CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Branding has been at the forefront of consumerism for over a century and has become one of the key components to a successful business. The definition of corporate branding according to Balmer and Gray (2003) states that corporate brands are marks denoting ownership, image-building devices, symbols associated with key values, means by which to construct individual identities and a conduit by which pleasurable experiences may be consumed. Branding has become the cornerstone of corporate success. The idea of creating a brand and reputation that the consumer can relate to and want to be a part of is a necessity for every business or organization today.

In today's increasingly competitive marketplace, a brand's point of view must be distilled to the clearest message possible to gain the attention of its target market. Brands must stand out not only by being different but by being authentic. By individualizing yourself from the competition in a way that's relevant to your target customers, you can create advocates, establishing credibility and ultimately increasing your loyalty aspect and market status. To firms, brands represent enormously valuable pieces of legal property that can influence consumer behaviour. A brand can be defined as a set of tangible and intangible attributes designed to create awareness and identity and to build the reputation of a product, service, person, place, or organization. The objective of branding strategy is to create brands that are differentiated from the competition, thereby reducing the number of perceived substitutes in the marketplace, increasing price elasticity, and improving profits. Branding strategies are built on the interdependent frameworks of competitive brand positioning, value chains development, and brand equity management. Brand promotion has advantages for branders as well as customers. A good brand reduces the marketer's selling time and effort and sometimes a firm's brand name is the only element in its marketing mix that a competitor cannot copy. Also good brands can improve the company's image speeding acceptance of new products marketed under the same name. Thus branding can be seen as a powerful means to secure a competitive advantage.

Brand differentiation is a process undertaken by companies who seek to ensure their brand stands out from their competitions'. By singling out unique qualities your product offers and promoting them in a way that best targets your consumers, you are likely to gain a competitive advantage over your rivals, which, in turn, should equate to increased market share. Brand differentiation does not relate to your logo, tagline or slogan. While these elements can distinguish your corporation appearance wise, they do not necessarily set you apart for your competitors. Brand differentiation, therefore, focuses on what you can offer your customers. To differentiate yourself from similar retailers, in essence, you need to be able to provide something your competition does not.

Beyond deciding which segments of the market it will target, the company must decide on a value proposition, that is, how it will create differentiated value for targeted segments and what positions it wants to occupy in those segments. Companies must pursue relevant differentiation and positioning, each company and its product must represent a distinctive big idea in the mind of the target market. Given the many brands available in the market place, a company must carefully consider both the strengths and the weaknesses of competitors when developing marketing strategy; this is to aid the product positioning task.

The differentiation and positioning task consists of three steps:

1. Identifying a set of possible differentiations that create competitive advantage,
2. Choosing the right competitive advantages and
3. Selecting an overall positioning strategy.

In essence, product positioning extends market segmentation by defining the market target that management intends the firm to penetrate. It establishes the segments at which the firm intends to focus its marketing efforts; this is the segments where the firm is most likely to have a competitive advantage. Consumers are overloaded with information about products and services, to simplify the buying process, consumers organize products, services and companies into categories and “position” them in their minds. But marketers do not want to leave their product’s position to chance, therefore, they must plan positions that will give their products the greatest advantage in selected target markets and they must design marketing strategies to create these planned positions.

According to Michael Porter, the author of “Competitive Advantage,” “Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it.” There are two basic types of competitive advantage: cost leadership and differentiation.

Competitive advantages are associated with various factors, including quality, branding, cost structure, intellectual property, technological innovation, or customer service. They enable a company to provide customers with products or services of higher value than the competition, generating higher margins or more sales.

The key to superior performance is to gain and hold a competitive advantage. Firms can gain a competitive advantage through differentiation of their product offering which provides superior customer value or by managing for lowest delivered cost. These two means of competitive advantage when combined with the competitive scope of activities result in four generic strategies: differentiation cost leadership, differentiation and cost focus. Differentiation strategy involves the selection of one or more choice criteria that are used by many buyers in an industry. The firm then uniquely positions itself to meet these criteria. Differentiation gives customers a reason to prefer one product over another. In order to create a differentiated position, a firm need to understand the nature and location of the potential sources of competitive advantage. The nature of these sources are the superior skills distinctive capabilities of key personnel that set them apart from the personnel of competing firms and the superior resources of a firm- tangible requirements for advantages that enable a firm to exercise its skills, it includes the number of sales people in the market, expenditure on advertising and sales promotion, distribution coverage, expenditure on research and development, financial resources, brand equity and knowledge. These skills and resources are translated into a differential advantage when the customer perceives that the firm is providing value above that of the competition.

The objective of positioning is to create and maintain a distinctive place in the market for a company and its products, but to compete successfully in a target market involves providing the customer with a differential advantage. This differential advantage can be created using the marketing mix;

Product: Brands were differentiated based on product performance in areas of speed, comfort and safety levels, capacity and ease of use or improving taste or smell. Product development was a cornerstone of corporate activity, and continual product improvement was an acknowledged objective for any brand marketer. However, while companies still invest heavily in research and development and still seek a product performance edge wherever it can be found, it is a marketing maxim that differences in performance now are often minimal at best.

Distribution: Lacking meaningful product performance differences, marketers have traditionally emphasized another marketing resources; wide distribution coverage and or careful selection of distributor location to provide convenient purchasing for customers. In other words, products that are conveniently available will all other things being equal be chosen most often.

Promotion: The most commonly pursued marketing solution lies in the area of brand communications, advertising and promotions. At a time when products perform in similar ways when availability differences are often minimal and when price differentiation may be only temporary, powerful advertising messages, creatively carving a sustainable and unique position in the minds of a receptive audience.

Price: Pricing has been another marketing tool often used to establish differentiation. The challenge, however, is how to "own" a real (or perceived) long-term price advantage. Short-term offers, deals, and price promotions can provide a brand an apparent price advantage and the appearance of differentiation.

However, as the acknowledged goal of brand marketing is to build customer loyalty a short term advantages or a temporary point of differentiation is simply not sufficient. Sustainable differentiation is required. If the sustainable differentiation is to be based on price, and is to be owned over time, the marketer must occupy the "low-cost provide" position. Thus, price as well as product performance is not what differentiates these brands. So, price is what keeps customers coming back or keeps them from leaving. The end result of differentiation and positioning is however, the successful creation of a market focused valued position.

1.2 Statement of the Problem

The importance of brand differentiation in consumers' psyche has been debated in both academia and industry for over 20 years. Proponents of brand differentiation argue that consumers value brands that are different to competitors and are willing to pay more for them (Keller, 2013; Hollis, 2015), while opponents argue that differentiation is inferior to other brand success drivers such as salience and that consumers make purchases regardless of differentiation (Romaniuk et al., 2007; Sharp, 2010). Despite the uncertainty about whether differentiation matters to consumers, many brands have adopted differentiation as a key business strategy. The alternate view questions the relevancy of differentiation in purchase and loyalty creation, as well as the ability to attain sustainable differentiation altogether (Bendixen, 2011; Romaniuk et al., 2007; Sharp, 2010). Opponents to differentiation favour salience and awareness as key branding objectives on the basis that constant technological disruption and overpopulated categories leave fewer opportunities for differentiation (Di Somma, 2015).

Another academic study of brands in both the United Kingdom and Australia (Romaniuk et al., 2007) found that most consumers do not perceive most brands to be differentiated, yet still consume them. The findings revealed that only 17% of current customers of the brands tested in a wide range of categories report the brands as either different or unique, even though most are well-performing brands. Products should be positioned in a particular market segment as products positioned in the wider market to appeal to all were not able to establish in the marketplace (Trout &Ries, 1972). Treacy&Wiersema (1993) supported this as they pointed out that industry leaders are focused in the narrow market segment. But Miles & Slow (1978; cited by Morgan &Strong, 1997) pointed out that 'Prospector' firms are opportunistic and show interest in new and broader markets.

Trout &Ries (1972) suggested that it is extremely difficult for a company serving in any product category to establish a position in a different product category as evidence from the industries confirmed that transfer of skills to other products or marketing situations was not successful. This view is not always acceptable as existing competitive advantages could be used to build sustainability (Ghemawat, 1986) and competences could be enhanced if they are applied and shared. (Hamel &Prahalad, 1990).

Many of the research studies on brand positioning have not specifically been concerned with the relationship and the interplay of specific factors and their association to competitive advantage success and failure. In order to determine factors to be considered by organizations in their brand positioning strategy, and the factors contributing to competitive advantage additional research is required.

In a competitive business world, companies should constantly examine and re-examine their products and services in order to serve their customers better. The strategies that worked and improved performance last year may not work well this year. Brand differentiation and positioning are key parts of a company's marketing strategy and are necessary to keep ahead of competition. They also require an innovative spirit coupled with careful analysis. Therefore, for companies striving to gain a foothold in competitive markets, creating a valuable brand is not a choice but a need (Nguyen et al. 2019). Although, some studies, such as Romaniuk et al. (2007), Winzar et al. (2018) and Ahmed and Latif (2019) investigated these issues but have not considered their effect on brand competitiveness. Thus, according to current academic literature we believe that, economics competitiveness can determine brand value and foster the marketing and strategic orientation of the brand, to achieve higher competitiveness.

One major issue with many differentiation strategies today is inflexibility. These strategies often lack provision for the possibility of competitive response and, once in place, cannot easily adapt to a changing marketplace. And since customer needs change over time, companies must constantly scrutinize the market landscape, assess their core strengths in meeting changing needs (relative to competitors') and, if necessary, change their differentiation-positioning strategy to stay ahead of the competition.

In reality, the primary goal of firms pursuing a differentiation strategy is not only to differentiate their products or to offer consumers variety, but to produce a better product that the consumers would buy in preference to competitor’s products. In effect differentiation enhances competitive advantage by making customers more loyal and less price sensitive to a given firm‟s product. Additionally, consumers are less likely to search for alternative products once they are satisfied with the firm’s product(s). It can therefore be concluded that sustainable competitive advantage revolves around differentiating the firm’s product from the competitors along attributes that are important to consumers (Barone and DeCarlo, 2003).

Companies developing positioning strategies should first determine attribute and images of competitor exactly and accurately. Then they must designate a positioning strategy for the product to make it distinct and desirable. The goal is not only to produce products that are not in competition with others but are desired by consumers. In doing this, the company must provide answers to the following questions: What kinds of differences exist in the products and services offered to target market from the competitors? What is their strength and preference for consumers? Answers to the above questions will guide the formulation and implementation of strategic planning regarding the choice of differentiation and positioning strategy. In a nutshell, differentiation and positioning are important to the consumer perception of companies and by implication the financial success of firms. If a firm does not differentiate its offerings and position them distinctly in the minds of consumers, then the option available is price competition rather than non-price factors (such as product characteristics, distribution strategy, or promotional variable).

Differentiation strategies are based on providing buyers with something that is different or unique, and makes the company’s product or service distinct from that of its rivals. The major assumption behind a differentiation strategy is that customers are willing to pay a premium price for a product that is distinct (or at least perceived as such) in some important way. Superior value is created because the product is of higher quality, is technically superior in some way, comes with superior service, or has a special appeal in any perceived way. Differentiation strategies offer highly profitable when the price premium exceeds the costs of distinguishing the product or service. Examples of companies that have successfully pursued differentiation strategies include Mercedes and BMW in automobiles, American express in travel services, J.P Morgan Chase in investment banking etc.

The cost structure of a firm pursuing a differentiation strategy must be carefully managed, although attaining low-unit costs is not the overriding priority. A firm pursuing differentiation strategy must therefore aim at achieving cost parity or, at the very least, cost proximity relative to competitors by keeping costs low in areas not related to differentiation and by not spending too much to achieve differentiation. Also, differentiation is not an end in itself; companies must continue to search for new ways to improve the distinctiveness or uniqueness of their products/services.

Any potential source of increasing customer value represents an opportunity to pursue a differentiation strategy. Buyer value can be increased or made more distinctive through severalapproaches, including

i. Lowering the buyer’s cost of using the product,

ii. Increasing buyer satisfaction with the product, and

iii. Modifying the buyer’s perception of value.

The concept of competitiveness has been studied by researchers from a variety of perspectives using different methodologies. Though there is a large volume of literature on the subject, there is a dearth of systematic reviews of the extant literature. This paper is an attempt in that direction. It presents a classificatory scheme using two dimensions level of analysis (industry and firm) and types of variables used to explain competitiveness. The implicit and explicit research questions addressed and issues related to definition, measurement and sources of competitiveness at various levels are also discussed. It is suggested that given its complexity an eclectic approach combining different schools of thought and using multiple measurement schemes would be appropriate for doing research on competitive advantages.

1.3 Research Questions

This study will be guided with the following question:

I. . Does brand differentiation influence competitive advantage?

II. What is the effect of positioning on competitive advantage?

III. .

IV.

1.4 Objectives of the Study

The major objective of this study is to investigate the effect of brand management and the competitive advantage of manufacturing companies**.** Other specific objective is to**:**

1. To examine the effect of brand differentiation on competitive advantage.
2. To investigate the impact of brand positioning on competitive advantage.
3. **.**
4.

1.5 Research Hypotheses

$H0_1$: There is a positive relationship between brand differentiation and competitive advantage.

$H0_2$: There is a positive relationship between positioning and competitive advantage.

1.6 Significance of the Study

A few significant changes have occurred over the past several years to identify the impact of brand differentiation and positioning in the marketplace. Brand differentiation and positioning today, has aided companies effectively enjoying maximum competitive advantage against its competitors in the marketplace.

The significance of this study is to benefit both the consumers and companies in identifying effective differentiation and positioning strategies.

1.7 Scope and Limitation of the Study

This research is focused on brand differentiation and positioning and competitive advantage in the marketplace. Therefore, this research will be limited to INDOMIE NOODLES.

1.8 Definition of Terms

Brand: Brand has also been conceptualized as a bundle of tangible and intangible features which increase the attractiveness of a product or service beyond its functional value (Farquhar, 1989; Park and Srinivasan, 1994).Levitt (1962). This is a name, term, sign, symbol or design or a combination of these that identifies the goods or services of one seller or group of sellers and differentiates them from those of competitors.

Differentiation: This is defined as the act of designing a sort of meaningful differences to distinguish the company's product from products of competitors. It involves actually differentiating the product to create superior customer value.

Positioning: Myers (1996) definition "Positioning refers to the problem of differentiating one's own product/service from other competing entries in the market place". Likewise, Zikmund and D'Amico (1989) define "Positioning as a process to identify salient product characteristics that differentiate the brand from competitive brands".

A product's position is the way the product is defined by consumers on important attributes; the place the product occupies in consumer's mind relative to competing products.

Competitive Advantage: According to Porter (1980) Competitive advantage is at the heart of a firm's performance in competitive markets. Competitive advantage means having low costs, differentiation advantage, or a successful focus strategy. Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. This refers to a company's ability to perform in one or more ways that competitors cannot or will not match.

It can also be defined as an advantage over competitors gained by offering consumers greater value, either through lower prices or by providing more benefits that justify higher prices.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.0.1 Differentiation Strategy

According to Porter (1980) differentiation is one of the generic strategies that a firm can adopt to gain a competitive advantage in the marketplace. Differentiation involves offering something that is distinct from competitors, such as superior service, higher quality or an attractive design. Differentiation serves two purposes: it provides customers with a reason to choose the company's product over a competitor's and it allows a firm to charge a premium price , because consumers are willing to pay more for products they perceive as providing specific benefits that are lacking in competing products. There are many different