**DEVELOPING INTERNATIONAL MARKETS**

**LEARNING OUTCOME 3: ACTIVITY 1**

**Pairs Activity**

## **Barriers to Entry; product differentiation**

In pairs, review these examples of product differentiation and complete the tasks that follow:

**Food**

Purchasing food provides examples of product differentiation. Look in the cereal aisle for some wheat flakes and you'll likely have two options - generic wheat flakes, probably packaged in fairly plain packaging, or perhaps a brand name like ‘Wheaties’, the 'breakfast of champions’ found in some countries. What is the difference between the generic wheat flakes and Wheaties? Some consumers say there’s very little difference in flavour; however, Wheaties is differentiated by its packaging if nothing else.

**Online search engines**

Another good example of product differentiation relates to online search engines. In the early 2000s, Google began taking over this business. Before Google, there was a variety of options to use. Whilst most of those search engines would give you the same, adequate results, they also all followed the same presentation.

Google's differentiation strategy was twofold. Firstly, simplicity: Google was minimalistic. When you went to Google.com, you saw two things: the name 'Google' and a box where you could type your search term. The second differentiation was the algorithm used to find the results that would be returned to the user. This would come to be a very important differentiation, but one that the end user wasn't always aware existed.

In pairs, prepare a short presentation (approximately 5 minutes long) to share with the class. Cover the following three points:

* Why companies use product differentiation.
* The advantages and disadvantages of using product differentiation.
* Examples of companies that have successfully used this strategy and how they did so.