

# 6.1

## The selling process

### Product differentiation

Walk into any supermarket to buy a loaf of bread and you are faced with a wide selection from which to choose: white, wholemeal, sliced, unsliced, gluten-free, vitamin enriched, thick for toasting and so on. Providing so many different types of breads is a deliberate selling strategy and is an example of **product differentiation**. This occurs when products that are the same or similar are made to appear different from and/or better than those of their competitors. By achieving this, the seller is able to gain a little more control in the marketplace.

### Factors which differentiate products

The difference could be as simple as changes to the packaging or labelling, or more complex, such as offering top quality service, greater convenience, better **value for money** or products that are environmentally friendly. These factors all play a part in persuading consumers that the product is superior, therefore influencing them to buy it.

#### Comfact

A continual flow of differentiated products such as Diet Coca-Cola, Coca-Cola Zero and Vanilla Coke has kept The Coca-Cola Company number one in the Australian soft drink market in recent years.

### Service

Consumers expect a high level of customer service. Pre-sales and after-sales service are very important to consumers purchasing expensive items such as cars or electrical appliances.

Service may also include the presentation of the premises, the atmosphere, or the range of products that set a business apart and capture the consumer's interest.



*Which café would you select?*

For example, an exclusive restaurant will offer full-table service, an extensive menu and a comprehensive wine list. These features differentiate it from a self-serve bistro.

### Convenience

Because today's consumers are busy, they will often select products that are convenient to use. For example, many consumers do not have a lot of time for meal preparation. Consequently, they will select prepared meals from a supermarket or fast-food store: the 'quick-and-easy' product.

In response, food manufacturers have developed a range of convenience food products. The packaging and cooking requirements are designed to make the preparation as convenient as possible.

### Environmental issues

People are becoming more concerned with 'quality of life' issues, especially the physical environment. Businesses that create pollution may risk losing customers, whereas businesses that adopt a 'green' philosophy and produce environmentally friendly products may see their sales increase. For example, The Body Shop is committed to producing products that are sensitive to environmental concerns. It sells all its products in reusable or recyclable containers, many of which are refillable.

### Value

As a consumer, you want the best value for your money. To satisfy this requirement, sellers will offer and promote a range of products at different prices. For example, Avon cosmetics has introduced a collection of medium-priced cosmetics.

## Social and ethical issues

A growing number of consumers are becoming more ethically minded and will actively purchase products or brands that they believe do not exploit workers, producers or the environment. These consumers want to know more about the way goods are made, including the conditions in the factories and where they come from.

**Ethical consumerism** provides businesses with opportunities to satisfy the demands of this growing number of consumers. For example:

- in response to the dislike of genetically modified (GM) foods by some consumers, various producers are labelling their products as GM-free
- the **Fair Trade movement** is gaining in influence with consumers increasingly prepared to pay more for guarantees of fair labour practices and sustainable, organic products
- the cosmetic industry is delivering more natural products that are not tested on animals.



Guarantees  
a **better deal**  
for Third World  
Producers

<sup>®</sup> *The FAIRTRADE Label guarantees that disadvantaged producers in the developing world receive a fair price for their commodities.*

## Activities

### Understand

- 1 What is meant by the term 'product differentiation'?
- 2 List three examples of products that use the differentiation strategy.
- 3 Examine the two cafés in the cartoon shown opposite.
  - (a) List the features used by 'Chez Paris' to achieve product differentiation.
  - (b) Which café do you think most customers will select? Why?

### Communicate

- 4 In small groups, choose a product or service with which you are familiar and list the types of differentiation strategies used to promote it. Share your answer with the rest of the class. You may wish to prepare this as a PowerPoint presentation.
- 5 Design an A4 print advertisement for a new model mobile phone that highlights its 'exclusive' features. You may wish to use desktop publishing software to present the advertisement with text and graphics.

### Think

- 6 'Environmentally friendly products are just a clever promotional strategy to make purchasers feel good.' Do you agree or disagree with this statement? Give reasons for your answers.

### eBookplus

- 7 In what ways is the Fair Trade movement committed to selling and production practices that are ethically responsible? For help, use the **Fair Trade** weblink in your eBookPLUS.

**Worksheet 6.1** Do advertisements help consumers spend their money wisely or are they just trying to get people to buy goods for the wrong reasons?

## Glossary

**ethical consumerism** buying products that are not harmful to the environment, animals and society

**Fair Trade movement** an alternative method of international trade which promotes environmentalism, fair wages, alleviation of global poverty and a fair price for growers

**product differentiation** occurs when products that are the same or similar are made to appear different and/or better than those of their competitors

**value for money** to obtain the best quality, features and performance for a given price of a product