite, you know showing you different sizes, different products, new products arrivals, and in the kind of experience they create with you know relationships that will actually you know you know increase, that will differentiate both you know you will say that you know.

I think you know particular x is better than the y you say you know I am to pay some more money to buy this particular product because I really enjoy, I really like the way they you know treat their customers right.

People who walked onto decathlon stores, you might be knowing that you will be experiencing that you know how people are being very polite, maybe you know some other stores you say that you know they are very rude, they never value or care about their customers, that is why the relationship differentiation can also happen.

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**Types of differentiation strategy**

- **Image/Reputation Differentiation:** Some businesses set themselves apart by their image either as part of another differentiation avenue or as a separate strategic path. Normally, image is created by other forms of differentiation such as high levels of service, superior product quality, or performance.
- **Price Differentiation:** Successfully competing on price requires recognition that every customer has a different price they would be willing to pay for your product. Segmentation and differentiation allows a business to come close to maximizing the potential revenue by offering each segment a differentiated product at a different price.

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Now, another is image and reputation differentiation. Some businesses set themselves apart by their image either as part of their you know another differentiation have been you are a separate strategic path you know. And normally image is created by other form differentiation such as you know high level of service.

Because you do a better service people like it, or you know you let us say you know talk about sometimes in a company where environmentally friendly, that they will also create better image and you know based on the better product quality they like it you know because we always see right. One particular set of companies' qualities of the product is really high, you know that is actually creating image you know; the durability of the particular products really high.

Let us talk about you know the you know one decade ago where Nokia phones being you know most preferred mobile phones, the reason being the durability of the mobile phone right.

So, they created a image just based on the product quality also, and you know sometimes based on the performance you see that you know when you buy one particular brand or a product you like to go back, because you create a particular image that know you really like the performance of the particular product right.

So, that is also differentiation you know through their reputations, they create differentiation. Let us say you know two steel industries; you know Tata steel and JSW, they are highly you know reputable companies, but they also have a differentiation. Both of them provide you know steels you know; they produce you know iron rods for the construction all that, but if you look at you know they both are also differentiating by the way of service they provide; you know the quality they provide.

And then price differentiation you know; price differentiation is one of the most common things anybody will see that you know they try to compete on the price right they recognize you know every customer as a different price they would be willing to pay for your product.

So, you know for example, you know when you go to a store you always see for a similar kind of a product you want. Let say talk about an example, I will give a very simple example, you wanted to buy a you know noodles ok. You go to a you know supermarket and you wanted to buy a noodle, you will say you know multiple you know companies been shelved on the similar place and you say that know the price may be one of the differentiations you know. One particular brands price may be a bit lower compared to the other brand, so that becomes the differentiation.

So, maybe the quantity is same, maybe you know, so appearance is same then maybe just because of the price they differentiate. Let us talk about the you know, you know televisions, you know TVs right now, you talk about you know HD TVs and all that now, so many entrants have come in.

Now previously, we had very you know a handful of only you know limited number of you know brands, but now you look at the multiple brands have come in, where the differentiation is based on the price. Let us say you know 40 inches or 45 inches or 48 inches TVs, you look at the number of brands you have and you see the on the price they compete right. So, that is why the price differentiation happens.



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**Factors effecting differentiation strategy**

Factors playing effective roles to consider for differentiation which are as follows:

- **Valuable:** The perceived benefit exceeds the cost for differentiation strategies so that the value of goods and services generally becomes higher.
- **Important:** Delivers a benefit critical to success in terms of the sustainability of the market retention and competition.
- **Distinctive:** It is unique or offered in a distinctive way due to differentiation and by its nature of existence there is a matter of identity with uniqueness.
- **Superior:** Makes better application of technology with faster drive so that time and cost management give resultant effect.

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Now, let us try to understand what are the factors which is actually affecting their differentiation strategy. Now, why do they choose that particular differentiation strategy? One is, first is valuable. They always perceive the benefit actually exceed the cost for the differentiation. Let us say you know I wanted to you know differentiate with respect to product.

And let us say I am a company and then I wanted to make a differentiation strategy as a product differentiation. So, I want to create a new product when I will go for creating a different product from my existing customer competitors ok.

So, then you will then you realize you know the they always see that you know value it creates you know, if the benefit cost benefit analyzes. When the benefit is really higher than the cost I put in, then I will go for this particular differentiation strategy. Maybe, sometime I may go for a price you know differentiation strategy, because I say you know the number of units sold is really high, then I can actually make margins then I can go for you know price differentiation.

Then important, you know if the particular differentiation entire strategy delivers the benefit critical to the success in terms of the sustainability of the market retention then competition then I will go for this you know that particular differentiation strategy.

The classic example I can give is, you know Reliance Jio you know. Reliance Jio has penetrated the telecom industry and then they disrupted the kind of you know customer base other companies had.

So, then what kind of differentiation strategy when; they went in? They went in a price differentiation strategy they provided a free service, free data provided to all their customers so, but now why they found that the benefit is critical? Because you know my customer base is actually increased, that is the benefit I looked at. So, I am happy to go for that particular differentiation strategy right that is important.

Then distinctive; you know if the kind of a differentiation you know strategy I go for if it is very unique or different or distinct in a way you know. You see people are able to differentiate and then you know see and it becomes a matter of identity and uniqueness, then people will you know company might go for the differentiation strategy.

For example, the classy example I could give is you know iPhone right. So, iPhones are always seen as a premium mobile phone. Because why?

So, they differentiated with their unique products, despite the fact that where the price is really high people love want to buy the iPhone right. So, because they created a kind of a you know differentiation strategy by product, because there it is looking very distinctive you know. Their operating system is different, the securities are really high, so they are creating a distinctiveness you know. They go for the product differentiation because of the distinctiveness it creates. That is why they go for a differentiation strategy.

Now, superior; so, if my you know differentiation strategy gives you know superiority then I will also go for you know make the better application of technology, with a faster drive so that you know time and cost management gives, you know resultant effect right.

So, I it may be superior once, so that is why you know I will go for the differentiation that particular differentiation, then emotional also important.

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**Factors effecting differentiation strategy**

- **Emotional:** It is tied with a core emotion of love, hate, desire and gratification as the service providers and receivers' interests are primary concern.
- **Communicates:** It makes clear understanding and visible results on all aspects of quality, effectiveness and usefulness.
- **Preemptive:** It has spontaneous view that cannot be easily copied and there is limited scope of new entrants in the market as competitors.
- **Affordable:** It is affordable in terms of the ratio of benefit and cost involved with it but customers can pay the higher price.
- **Profitable:** The contribution for it exceeds cost of difference so that it is profitable.

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It is tied with the core emotion of love, hate, or desire and gratification as a service provider. Let us say, you know you might go for the particular differentiation strategy because of the you know love or the gratification you get let us say you know you see that you know the offers they make, right you know.

They maybe you know really getting a huge sale, but maybe sometimes they really like to give discounts all the time. As a service provider they really enjoy doing it you know emotional connection they give there is you know loyalty point's right. The people who give you know regular customers they give loyalty points and then they give a lot of discounts right.

So, that is an emotional connection they create that is a differentiation strategy you know loyalty points you know redeem we say right know you're having an always reward points been given. Why the reward point is given? Because, you are becoming a repetitive customer to me and I wanted to give you some reward. So that become a differentiation you make right.

And communicates; you know, differentiation strategy may be done it is actually becoming a communicative platform where you know it is actually telling you that know talks about you know, my product is different, it talks about the quality effectiveness and usefulness of the product.

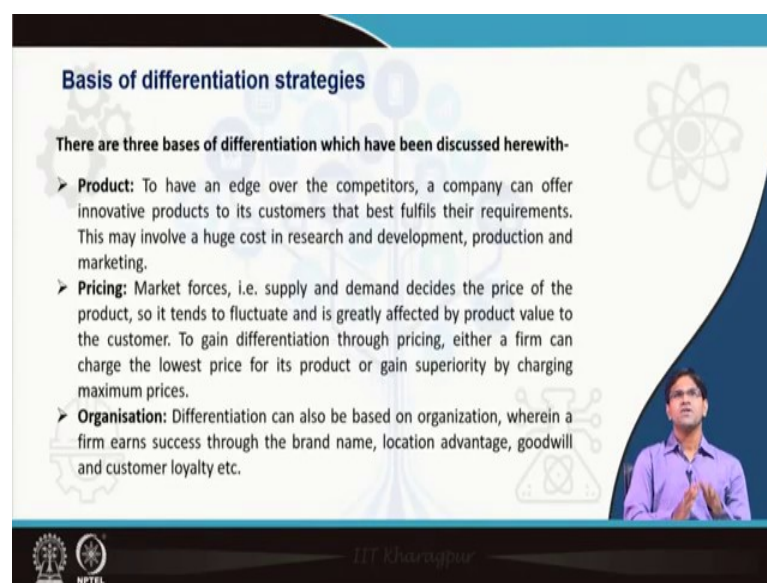
Then preemptive you know it is kind of you know a proactive right. It is spontaneous view that cannot be easily copied you know when you go for a differentiation strategy.

Let us say you know talk about the you know service differentiation; in the kind of service you provide you know you said you know this cannot be easily copied you know. This limited scope has new entrant in the market has a competitor. So, they cannot provide the same service you provide. So that kind of you know what can you do and then affordable I know.

You go for this particular differentiation strategy because you know you say feel it is affordable you know. You looked at the costs and benefits involved you know. It is that I go for it and then you would still feel then you know customer pays their higher price right you know you talked about the iPhone. For an example, you know though you know your price is always higher than the other you know mobile phone brands, but still people go for it you know, because they like that product differentiation and profitable.

So, the contribution for it exceeds the cost difference so that it is profitable. So, you go for the particular differentiation strategy because it is profitable. It can be you know a service differentiation, it can be price differentiation, it can be product differentiation, whatever the strategy, if you as long as it is profitable it actually exceeds your cost then you go for it right.

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**Basis of differentiation strategies**

There are three bases of differentiation which have been discussed herewith-

- **Product:** To have an edge over the competitors, a company can offer innovative products to its customers that best fulfils their requirements. This may involve a huge cost in research and development, production and marketing.
- **Pricing:** Market forces, i.e. supply and demand decides the price of the product, so it tends to fluctuate and is greatly affected by product value to the customer. To gain differentiation through pricing, either a firm can charge the lowest price for its product or gain superiority by charging maximum prices.
- **Organisation:** Differentiation can also be based on organization, wherein a firm earns success through the brand name, location advantage, goodwill and customer loyalty etc.

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Now, we will see that now though we discussed about many differentiation strategies. We are going to see three bases of the differentiation.

One is product. So, to have an edge over your competitors, company can offer innovative products to its customers that best fulfills their requirements right. Now it is always about their innovative products you bring in.

So, then you know we are actually differentiating with the existing competitors and you know, though the cost involved in R and D is going to be high you know and then the production and the marketing also you need a lot of my investment, but despite the fact you know company will go for product differentiation because they wanted to come up with the innovative products. So that; now they become a market shareholder right.

You always see that you know every company they spend a lot of money to you know on their R and D activity to come up with a you know innovative product, so that you know they are different from their existing customers right. And the customers also like to see that you know they also wanted to be get differentiated just because I use the you know innovative products right.

Pricing; you know when you are talking about a pricing, market forces you know for example, supply and demand and decides the price of a product. Let us say you know there is a huge demand, there is less supply then the price can be fixed at a higher. When there is a huge supply surplus of supply, but you know demand is very low what will happen you need to go for a cheaper price you know you need to provide cheaper prices. So, you know you get right.

So, sometimes you know let us say you know there is a let us say you know the demand and supply are the equal, so what happened you know you made you know some company wanted to sell more of their products they might go keep a lower price than their competitor that is become a pricing differentiation. They try to get an advantage of selling more units are the you know quantum, in terms of quantum right.

Then organizations; differentiation can also be based on an organization, where you know firm on success through brand name, location advantage, goodwill, customer loyalty, you know. Despite you know some people you always see that you know you would really like to go back to the same company or you wanted to buy there from the

same brand, despite the fact that know maybe the price is higher or you may be having a better product or a better quality product when the from the other brand.

But, but still you know you wanted to go and buy from the particular product because you know you are associated your loyalty to the product, brand is high and you know you really you know want to you know you like the image brand image of the company so you go for that right.

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**Steps of differentiation strategies**

- **Innovation and Invention:** The best way to implement differentiation strategy is to invent or innovate. By innovating or inventing, you become the market leader because your product is the first entrant in the market.
- **Product-level differentiation strategy:** Observed in many industries, Differentiation strategy can be executed at product level too. Thus, by incorporating product differentiation strategy at product level, the brands can use differentiation strategy themselves from competitors in the eyes of the customer.
- **Price differentiation strategy:** The most used form of differentiation strategy is price differentiation. In the above example of four packages, some brands might give the luxury package whereas other brands might give a cheap and affordable pricing.

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Now, so let us see you know functional measures of the differentiation strategy ok. So, generally you know following measures are taken to attain differentiation; - one is providing utility to customers ok. By offering you know different product or a price. So, I know that actually perfectly match the needs and the preferences you know, whatever you provide it has to actually you know meet the needs and preferences of the customers right.

Then product innovations; what kind of a new product you are bringing in as an innovation. Then you know increase product performance, the performance of the product is also important.

And set the price of the product based on the features of the product and purchasing power of the customer. It is very important right. You cannot you know fix a price beyond the features that particular product has. Based on their features, you know

associated price usually to fix and moreover you know you're in a fixing of the price should actually go and add me the purchasing power of the customer. If the you know purchasing power of the customers is really low and if you fix the price which is bit higher than it is very difficult.

Now, you know, we always see that you know when there is an economy meltdown is happening and the purchasing power of the people comes down, then you always see you know subsequently the product prices also used to come down. Maybe you know you will be seeing that know they put cross like previously with 100 now it is 80 rupees you know.

Based on that now you need to set the price you know; you need to ensure that you know you are actually aligning with the purchasing power of the customer. Whether the customer is; affordable to buy the particular product and you need to fix the price which will be you know will be able to be afforded by the people right. And create a brand image by ensuring a better quality, services and customer satisfactions you know.

To create a brand name, you know brand image only through the kind of a product you provide kind of a service you provide so that you know the customer be really enjoying your customer services and then your brand image will be built right you know.

To successfully implement this you know differentiation strategies, all firms need to do is in a careful analysis of their customer's requirements, you know unless otherwise you do not you know assess or analyze your customer requirement and prices you know. Then it is become very difficult for you to choose what kind of a differentiation strategy I can go for.

If my customer segments largely look at the price as one, I should go for a price differentiation. So, that know I become successful now if my customer is looking for you know innovative product, then I go for a product differentiations and if they like the kind of a service they provide or the relationship the differentiation you should go for because you know they really like the way they have been treated and you know courtesy being shown by your employees ok.

So, now look at the steps in differentiation strategies. First step is innovation and invention. The best way to implement differentiation strategy is to invent and innovate.

As long as you are able to launch a new product, innovate new product, so then you are actually differentiating you know. You are increasing the better you know product differentiation and then you will attract more customers.

Then product level differentiation strategy; so, you know it is observed in many industries, right differentiation strategy can be executed at a product level you know. By incorporating a product differentiation strategy or product level, brands you know always use a differentiation strategy to from the competitor's eyes you know. You actually product wise you differ and then you get an advantage.

Then price differentiation we are actually time and again we are discussing about it you know. This is the most used form of differentiation strategy is a price differentiation strategy because in a similar product exists an almost come from a multiple competitor, and how do you get an advantage?

Sometimes, and even if the quality is also same and you know then you need to go for a pricing strategy and you know sometime you see that know. Some brands they keep their prices always high because of their brand like you know image they keep right. So that is a price differentiation strategy.

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**Steps of differentiation strategies**

- **Branding:** The promotion mix and the communication play a crucial role in the differentiation strategy. Companies rely heavily on their branding efforts to convert the customer to their products. The promotion mix helps target the correct segment and hence plays a crucial role in differentiation strategy.
- **Packaging:** Packaging plays critical role in the success of the differentiation strategies. Product differentiation, product mix and others are easily understood from the packaging.

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Then branding; promotion mix and the communication play a crucial role in the differentiations. The kind of promotion you create and then you know you actually



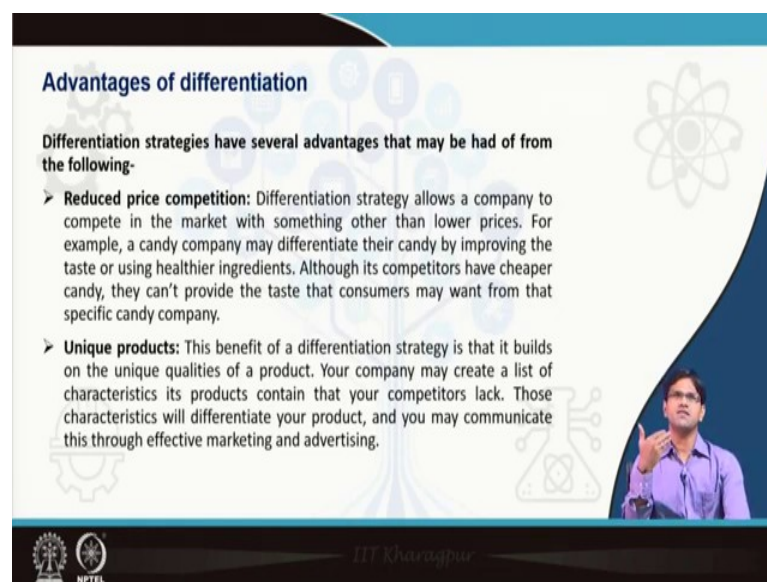
infuse your particular brand name among the people or the general customers, so then your brand image is improving.

The brand image once you are able to build your brand, then you will be able to see that the prices is always be lower. Maybe you know you will be able to you know.

I can give an example as you know people who bought Sparx. Sparx is a you know a footwear brand right. So, when they entered of course, they were not on a high you know pricing company, they were started with a medium price. Once they were able to know build their brand names and then image, now they are moved into a bit higher and you know whether the prices are increased to a bit and extend, so you know they are actually gaining, are enjoying the benefit of and creating the branding right.

Then packaging; so, packaging also differentiation. So, over the kind of packaging you do you know attractive you know provide lot of information you know then that is also on a differentiation you do, you know that actually being you know liked by people and then people go and buy your product ok.

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**Advantages of differentiation**

Differentiation strategies have several advantages that may be had of from the following-

- **Reduced price competition:** Differentiation strategy allows a company to compete in the market with something other than lower prices. For example, a candy company may differentiate their candy by improving the taste or using healthier ingredients. Although its competitors have cheaper candy, they can't provide the taste that consumers may want from that specific candy company.
- **Unique products:** This benefit of a differentiation strategy is that it builds on the unique qualities of a product. Your company may create a list of characteristics its products contain that your competitors lack. Those characteristics will differentiate your product, and you may communicate this through effective marketing and advertising.

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Now, advantages of differentiation; see the advantage of this one is the reduced-price competition. Why they are saying you know reduced price competition? When you are talking about a pricing you know differentiation is one of the you know most common differentiation strategy how you see.

See when you are able to know, create a unique product and you have been valued as a you know by your innovative product of the quality, you will actually you know not into the other pool of the competitors. You are always seen as a different you know brand itself and people you know you become a premium player.

And you become a premium you know company or a premium brand and you know you are actually reducing the price competition, because you know your product are at unique and you always have a different customer base for you and your prices are always higher; meaning, that you are not into the general pool where the reduced price competition.

Because it is actually reducing the price competition because you created a better product and then you created your customer base, you are fixing the price and you are not into the other pool with the competing the price right.

Unique products; see this benefit of differentiation strategies then it builds a unique quality of the product right. Your company may create a list of characteristics its products contain that your competitors lack right. Now, you always try to create a product which has many features which is it does not been seen does not seen in the other competitive product right.

So, you will be able to communicate this through effective marketing and advertising, so you will be able to attract a lot of customers.

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**Advantages of differentiation**

- **Better profit margins:** When products are differentiated and turned into higher-quality products, it offers more opportunity for larger profit margins.
- **Consumer brand loyalty:** Effective differentiation may create brand loyalty in customers if a business maintains the perceived quality of your products.
- **No perceived substitutes:** A strategy that successfully differentiates may present the idea that there is no other product available on the market to substitute it with. A business may gain an advantage in the market even when there are similar products available because customers will not be willing to replace your product for another one.

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Then better profit margin of course, everybody does this differentiation just to gain competitive advantage. Gaining competitive advantage does not mean that know just like you know they have been liked by the people or the customers you know it is about you know making a margin. And you are able to make profit right through differentiation you will make profit.

Then customer brand loyalty of course, because of the better differentiation strategy or effective differentiation strategy you go for you will have a loyal customer.

And, you know no perceived substitutes when the strategy that successfully differentiates and you know may present the idea that there is no other product available on the market to substitute it with. For example, again an example you may take you know MacBook. You are talking about you know mac products or you know different from the other laptop services right they provide right. So, you know kind of you people will perceive that know there is no substitute for Mac right.

Now, people know Mac tablet us and you know. Now, people are associate lot of identity and then with the kind of a pride they feel within whenever you have a MacBook you know you see you know people feel like you know, yes, I am having this you know premium product you know.

You feel like there is no substitute for this particular product, though Microsoft is coming with a better laptop and you know better performing laptops, but despite the fact they are able to you know regain or retain that kind of things you know customers feel there is no substitute for it right.

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**Disadvantages of differentiation**

The differentiation has two remarkable limitations in achieving the fruitful results through it. Such as-

**Too different and bold:**  
A negative aspect of differentiation happens when business leaders take it too far. This means you have created something that is off the wall, and that consumers either don't believe that it is true or they don't understand the benefit.

**Excludes generalization:**  
When we get too specific about how we are different, then there might exclude a large demographic. If the part of employees is strong enough, and large enough to work better than their counter part, then differentiation exists in the form of competition, inferiority to superiority and so on.

The slide features a background with a blue and white color scheme, including a stylized atom symbol and a network diagram. A small inset video shows a man in a purple shirt speaking. Logos for IIT Kharagpur and NPTEL are visible at the bottom.

So, some of their disadvantage is a differentiation. Too different and too bold you know. Negative effect of you know; differentiation happens when business leaders take it too far you know the you know. For example, I wanted to make an apple in an apple you see you know if you go to you know any you know fruit style you see you know multiple graded apples are there right.

They are differentiated when instead of you know grading with an apple you make an orange and what will happen? You know you are too far you are actually not making an apple itself you know you made an orange and you know it is completely different.

So, too different too bold where you know people do not like it, because let us say you know the customers want to buy an apple, but you know you wanted to be so different, but eventually you may you know made an orange out of it then nobody will buy because it is too different too far away because my customer does not even want that right.

So, that is why you know you the differentiation has to be with the consciousness. You should see that you know where is the differentiation are making. Let us say you know I wanted to make a unique product and let us say you know instead of you can other brands are selling at 20,000 rupees and let us say you know I you make a unique product and then you wanted to sell it at 25,000 yeah.

still people because it is a unique some features are attached people go for, but imagine that you know you the similar thing you kept your price at 50,000 and you are at the 20,000 what will happen eventually you lose.

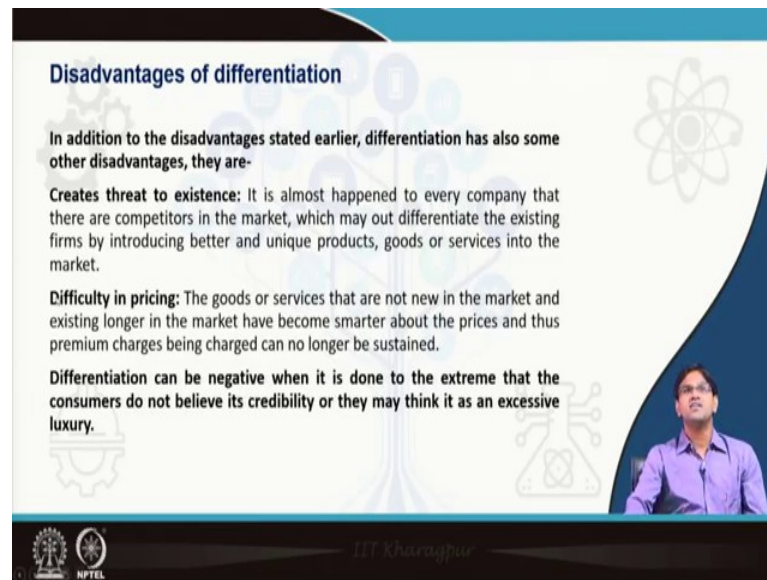
For example, if you look at you know iPhone as an example let us see look at, they realize that there is a large untapped potential they are not able to you know tap the potential. Now they are lowering down the prices and then they are introducing a new product which are at the lower prices so that you know still being a premium player.

I can also increase my customer base by you know creating you know substituting a different product which is that is what that is what you know with two differentiations you will lose your you know customers right.

Then excludes generalization; when we get too specific about how we are different then there maybe you know excluding a large demographic you know. Actually, you know we are you know excluding with a generalization. People will say you know I think it is not belonging to me you know I do not even need to think about it because you know it is for somebody else right.

So, it is creating you know inferiority superiority and so on and you know you will lose your market.

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**Disadvantages of differentiation**

In addition to the disadvantages stated earlier, differentiation has also some other disadvantages, they are-

**Creates threat to existence:** It is almost happened to every company that there are competitors in the market, which may out differentiate the existing firms by introducing better and unique products, goods or services into the market.

**Difficulty in pricing:** The goods or services that are not new in the market and existing longer in the market have become smarter about the prices and thus premium charges being charged can no longer be sustained.

**Differentiation can be negative when it is done to the extreme that the consumers do not believe its credibility or they may think it as an excessive luxury.**

Dr. Khuram

Then another you know creates threat to existence; it is almost happening to every company that you know there are competitors in the market which may out differentiate the existing firms by introducing a better and unique products and goods and services into the market you know.

Sometimes you know it you will make other people extinct from the business. Sometimes even your differentiation strategy may also you know reverse and then you will you will do it.

And difficulty in pricing and goods and services that are not new in the market existing longer in the market have come smarter about the prices and thus you know premium charges being charged no longer can be sustained you know. Let us say you know very generic products it is available there already and people are using it for a long time and if you are in you know going on a premium pricing then you know you do not get you know the difficulty in pricing.

So, differentiation can be negative, when it is done to the extreme that the customer does not believe its credibility or they may think it is an excessive luxury right. So, then it is becoming a differentiation becoming a disadvantage.

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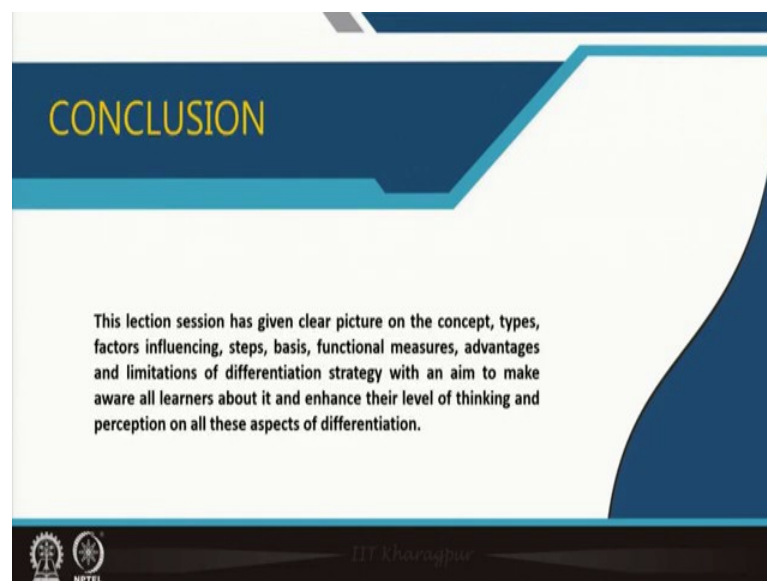
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**CONCLUSION**

This lecture session has given clear picture on the concept, types, factors influencing, steps, basis, functional measures, advantages and limitations of differentiation strategy with an aim to make aware all learners about it and enhance their level of thinking and perception on all these aspects of differentiation.

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So, these are the references. Today we discuss about the differentiation's strategy in the businesses, how the you know a company can take an advantage of you know making at differentiations in way of you know product, in way of service, in way of you know relationship, in way of pricing.

So, there are multiple forms you can differentiate yourself from the other companies, but we though we talked about a lot of advantage and disadvantage being you know. You need to be cautious, where you should limit as a differentiation. Unless otherwise, you

differentiate too much too far from their customer segment then you will actually lose your business ok.

Thank you.