Product differentiation: a reason to switch the existing brand

Authors- Mr. Neeraj Dixit, Dr. Deepali Bhatnagar.

Abstract-
Many researches were conducted in the past on product differentiation. However, very few studies were conducted to investigate the result of product differentiation in retaining and attracting the other brand users. This study was undertaken especially to examine if the differentiation resulted in retaining existing and attracting new customers. For this objective researcher showcased and gave presentation of the TVs in showrooms to the visitors and few volunteers. 3 Showrooms in Delhi were selected to give presentation to existing LED TV users. 470 responses were collected and analysed. The results showed that Sony is most favoured brand for LED TV. It was found that product differentiation and reasons to rebuy or switch to a particular brand are significantly related. Limitations of the study are discussed in the paper.

Key words- Product Differentiation, LED TV, Brand

Introduction
Differentiation strategies aim at distinguishing product or brand from its competitors. Such differentiation is generally based on an attribute which is important from consumers’ perception.
Shaw (1912)\(^1\) defines Product differentiation as “.... meeting human wants more accurately than the competition”.
Consumer durables market is expected to reach US$ 20.6 billion by 2020 (Sarangi n.d.)\(^2\). Sarangi (n.d.)\(^2\) concluded that the demand for durable products is driven by education, income of consumer and number of durable products possessed by household. This signifies the potentiality of the industry. Many competitors are operative in this industry and many more may enter in future as well. Despite such tough competition only few significant players rule the LED TVs market. Their success may be attributed the differentiation strategy. The aim of this study is to examine if product differentiation is the reason to switch to other brands. For this purpose researchers selected LED TV as a product category.

Objectives of the study
1. To investigate the LED TV brand switching intention of consumers.
2. To study if Product differentiation perception and reason to buy particular product (brand) are related.
3. To study the relationship between brand preference and product differentiation.
Literature Review

Kalyani (2018)\(^3\), a research scholar published a research paper on “A Study of Product Differentiation Strategy in Mobile Devices Specifically in Smartphone’s about Smartphone’s Features”, in Journal of Management Engineering and Information Technology (JMEIT). Researcher focused on product differentiation strategies used by mobile companies. Today people are dependent on mobile phones and accessories, so much so that rehabilitation centres for mobile addicted people are also being opened. In Mobile devices, tremendous changes have been observed in last decade. When mobile was considered to call and text message, gradually simple camera came in the mobile, now it turns in to pixel based cameras with Wi-Fi and internet facilities. So mobile phone today is not just a calling or texting device, it is much more than that. In mobile phone’s market there is a lot of clutter amongst the brands. Almost all brands have the same features. So to create their own position in the market mobile phone companies taking efforts on product differentiation. This study focused on how mobile manufacturing companies are positioning their product by applying product differentiating strategies. For the study, researcher took the brands like Apple, Huawei, Xiaomi, Oppo, VIVO, Sony to name a few. This study concludes that by product differentiation, companies can adopt maximum market share. Researcher gives the case of Xiaomi’s mobile phones. Xiaomi’s market share in India has risen to 53% in smart phones in short duration compared to other brands which were having their presence in India for long. Here author proposes a new concept called customization in mobile device. User will demand the product as per their requirement and company will provide that at doorstep. So Customization in Mobile manufacturing will be the product differentiation strategy in Mobile Industry.

The research conducted by Nebojsa, & Sharma (2015)\(^3\) investigated the combined influence of brand equity and investments along with differentiation strategies in product on pricing for small and medium enterprises. It elaborates the advantage, disadvantage and role of brand equity, marketing investments and product differentiation in pricing performance of a company. Here researcher used 735 FMCG brands from Nielson. Research suggests that differentiation in the product based on consumer requirement and new innovation in technology drives the brand performance output. Major finding of the study was that the brand which introduces highest level of innovations through their product was observed in market expansion because they were not limited by hard competition.
Arping and Lóránth (2006), identifies the correlation between corporate leverage and product differentiation strategy. At a certain level corporate leverage helps in improving managerial discipline, at the same time it also creates concern in the mind of customer regarding manufacturer’s durability. When products are highly differentiated from other competitor products it always gives scope to think customers towards viability of the producer. But no product differentiation also creates problem of sustainability in the market. So optimality in product differentiation will be the solution to solve the problem of reducing price competition and cost of ownership by customers. Study observes that the firm, who are financially fragile, faces poor customers who show disinterest in further trade with the seller. Study predicts that if corporate power increases, it will lead to reduce the degree of uniqueness of their products. This paper suggests various ways of product differentiation strategies. Some of them were vertical and horizontal differentiation, lock in customer to a product etc.

According to the study conducted by Wei, X., & Nault, B. (2005) goods can be differentiated on the basis of low cost of production and distribution along with economy of scale. This research paper focused on market segmentation and product differentiation. Researcher suggested that Product differentiation should be based on market segmentation. Researcher put a model, in which a vertical differentiation is considered as a special case of horizontal differentiation. Here researcher advised that if the market is not fully differentiated then it is better to differentiate the product in a sub-optimal way. According to study it has been observed that if lower type of consumers has greater ratio of valuation then it’s better to adopt vertical differentiation in information goods.

Dikson and Ginter (1987) published a research paper in Journal of Marketing with the title “Market Segmentation, Product Differentiation and Marketing Strategy”. Authors argue that there is always confusion between Market segmentation and Product Differentiation. Here in the research paper researcher attempts to clear the misunderstanding about their meaning and use. For making this concept clear researchers used traditional and contemporary economic theory and product preference maps. Researcher for this purpose underwent through sixteen text books on product differentiation and market segmentation. Five of them have described as product differentiation as an alternative to segmentation, eleven books have described differentiation as a compliment or means for segmentation in marketing and three of the text books described product differentiation as a non-physical product characteristics. Researcher concluded that product differentiation does not require existence of market segmentation but it can be used as conjunction with market segmentation strategy. Researcher also concluded
that segmentation development is only feasible when either product differentiation already exists or it could be an accompanying strategy.

Chernev (2007) studied consumers reactions towards two commonly observed positioning strategies 1. which focuses on single differentiated feature and 2. which focuses on having all in one function differentiation. Study found that the product differentiation focusing on single feature found superior than the product differentiation having combined multiple functions. The information outfitted by analysis 1 bolster the suggestion that purchasers assess the specific and across the board alternatives in a compensatory mold. Specifically, the appeal of the properties separating the across the board choice was found to diminish within the sight of specific alternatives. The information further demonstrate that compensatory thinking moreover prompts polarization of the traits portraying specific choices: it improves the allure of the separating quality of a specific alternative and debases this choice on its auxiliary traits. In addition, the quality of compensatory inductions was appeared to be an element of buyer inductions about the alternative's execution on inconspicuous attributes. So researcher suggest that product differentiation should be focused and as per the requirement of customers. Companies should avoid unnecessary features in the product under differentiating strategy from other.

Ranu and Rishu (2012) argued that to create the unique brand image through product differentiation in the market, companies should come up with the promising differentiation strategies like ingredient branding. By keeping the above point of view researcher attempted to study the scope of ingredient branding in gaining sustainable marketing advantage to fast moving consumer goods in Indian market. This was an explorative research where its objectives were to identify effectiveness of ingredient branding, to find possibilities of successful ingredient branding, and to find various and effective ways to get the advantage through ingredient branding. Research was based on secondary data. Research reveals that ingredient branding will help the companies to brand building and product development. As well as ingredient branding will help the product to create a promising position in the intense competition. At the same time chosen ingredient branding should have functional utility to customers and it should possess distinctive benefit over other competitors.

**Hypotheses**

Based on literature review and objectives of the study following hypotheses were developed.
H₁- Product differentiation perception and reason to buy particular product (brand) are significantly related.

H₂- Brand preference and product differentiation are significantly related

Research Methodology
The population for this study was entire Delhi city. To check the willingness of consumers to rebuy the same brand or switch to other brands researchers showcased the various brands of TVs to them. Every TV was presented to them with respect to differentiation of that product from the rest brands. The data of existing LED TV users were collected from some of the Consumer Electronic showrooms. These consumers were requested to visit the showroom at their convenience. In addition to these existing consumers some of the respondents who were visiting the showrooms for buying another product (for instance, washing machine, food processor, water heater etc.) were also requested to respond to the questionnaire after attending the presentations. All respondents were gifted with a small present as a token of appreciation for their valuable time and responses. 5 showrooms across Delhi were selected for collecting responses. Total 470 responses were collected during 6 months duration after approaching nearly 750 existing consumers.

Instrument for data collection- A structured questionnaire was used to collect the responses. The first draft of the questionnaire was shown to experts and showroom owners. The original version of questionnaire was containing 34 items including questions for demography of respondents. Then based on suggestions of showroom owners and sales officers the length of the questionnaire was reduced to 25 items. After few corrections in the first draft the questionnaire was tested for its reliability by collecting around 53 responses. The questionnaire was found reliable and hence it was used for further data collection. SPSS is used for analysing the data.

Data Analysis
Reliability of the Scale
Table no. 1 Reliability statistics

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>N of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>.869</td>
<td>25</td>
</tr>
</tbody>
</table>

Cronbach’s alpha value (> .7) of the scale shows that the scale is reliable.

Descriptive Statistics
Descriptive Statistics is given in table no. 2 below.
Table No. 2. Descriptive Statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation</td>
<td>470</td>
<td>1</td>
<td>5</td>
<td>3.3</td>
</tr>
<tr>
<td>Reason to switch to/ rebuy a particular brand</td>
<td>470</td>
<td>1</td>
<td>7</td>
<td>2.4</td>
</tr>
</tbody>
</table>

The subscale for differentiation was rated on 5 point Likert scale where 1 meant ‘strongly disagree’ and 5 meant strongly agree. The mean value of differentiation subscale (3.3) indicates that the particular brand which respondent is thinking of buying is moderately high. That means differentiation of particular brand is good than the other brands.

The respondents were asked to rate the 6 reasons for preferring one particular brand over the other on 7 point scale. On this scale 1 meant the strongest reason to buy and 7 meant the last reason to buy that product. The mean 2.4 of this subscale indicates that the said reasons are the strong reasons to buy/ prefer one particular brand.

**Intent to switch the brand/ product**

The respondents were asked if they at all will like to change their current brand of LED TV if the opportunity is given. The responses are tabulated as follows (table no.2)

Table no. 3 Cross tabulation - Which brand of LED TV are you using at present? & What would be your first choice of LED TV brand if given an opportunity to buy again?

<table>
<thead>
<tr>
<th>What would be your first choice of LED TV BRAND if given an opportunity to buy again?</th>
<th>Samsung</th>
<th>LG</th>
<th>Haier</th>
<th>MI</th>
<th>Panasonic</th>
<th>Sony</th>
<th>Toshiba</th>
<th>Videocon</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung</td>
<td>60</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>20</td>
<td>140</td>
</tr>
<tr>
<td>LG</td>
<td>30</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>60</td>
</tr>
<tr>
<td>Haier</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>MI</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Panasonic</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Sony</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>0</td>
<td>30</td>
<td>40</td>
<td>10</td>
<td>50</td>
<td>20</td>
<td>210</td>
</tr>
<tr>
<td>Total</td>
<td>130</td>
<td>60</td>
<td>30</td>
<td>10</td>
<td>40</td>
<td>80</td>
<td>10</td>
<td>60</td>
<td>50</td>
<td>470</td>
</tr>
</tbody>
</table>

From table no. 2 it is observed that Sony is the brand for which nearly half of the respondents have given preference to buy. Of course here the respondents were asked to presume the price of all the brands is almost same. After Sony, the most preferred brand is Samsung and then LG. Surprisingly it was observed that preference for MI brand increased by two folds, although the number of existing users is only around 2% of total respondents. Toshiba, Videocon were the brands for which even existing users also did not give preference to rebuy. These brands have to rethink about their differentiation strategies.
Hypothesis Testing

H₁- Product differentiation perception and reason to buy particular product (brand) are significantly related.

Table no. 4 shows the result of ANOVA between product differentiation perception and reason to buy.

Table no. 4 ANOVA- product differentiation perception and reason to buy

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>160.893</td>
<td>6</td>
<td>26.816</td>
<td>24.961</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>497.405</td>
<td>463</td>
<td>1.074</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>658.298</td>
<td>469</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As it is observed from the table no. 4 the significance value of F test is less than .01 (p<.01), therefore the assumption of ANOVA that the two variables (product differentiation and reason to buy) are not related significantly cannot be accepted. Thus we accept H₁. This means that as the product differentiation perception changes the reasons for buying a particular product also changes significantly. It may be interpreted that differentiations results in positive impression of one particular attribute of product, however further research is required to confirm this interpretation.

H₂- Brand preference and product differentiation are significantly related

Table no. 5 One way ANOVA- Brand preference and product differentiation

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>59.250</td>
<td>5</td>
<td>11.850</td>
<td>9.179</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>599.048</td>
<td>464</td>
<td>1.291</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>658.298</td>
<td>469</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table no. 5 shows that the significance value (p) is less than .01 (p<.01). Therefore the null hypothesis is failed to be accepted and we accept H₂- Brand preference and product differentiation are significantly related. This means that brand preference is significantly affected by the differentiation perception of respondents.

Discussion and Limitations of the research

It was found that nearly 50% of the Samsung users would like to rebuy the same brand whereas rest of them would like to switch to other brands. This may be alarming scene for
Samsung, however the users who are using other brands would also like to switch to Samsung and number of such respondents is 17%.

For LG out of 60 current users more than 83% users would like to switch to other brands and only 17% users would like to rebuy the same brand. The only good thing for LG is that nearly 10% of all respondents showed interest in buying LG in near future. Only 6% of respondents were using Haier brand and worst thing is that the all wish to switch to other brands. Interesting finding is that nearly same percent of respondents showed interest in buying Haier brand. That means if respondents really stick to their responses the market share of Haier is not going to affected significantly.

Only 2% of respondent were using MI brand. This may be because MI has entered into Television market recently and thus is the market share is very small. All these users showed interest in buying Samsung brand in case they have to rebuy the LED TV. 4.2% of respondents who were using other brands than MI responded that they would buy MI if the opportunity comes. That indicates that MI has good future in LED market as of now.

33% Panasonic users would like to switch to Sony brand. Surprisingly no other brand user wanted to switch to Panasonic. This is really an alarming situation for Panasonic LED TVs.

50% of Sony users do not want to switch their brand. In addition to this 36% of other brand user would like to buy Sony next time. This indicates that Sony is clear leader in the LED TVs market.

Toshiba and Videocon users would not like to retain their brand and most of them would like to shift to Sony. Other brand users may switch to either Samsung or Sony. Some of them even showed interest in Haier brand.

The responded were not disclosed with the prices of the LED TVs which were showcased. If the prices were disclosed the results would have been different. Moreover respondents were asked to choose the brand which they are willing to buy for. So their willingness may or may not be reflected in their actual buying. Nevertheless the findings give the fair idea about the effect of differentiation strategies on purchase intention. Future research may observe the actual buying behaviour through longitudinal studies.

Researchers observed that differentiations results in positive impression of one particular attribute of product, however further research is required to confirm this interpretation.

It was found that product differentiation can be a tool to attract consumers. Product differentiation through one or the other way can be a reason to make other brand users to switch to one’s own brand.

References

2. SARANGI, P. THE INDIAN CONSUMER DURABLE MARKET AND AN ANALYSIS OF DEMAND PATTERN FOR MAJOR DURABLES.


