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# Marketing Success Through Differentiation—of Anything

by Theodore Levitt



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## Marketing Success Through Differentiation—of Anything

by Theodore Levitt

**T**here is no such thing as a commodity. All goods and services are differentiable. Though the usual presumption is that this is more true of consumer goods than of industrial goods and services, the opposite is the actual case.

In the marketplace, differentiation is everywhere. Everybody—producer, fabricator, seller, broker, agent, merchant—tries constantly to distinguish his or her offering from all others. This is true even of those who produce and deal in primary metals, grains, chemicals, plastics, and money.

Fabricators of consumer and industrial goods seek competitive distinction via product features—some visually or measurably identifiable, some cosmetically implied, and some rhetorically claimed by reference to real or suggested hidden attributes that promise results or values different from those of competitors' products.

So too with consumer and industrial services—what I call, to be accurate, “intangibles.” On the commodities exchanges, for example, dealers in metals, grains, and pork bellies trade in totally undifferentiated generic products. But what they “sell” is the claimed distinction of their execution—the efficiency of their transactions in their clients' behalf, their responsiveness to inquiries, the clarity and speed of their confirmations, and the like. In short, the *offered* product is differentiated, though the *generic* product is identical.

When the generic product is undifferentiated, the offered product makes the difference in getting customers and the delivered product in keeping them. When the knowledgeable senior partner of a well-known Chicago brokerage firm appeared at a New York City bank in a tight-fitting, lime green polyester

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*On television we see product differentiation all the time, whether the subject of the commercial is a distinguishable good like an automobile or an indistinguishable good like laundry detergent. These are packaged products. How does the marketer differentiate a so-called commodity like isopropyl alcohol, strip steel, commercial bank services, or even legal counsel? The author describes the attributes of products that give the marketer opportunity to win the customer from the competition and, having won him, to keep him. Finally, the author describes the alert, imaginative state of mind that characterizes good management of product differentiation. “The way in which the manager operates becomes an extension of product differentiation,” he says.*

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suit and Gucci shoes to solicit business in financial instrument futures, the outcome was predictably poor. The unintended offering implied by his sartorial appearance contradicted the intended offering of his carefully prepared presentation. No wonder that Thomas Watson the elder insisted so uncompromisingly that his salespeople be attired in their famous IBM "uniforms." While clothes may not make the person, they may help make the sale.

The usual presumption about so-called undifferentiated commodities is that they are exceedingly price sensitive. A fractionally lower price gets the business. That is seldom true except in the imagined world of economics textbooks. In the actual world of markets, nothing is exempt from other considerations, even when price competition rages.

During periods of sustained surplus, excess capacity, and unrelieved price war, when the attention of all seems riveted on nothing save price, it is precisely because price is visible and measurable, and potentially devastating in its effects, that price deflects attention from the possibilities of extricating the product from ravaging price competition. These possibilities, even in the short run, are not confined simply to nonprice competition, such as harder personal selling, intensified advertising, or what's loosely called more or better "services."

To see fully what these possibilities are, it is useful first to examine what exactly a product is.

## WHAT'S A PRODUCT?

Products are almost always combinations of the tangible and the intangible. An automobile is not simply a machine for movement visibly or measurably differentiated by design, size, color, options, horsepower, or miles per gallon. It is also a complex symbol denoting status, taste, rank, achievement, aspiration, and (these days) being "smart"—that is, buying fuel economy rather than display. But the customer buys even more than these attributes. The enormous efforts of the auto manufacturers to cut the time between placement and delivery of an order and to select, train, supervise, and motivate their dealerships suggest that these too are integral parts of the products people buy and are therefore ways by which products may be differentiated.

In the same way, a computer is not simply a machine for data storage and processing; it is also an operating system with special software protocols for use and promises of maintenance and repair. Carbon fibers are chemical additives that enhance flexuous stiffness, reduce weight, fight fatigue and corrosion, and cut fabrication costs when combined with certain other materials. But carbon fibers have no value

for an inexperienced user without the design and applications help that only the experienced seller can provide.

In thousand-page contract proposals by government contractors or five-page consulting proposals to industrial clients, the product is a promise whose commercial substance resides as much in the proposer's carefully curried reputation (or "image") and in the proposal's meticulous packaging as it does in its physical content.

When the substantive content of the products of competing vendors is scarcely differentiable, sales power shifts to differentiating distinctions by which buyers may be influenced. In this regard, there is scant substantive difference among all that's done by Morgan Stanley & Co., Lockheed, McKinsey & Co., and Revlon. Though each will vigorously proclaim commanding generic distinctions vis-à-vis competitors, each is profoundly preoccupied with packaging—that is, with representing itself as unique. And, indeed, each may be unique, but its uniqueness resides most powerfully in things that transcend its generic offerings.

Take investment banking. Underwriters promise money to issuers and suggest similar promises to buyers. But how these promises are packaged profoundly influences both issuers and buyers. Consider this quotation from a close observer of the industry: "One eminent [U.S. investment banking] house has entrances on two streets, with different stationery printed for each entrance. One door is intended to be more exclusive than the other, and a visitor supposedly can tell the firm's assessment of his or her importance by the entrance indicated on the letterhead of the firm's stationery. . . ."1 Obviously, the distinctions being made are selling devices based on the assumption that VIP treatment of certain visitors at reception will persuade them of VIP results later in actuality.

To the potential buyer, a product is a complex cluster of value satisfactions. The generic thing is not itself the product; it is merely, as in poker, table stakes—the minimum that is necessary at the outset to give its producer a chance to play the game. It is the playing that gets the results, and in business this means getting and keeping customers.

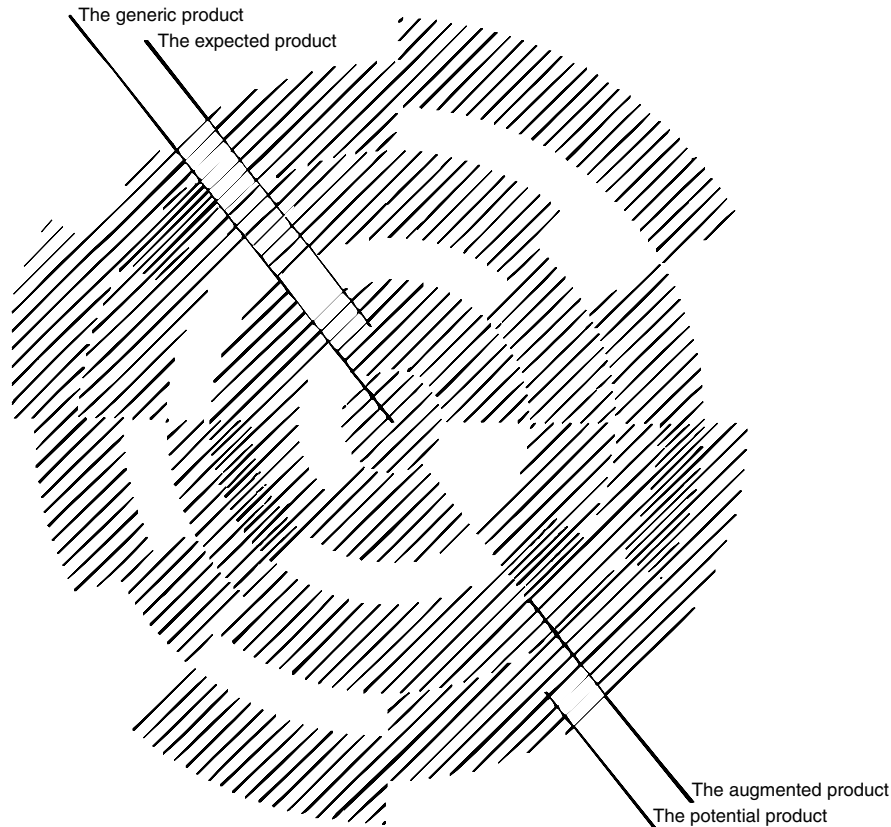
Customers attach value to a product in proportion to its perceived ability to help solve their problems or meet their needs. All else is derivative. As a specialist in industrial marketing has expressed it, "The 'product' . . . is the total package of benefits the customer receives when he or she buys."<sup>2</sup>

Consider the pragmatism of the Detroit auto manufacturers in buying sheet steel. Detroit buys to exceedingly tight technical specifications, but it specifies much more than the steel itself. It also

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**EXHIBIT 1**The Total Product Concept

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demands certain delivery conditions and flexibilities, price and payment conditions, and reordering responsiveness. From year to year, the Detroit companies shift the proportions of steel they buy from their various suppliers on the basis of elaborate grading systems that measure each supplier's performance on the specified conditions, including the kind and quality of unsolicited help on such matters as new materials ideas, ideas for parts redesign, and even purchasing procedures.

Clearly, Detroit buys a bundle of value satisfactions of which the generic product is only a small portion. If, say, the delivery conditions and flexibilities are not fulfilled—or if they are fulfilled erratically, grudgingly, or only partially—the customer is not getting the product he or she expects. If, moreover, one supplier is more effectively active with new facilitating ideas, that supplier's "product" is better than the competition's. Detroit sees with supreme clarity that No. 302, 72-inch, hot-rolled strip carbon steel is not a commodity. It is a measurably differentiated product.

Customers never just buy the "generic" product

like steel, or wheat, or subassemblies, or investment banking, or aspirin, or engineering consultancy, or golf balls, or industrial maintenance, or newsprint, or cosmetics, or even 99% pure isopropyl alcohol. They buy something that transcends these designations—and what that "something" is helps determine from whom they'll buy, what they'll pay, and whether, in the view of the seller, they're "loyal" or "fickle."

What that something is in its customer-getting and customer-satisfying entirety can be managed. To see how it can be managed, it is helpful to look at the process graphically. *Exhibit 1* does this, suggesting that a product consists of a range of possibilities, which I shall now describe.

### The Generic Product

The fundamental, but rudimentary, substantive "thing" that's the table stakes of business—what's needed for a chance to play the game of market participation—is the *generic product*. It is, for the steel producer, the steel itself—or, in the Detroit example, No. 302, 72-inch, hot-rolled strip, or somebody's technical equivalent. For a bank, it's loanable

funds. For a realtor, it's for-sale properties. For a retailer, it's a store with a certain mix of vendables. For a lawyer, it's having passed the bar exam.

Not all generic products are the same. Having passed the New York bar exam is not the same as having passed the Colorado exam. Because of slight differences among automobile company manufacturing processes, one supplier's "302" may, in fact, be "better" than another's. One mill's 302 may take certain coatings more easily or quickly than another's. One supplier may fill orders from a single mill, and another from several. In the latter case, the sheen or hue of the generic product may vary slightly from mill to mill, which makes considerable difference in the case of stainless steel that is used for decorative trim.

In most cases, these differences are not salient. More important are the characteristics of the expected components of the product.

### The Expected Product

In *Exhibit 1* the *expected product* is everything within the outer and inner gray circles, including the generic product. It represents the customer's minimal purchase conditions. What, for example, does the customer consider absolutely essential in strip steel?

1. **Delivery.** At what plants? When? Not just on what day, but at what hours of each day, so as to minimize valuable space for backup stock and to reduce inventory costs? The supplier has to be "logistically even" with the buyer. The proper quantity and flexibility—that is, quick and hassle-free responsiveness to snags in delivery quantities and times—are also expected. Finally, preferential treatment may be specified in case of shortages.
2. **Terms.** Specific prices for specific quantities for specific lengths of time. In the case of a change in list prices, the terms contain negotiable parameters, perhaps linked to such indexes as moving price averages of scrap and other steel-making ingredients over specified periods. The terms may also be reflected in discount structures related to the promptness of payment and add-on provisions for extended payment periods.
3. **Support efforts.** Depending on what the uses of the product are, the purchaser may expect special applications advice and support.
4. **New ideas.** A normal expectation may include suppliers' ideas and suggestions for more efficient and cost-reducing ways of using the generic product in its various intended forms, such as fabrication, coating, and fastening.

All this may be well known, but the underlying principles encompass much more. The failure to fulfill certain more subtle expectations may reflect unfavorably on the generic product. A shabby brokerage office may cost a realtor access to customers for his or her properties. Even though the lawyer performed brilliantly in the bar exam and occupies offices of prudential elegance, his or her personality may clash with a potential client's. A manufacturer's competitively priced machine tools might have the most sophisticated of numerical controls tucked tightly behind an impressive panel, but certain customers may refuse to buy because output tolerances are more precise than necessary or usable. The customer may actually expect and want less.

The generic product can be sold only if the customer's wider expectations are met. Different means may be employed to meet those expectations. Hence differentiation follows expectation.

### The Augmented Product

Differentiation is not limited to giving customers what they expect. What they expect may be augmented by things they have never thought about. When a computer manufacturer implants a diagnostic module that automatically locates the source of failure or breakdown inside his equipment (as some now do), the product goes beyond what was required or expected by the buyer. It has become an *augmented product*. When a securities brokerage firm includes with its customers' monthly statements a current balance sheet for each customer and an analysis of sources and disposition of funds, that firm has augmented its product beyond what was required or expected by the buyer. When a manufacturer of health and beauty aids offers warehouse management advice and training programs for the employees of its distributors, that company too has augmented its product beyond what was required or expected by the buyer.

These voluntary or unprompted "augmentations" to the expected product are shown in *Exhibit 1* by the irregular band that surrounds the expected product.

In every case, the supplier has exceeded the normal expectations of the buyer. In the steel example, it can be done by developing better ways of fabricating and coating the product or by reducing thickness to cut weight. The seller may provide other unexpected but moderately helpful aids, such as new delivery scheduling ideas, more "interesting" terms, different ways of delivering batches so as to reduce the buyer's handling problems and costs, and invoicing systems that give more information about the use patterns of the generic product by the buyer's various plants, divisions, or brands.

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## The Complexity of a Generic Product

Durum is a variety of wheat produced in rather small quantities and almost exclusively in three counties in eastern North Dakota. Its main use is in pasta. Farmers generally deliver the durum in truckload quantities to country elevators, from which it is shipped to processors. In recent years, however, many large farm operations have built their own storage elevators. Using very large trailer trucks, they make direct shipments to the elevators of large users. Thus they not only avoid middleman storage discounts, but they also obtain access to premiums paid by the purchasers for high-quality wheat.

Similarly, country elevator operators in the Great Plains have increasingly organized to take advantage of unit-train shipments to the Gulf Coast and thereby qualify for substantial rail tariff discounts. These arrangements affect the quantities and schedules by

which country elevators prefer to buy and take delivery from growers, which in turn affect how the growers manage their delivery capabilities and schedules.

The prices that elevator operators and processors pay vary substantially, even for identical grades of durum wheat. The elevator operators will pay premiums above, or take discounts from, prices currently quoted or prices previously agreed to with farmers, depending on the results of protein and moisture tests made on each delivery. Wheat users, like Prince Spaghetti Company, make additional tests for farina and gluten content. Premiums and discounts for quality differences in a particular year have been known to vary from the futures prices on commodity exchanges by amounts greater than the futures price fluctuations themselves during that year.

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Not all customers for all products and under all circumstances, however, can be attracted by an ever-expanding bundle of differentiating value satisfactions. Some customers may prefer lower prices to product augmentation. Some cannot use the extra services offered. Steel users, for instance, once dependent on mills for applications help and engineering support, gradually grew sufficiently sophisticated to free themselves of that dependence—a freedom which, incidentally, led to the rapid growth of independent steel distribution centers in competition with the mills.

(Now the centers, which have distinguished themselves from the mills by faster delivery on standard grades and sizes, a wider item mix, and ability to handle small orders, have augmented *their* product by doing more minor fabricating and adding certain specialty steel application services.)

As a rule, the more a seller expands the market by teaching and helping customers to use his or her product, the more vulnerable that seller becomes to losing them. A customer who no longer needs help gains the flexibility to shop for things he or she values more—such as price.

At this point, it makes sense to embark on a systematic program of customer-benefiting, and therefore customer-keeping, product augmentation. The seller should also, of course, focus on cost and price reduction. And that's the irony of product maturity: precisely when price competition heightens, and therefore when cost reduction becomes more important, is when the seller is also likely to benefit by

incurring the additional costs of new product augmentation.

The augmented product is a condition of a mature market or of relatively experienced or sophisticated customers. Not that they could not benefit from or would not respond to extra services; but when customers know or think they know everything and can do anything, the seller must test that assumption or be condemned to the purgatory of price competition alone. The best way to test a customer's assumption that he or she no longer needs or wants all or any part of the augmented product is to consider what's possible to offer that customer.

### The Potential Product

Everything that might be done to attract and hold customers is what can be called the *potential product*. For the steel user, the offering may include:

- Suggested technical changes, such as redesign of a component to reduce weight, add strength or durability, cut lateral flex, improve adhesion and desirability of coatings, or enhance safety.
- Market research findings regarding customers' attitudes toward, and their problems with, the various alternatives to steel (plastics and aluminum, for example).
- New methods and technologies for shaping, forming, and fastening steel to steel, steel to plastics, and the like.
- New ideas for lubricants, noise-reducing materials, buffers, and gaskets.

- Tested proposals for easier, faster, and cheaper assembly systems.
- New ideas for varying product characteristics for various user segments, such as commercial fleets, taxi fleets, and rental companies, each of which has its own buying criteria.
- Concrete, tested suggestions for combining materials like steel and fiberglass.

Only the budget and the imagination limit the possibilities. But what the budget is and ought to be is often a function of what is necessary to being competitive in all the dimensions of the potential product.

Offerings will vary with conditions—economic conditions and competitive conditions. Competition may be a function not simply of what other steel suppliers offer but also of what suppliers of substitute materials offer. Reordering responsiveness is not nearly as important to buyers in good times as in bad—except when a competitor strategically uses the good times (that is, when demand is high and supply short) to accommodate a large prospective customer in order to get a foot in the door.

Economic conditions, business strategies, customers' wishes, competitive conditions, and much more can determine what sensibly defines the product. Nor are the ingredients of the described classifications fixed. What's "augmented" for one customer may be "expected" by another; what's "augmented" under one circumstance may be "potential" in another; part of what's "generic" in periods of short supply may be "expected" in periods of oversupply.

As with most things in business, nothing is simple, static, or explained very reliably by textbook taxonomies. One thing is certain: there is no such thing as a commodity—or, at least from a competitive point of view, there need not be. Everything is differentiable, and, in fact, usually is differentiated. (see the insert, "The Complexity of a Generic Product.")

## THE ROLE OF MANAGEMENT

The way a company manages its marketing can become the most powerful form of differentiation. Indeed, that may be how some companies in the same industry differ most from one another.

Brand management and product management are marketing tools that have demonstrable advantages over catchall, functional modes of management. The same is true of market management, a system widely employed when a particular tangible or intangible product is used in many different industries. Putting somebody in charge of a product that's used the same way by a large segment of the market (as in the case

of packaged detergents sold through retail channels) or putting somebody in charge of a market for a product that's used differently in different industries (as in the case of isopropyl alcohol sold directly to manufacturers or indirectly to them via distributors) clearly focuses attention, responsibility, and effort. Companies that organize their marketing this way generally have a clear competitive advantage.

The list of highly differentiated consumer products that not long ago were sold as undifferentiated or minimally differentiated commodities is long: coffee, soap, flour, beer, salt, oatmeal, pickles, frankfurters, bananas, chickens, pineapples, and many more. Among consumer intangibles, in recent years brand or vendor differentiation has intensified in banking, insurance of all kinds, credit cards, stock brokerage, travel agencies, beauty parlors, entertainment parks, and small-loan companies. Among consumer hybrids, the same thing has occurred: theme restaurants, opticians, food retailers, and specialty retailers are burgeoning in a variety of categories—jewelry, sporting goods, books, health and beauty aids, pants and jeans, musical records and cassettes, auto supplies, and home improvement centers.

In each of these cases, especially that of consumer tangibles, the presumption among the less informed is that their competitive distinction resides largely in packaging and advertising. Even substantive differences in the generic products are thought to be so slight that what really counts are the ads and the packages.

This presumption is palpably wrong. It is not simply the heavy advertising or the clever packaging that accounts for the preeminence of so many General Foods and Procter & Gamble products. Nor is it their superior generic products that explain the successes of IBM, Xerox, ITT, and Texas Instruments. Their real distinction lies in how they manage—especially, in the cases of P&G, General Foods, IBM, and Xerox, in how they manage marketing. The amount of careful analysis, control, and field work that characterizes their management of marketing is masked by the visibility of their advertising or presumed generic product uniqueness.

The branded food products companies advertise heavily, and they work as hard and as closely with their wholesale and retail distributors as do the auto companies. Indeed, often these food companies work with distributors even harder because their distributors handle many competing brands, and the distribution channels are longer and more complex. Most grocery stores, of course, handle a number of more or less competing brands of the same generic (or functionally undifferentiated) product. There are more than two dozen national brands of powdered laundry detergent. The stores get them from a supermarket

chain warehouse or from the warehouse of a cooperative wholesaler, a voluntary wholesaler, or an independent wholesaler. Each of these warehouses generally carries a full line of competing brands.

Though the national brands try via advertising and promotion to create consumer "pull," they also try to create retailer and wholesaler "push." At retail they regularly seek more advantageous shelf space and more advertising support from the retailer. At wholesale they do other things. Some years ago General Foods did a massive study of materials handling in distribution warehouses. Then the company made its results and recommendations available to the trade through a crew of specialists carefully trained to help implement those recommendations. The object, obviously, was to curry favor with the distributive trades for General Foods products.

The company did something similar for retailers: it undertook a major study of retail space profitability and then offered supermarket owners the opportunity to learn a new way of space-profitability accounting. By helping retailers manage their space better, General Foods presumably would gain retailers' favor for its products in their merchandising activities.

Another company, Pillsbury, devised a program to help convenience stores operate and compete more effectively. The object was, of course, to obtain preferential push treatment for Pillsbury products in these stores.

Similar examples abound in branded food marketing:

- The form in which goods are delivered—pallets, dollies, bulk—is often customized.
- When Heinz sells, delivers, and packages ketchup to institutional purveyors who supply hospitals, restaurants, hotels, prisons, schools, and nursing homes, it not only operates differently from the way it deals with cooperative wholesalers, but it also seeks to operate in some advantage-producing fashion different from the way Hunt Foods deals with the same purveyors.
- Some years ago the Institutional Food Service Division of General Foods provided elaborate theme-meal recipes for schools—"safari" meals that included such delectables as "groundnut soup Uganda" and "fish Mozambique." General Foods provided "decorations to help you go native" in the cafeteria, including travel posters, Congo face masks, pith helmets, lotus garlands, and paper monkeys.

### The Case of Isopropanol

Four of the companies I have mentioned (General Foods, P&G, IBM, Xerox) are organized along product or brand-management lines for their major generic

products. IBM and Xerox also have market managers and geographic managers. What differentiates them from others is how well they manage marketing, not merely what they market. It is the *process*, not just the product, that is differentiated.

To see the importance of the process, let's consider the lost opportunities of a company lacking the right process. Take the case of a large manufacturer of isopropyl alcohol, commonly called isopropanol. It is a moderately simple, totally undifferentiated generic product chemically synthesized via a well-known process from gas recovered in petroleum refining. It comes in two grades: crude, which is 9% water, and refined, which is 1% water. In 1970, 1.9 billion pounds were produced in the United States. Of that amount, 43% was bought as a feed stock to make acetone (principally a solvent), and most of the remainder was bought for use in chemicals, lacquers, and protective coatings.

With the introduction of the cumene process, isopropanol was no longer needed in the manufacturing of acetone. Hence in 1970 isopropanol was in vast oversupply. Prices were deeply depressed and expected to remain so for some five years until demand caught up with supply. One of the larger isopropanol companies employed a substantial proportion of its output to make acetone. In 1970 the company sold 310 million pounds of both products to the "merchant market"—that is, directly to manufacturers.

Although the prevailing prices per pound for both acetone and isopropanol were exceedingly low (as low as \$.04 for acetone and \$.067 for isopropanol), later analysis of this producer's invoices showed wide variations around these prices for sales made to different customers even on the same days. Two possible conclusions follow: (1) not all buyers were identically informed about what, indeed, were the "prevailing" prices on each of those days, and (2) not all buyers were equally price sensitive.

Analysis showed further that these price variations tended to cluster by industry category and customer size but not by geographical location. Another breakdown of industry categories revealed still other price segments: manufacturers of various kinds of coatings exhibited different clusterings of prices they had paid. Substantial differences in prices paid also showed up between agricultural chemical producers and biochemical producers. A category called "other" showed a great variety of price clusterings.

All this, however, is a matter of hindsight. No such analysis was made at the time. Had the marketing process been managed well, a product manager would have known these facts. The revealed differences in invoice prices and price clusterings would have led an intelligent and inquisitive product manager to ask:

**EXHIBIT 2**

## Presumed Results of Improved Sales Distribution

Industry and use	Millions of pounds	Additional cash contributions of incremental price points by price increments per pound		
		\$.001	\$.002	\$.005
Acetone	124	\$ 124,000	\$ 248,000	\$ 620,000
Other intermediates	20	20,000	40,000	100,000
Agribiochemical	31	31,000	62,000	155,000
Coatings	86	86,000	172,000	430,000
Other	49	49,000	98,000	245,000
Total	310	\$ 310,000	\$ 620,000	\$ 1,550,000
If 50% had been sold at the premiums		\$ 155,000	\$ 310,000	\$ 775,000
If 10% had been sold at the premiums		\$ 31,000	\$ 62,000	\$ 155,000

1. Who are the least price-aware or price-sensitive among the industry users to whom we sell? What is their size distribution? Exactly which companies are they?
2. Who are the most and the least vendor-loyal—that is, who buys regularly from us, regardless of price fluctuations? Why? And who buys from us only occasionally, largely on considerations of price?
3. Who can use our applications help most? Who least?
4. Who would respond most to our offer of help?
5. Where and with whom could we selectively raise prices? Should we selectively hold prices?
6. How should we communicate all this to the sales organization and employ it in managing the sales forces?

Suppose that by astute management, the sales force had sold largely to the less informed or less price-sensitive industry sectors or customers. Suppose that each customer segment had yielded higher prices of as little as \$.001, \$.002, or \$.005 per pound. What would have been the immediate cash contribution to the company? *Exhibit 2* gives an answer.

If only 10% of total sales had been made for only one-tenth of a penny more than they were, the pretax contribution would have risen \$31,000. If 50% of sales had been raised by this minuscule amount, the yield would have been an extra \$155,000; if 50% had been raised by two-tenths of a penny, the yield would have been \$310,000 extra.

Given the analysis of markets and users that I outlined, such increases seem to have been well within reach. To achieve them, how much would it have been worth to expand the market analysis function into an on-the-spot, on-line differentiating activity guiding the sales organization? Obviously, a lot.

It is this and related kinds of attention to marketing

details that characterize the work of product managers and market managers. Among producers of generically undifferentiated products—particularly products sold as ingredients to industrial customers—the management of the marketing process can itself be a powerful differentiating device. This device is constantly and assiduously employed in the better-managed branded, packaged consumer goods companies.

It is a matter of staying aware of exactly what's going on in the market, of how people use, misuse, or modify their products, of how and where they buy, of who makes buying decisions and how these get modified, and the like. It is a matter of looking continuously for gaps in market coverage that the company can fill, of looking continuously at new ways of influencing buyers to choose one's product instead of a competitor's. In this unceasing effort of management, *the way in which the manager operates* becomes an extension of the idea of product differentiation itself.

Differentiation is most readily apparent in branded, packaged consumer goods; in the design, operating character, or composition of industrial goods; or in the features or "service" intensity of intangible products. However, differentiation consists as powerfully in how one operates the business. In the way the marketing process is managed may reside the opportunity for many companies, especially those that offer generically undifferentiated products and services, to escape the commodity trap.

1. Samuel L. Hayes III, "Investment Banking: Power Structure in Flux," *Harvard Business Review* (March–April 1971): 136.

2. E. Raymond Corey, "Key Options in Market Selection and Product Planning," *Harvard Business Review* (September–October 1975): 119. For an elaboration, see his *Industrial Marketing: Cases and Concepts* (Englewood Cliffs, N.J.: Prentice-Hall, 1976), pp. 40–41; also see Benson P. Shapiro, "Making Money Through Marketing," *Harvard Business Review* (July–August 1979): 136.

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