

PRODUCT DIFFERENTIATION

In [marketing](#), **product differentiation** (also known simply as "differentiation") is the process of distinguishing the differences of a [product](#) or offering from others, to make it more attractive to a particular [target market](#). This involves differentiating it from [competitors'](#) products as well as one's own product offerings.

Differentiation is a source of competitive advantage. Although research in a [niche market](#) may result in changing your product in order to improve differentiation, the changes themselves are not differentiation. Marketing or product differentiation is the process of describing the differences between products or services, or the resulting list of differences. This is done in order to demonstrate the unique aspects of your product and create a sense of value.

The brand differences are usually minor; they can be merely a difference in [packaging](#) or an [advertising](#) theme. The physical product need not change, but it could. Differentiation is due to buyers perceiving a difference; hence causes of differentiation may be functional aspects of the product or service, how it is distributed and marketed, or who buys it. The major sources of product differentiation are as follows.

- 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).

The [objective](#) of differentiation is to develop a [position](#) that potential customers see as unique.

Differentiation primarily impacts performance through reducing directness of competition: As the product becomes more different, categorization becomes more difficult and hence draws fewer comparisons with its competition. A successful product differentiation strategy will move your product from competing based primarily on [price](#) to competing on non-price factors (such as product characteristics, [distribution strategy](#), or [promotional variables](#)).

Most people would say that the implication of differentiation is the possibility of charging a price premium; however, this is a gross simplification. If customers value the firm's offer, they will be less sensitive to aspects of competing offers; price may not be one of these aspects. Differentiation makes customers in a given segment have a lower sensitivity to other features (non-price) of the product.

NICHE MARKET

A **niche market** is a focused targetable portion (subset) of a market.

Niche marketing is the process of finding and serving profitable market segments and designing custom-made [products](#) or [services](#) for them

POSITION

In [marketing](#), **positioning** has come to mean the process by which marketers try to create an image or identity in the minds of their target market for its [product](#), [brand](#), or organization. It is the 'relative competitive comparison' their product occupies in a given market as perceived by the target market.

(From Wikipedia)

