

# Brand Differentiation in Industrial Sector Context: Empirical Review and Case Evidences in Sri Lanka

Munasinghe, A., Doctoral Student, University of Kelaniya, Sri Lanka  
anil@kelanicables.com,  
Dissanayake, D.M.R.

Senior Lecture, Department of Marketing Management, University of Kelaniya, Sri Lanka  
dmravidissa@gmail.com/ravi@kln.ac.lk

**Abstract:** This paper reviews theories, models and empirical insights on brand differentiations alongside briefing to industry practices in Sri Lanka. Prior researches have provided a ground reviewing brand differentiation strategies, but this paper attempts to highlight the practice notions in Sri Lankan market in line with the empirical evidences. Literature review was the main strategy followed in building empirical explanations whilst industry-related cases were brought to the paper. Authors conducted some interview with industrial sector corporate managers and professionals to reveal the industry-related practices executed on brand differentiation in Sri Lanka. Besides the empirical evidences, it referred some research reports carried out by companies to provide industry-related research insights to rationalize some arguments. Managers in industrial and consumer durable sector organizations could associate the insights of this paper in patterning respective competitive strategies and brand building strategies to earn effective brand-related behaviors. Authors suggest future research propositions referring industry-related cases in the scope of brand differentiation.

**Key Words-** Brand Differentiation, Brand-Related Behaviors, Competitive Strategies, Industrial Products, Sri Lanka

## 1. Introduction

Differentiation is regarded as one of the core principles of marketing theory and practice. Prime objective of marketer is to differentiate their brands from others, then they can face the competition with minimum resistance. Differentiation is noted in the parental theories and models connecting to competitive advantages (Porter, 1980; 1985). The efficiency of marketing strategies directed to branding can be measured on how far the said brand is differentiated from the rest of others in the category. It is noted that marketers should be judged on how well they differentiate their brands (Fulmer & Goodwin, 1998; Levitt, 1980). The critical importance of brand differentiation provides many valid reasons for marketing sphere including creating motivational perspectives, building reason to buy whilst earning differentiation in the marketplaces (Romaniuk, Sharp & Ehrenberg, 2007; Sharp & Dawes, 2001). Differentiation is well linked with the notion of positioning strategies. A successful positioning strategy is linked to firm's key capabilities. (Fuchs &

Diamantopoulos,2010), first it has to decide from which area brand is going to differentiate whilst determining competency to deliver desired outcome continuously from the said area, namely; quality, price and service. Brand equity is assisted by the different ways related to branding, packaging, advertising, in-store displays, and sponsorships to convey the emotional and rational judgments as mentioned by Keller (2003). Brand differentiation needs to create, refresh or reinforce consumer memory structures in order to build consumer based brand equity or to facilitate actual purchase by making the brand easier to locate (Aaker, 1996; Keller, 2003).Accordingly, the notion of differentiation is reflected to be one of the aged concepts, but still finds validity in the empirical scopes and practice realities. Brand differentiation in the context of industrial product scopes or durable product contexts in Sri Lanka has been noted as the niche of this paper. There are studies found explaining industrial sector as a less studies scope in relation to brand-related behaviors and performances in Sri Lanka (Dissanayake, 2014; Gunawardane, Dissanayake & Munasinghe, 2016).

Thus, we attempt to overview how differentiation is referred in deferent contexts whilst highlighting industry related cases found in Sri Lanka for differentiation strategies. We followed a comprehensive literature review as the main research strategy whilst conducted some semi-structured managerial discussions to get exposed to industry strategies and performances. It has scoped the study to review the industrial sector cases in Sri Lanka including cables, tiles and PVC pipes. Research studies carried by corporate sector organizations were also associated to build arguments on the industry practices in Sri Lanka.

### **1.1 Scope of the Study: Industrial Product Cases**

Besides the review on theoretical or empirical evidences, this paper presents practice-related realities of brand differentiation strategies adopted by the industrial organization in Sri Lanka. Researchers approached to different institutions to get the managerial insights on current leverage of the brand communication. Accordingly, cables, PVC and tiles were opted as the key industrial segments to review the brand differentiation practices executed (Dissanayake, 2014). Kelani Cables is one of the leading manufacturers in Sri Lanka and their brand has been differentiated by safety, and company needs to have strategic competency to deliver its value differentiation of safetyvia utmostquality (Dissanayake, 2014). When sourcing raw materials, manufacturing process and finishedproduct undergo

strict quality controls with the intention of achieving the brand promise. When it comes to housing construction, electrician plays an influential role in the buying process of cables (Market Assessment Report of Kelani Cables PLC, 2016). As it reflects in the semi-structured interviews had with industry experts, tiller plays an influential role in tile businesses whilst plumbers influence the decisions to PVC conduits for water supplies. Dealer also plays an opinion leader role up to the certain level but not up to the electrician, plumber or tiller level (Market Assessment Report of Kelani Cables PLC, 2016). The extended interviews had with Sri Lankan industrial sector opinion leaders confirmed the roles of Purchasing Manager, Electrical Engineer and Consultant as an intensive influence on buying decision of the owner of the project. Electrician, plumber and the tiller also in the loop and their influencing power is lesser compared to said three categories.

In Sri Lankan context, below-the-line (BTL) activities are more important than above-the-line (ATL) for differentiation of their brands. Cable producers execute promotions aimed at Consultants, Electrical Engineers and Purchasing Managers are important in project sector and required standards are also major requirement of their differentiation strategies in the cable market (Dissanayake, 2014). Especially in the project sector, companies have to get all the required standards and third party test reports for their eligibility of tenders in qualifying for special projects. Product range availability and shorter lead time are some of their differentiation strategies when it comes to large orders. Services that company provide are also one of their brand differentiation strategies found in the cable market and tiling sector. For special orders, companies deliver products for requested projects on free of charge basis. Moreover, free technical service assistance were also provided whenever necessary. As it denotes in the expert discussions, on time delivery is much more important for orders to enable relevant contractors meeting their expected deadlines planned in projects.

Brand visibility and the availability are the key factors to achieve competitive advantage over competitors in the retail sector. It has found ACL cables and Kelani Cables are the leading brands that are differentiated on competitive edges against the rest in their category (Market Assessment Report of Kelani Cables PLC, 2016). Meanwhile, the interviews had with the industry experts confirmed how Lanka tiles and Rocell as two major brands in tile category entertained competitive advantage by opening show rooms island

wide as a notion of service differentiation. The place value or convenience is a critical matter in differentiating a brand ( Kotler & Armstrong,2014). Moreover, S-Lon and Anton are the highlighted cases in Sri Lanka as major brands in PVC pipes category that maintain product availability and visibility to get the competitive advantage over the competitors.

## **2. Brand Differentiation Approaches**

Brand differentiation has been reviewed in the undermentioned topics to denote difference facets on differentiation whilst industry –related cases are presented supportively.

### **2.1 Service Related Differentiation.**

Firstly, it needs to find out the strengths of the company before differentiating their product. Technical service, product knowhow, timely delivery and aftersales service, online ordering are mainly considered as services expected from the industrial brands. Manufacturing companies have started adding more services to their total offerings as part of a differentiation strategy (Gebauer, Edvardsson, Gustafsson & Witell, 2010; Neu & Brown, 2005; Olive & Kallenberg, 2003). Manufacturing companies are thinking not only to innovate but also invest on service differentiation as customers are keen on services ever before. Through service differentiation, company can take advantages of strategic, financial and marketing opportunities over to their close competitors in the category. If it compares industrial products with other consumables, customer may purchase industrial brand once in a life time. If Companies have not differentiated their service, they cannot expect to recommend their brand to a third party and it will be difficult to create loyal customers.

### **2.2 Brand Differentiation through Innovation**

Innovation is also one of the key strategies to differentiate your brand. Innovation may be product related innovation, service related innovation, process related innovations etc... Manufacturing companies should become customer centric and innovative to survive in the market. Local industrial brands have competition with local brands and foreign or imported brands. If local brands are not innovative enough, they cannot survive in the long run as foreign brands are investing heavily on innovation and many of them consider it as their strategy.

Most important factor for new product success is to create the meaningful differentiation that provides customers with superior values beyond what the competitor can offer in the same industry (Porter,1985) and more than 50 percent of annual sales in consumer product industries including automobiles, biotechnology, computer software, and pharmaceuticals are attributed to such meaningful brand differentiation by including new or noble attributes (Schilling & Hill, 1990). Global brands, Apple iPhone and Samsung smart phones, both brands continue to enjoy the attention of the consumer through their respective brand identities backed by consistent innovation in terms of functional capabilities and technological advancements (Dissanayake & Amarasuriya, 2015). When it compares to other developed and developing countries, Sri Lanka has less focused on innovation due to lack of innovative culture in the country. When it comes to industrial sector companies, it is difficult to convince for allocating budgets for innovation. Due to said reason, local companies are more into service and process related innovations rather than product related innovations. On the other side, local companies are putting more attention for coping rather to innovation as companies have not developed systems and motivational schemes for product innovations.

### **2.3 Brand Differentiation through Opinion Leaders**

Opinion leaders play their role when people look for product to purchase, use and to evaluate before they buy or dispose of products and services in which they expect to satisfy their wants and needs. Dalrymple, Shaw & Brossed (2013) have done a substantial number of empirical studies in which they have established that opinion leaders have statistically significant influence on the individual behavior of other people. Additionally, Chakrabarti (2013) and Gielens (2012) affirm that opinion leaders play a major role in influencing the way opinion seekers behave or act with respect to making purchases in the service and goods market. Accordingly, purchase of cables is done through technical advice as it reports to be high-tech related context, for instance, electricians refer the sizes, varieties and the length of cables. The electrician also has an influencing power up to a certain level and dealers also have the same. It is found out that 38% of electricians had influencing power over their customers to buy their recommended brands of cables (Research Consultancy Beuro, 2013). Cable manufacturing companies have adopted different kind of promotional strategies for electricians and dealers to get the brand recommendation in favor of them.

Those promotional strategies immensely worked and helped individual brands to differentiate themselves.

As per the insights disclosed in the semi -structured interviews held by the authors with tile sector experts in Sri Lanka, Rocell and Lanka Tiles are the major two local manufacturers as they have differentiated individual brands by increasing availability and visibility through opening up showrooms in many strategic locations in the country. Through dealer channels, customer can buy the product and dealer has little influencing power for selection of brands. The role of buying influencers is a significant matter in industrial and durable product sectors, whereas small timers focus on key buying influencers whilst large scales target multilevel options (Kotler, Keller, Koshy & Jha, 2009). Connecting to Sri Lankan cases, tile manufacturing companies also carry out different kinds of promotional strategies for differentiation connecting to respective brand stakeholders including designers, tillers and middlemen as purchasing influencers. In PVC pipes market in Sri Lanka, S-Lon and Anton are the major two local brands due to increasing visibility and availability over the period of time, both have become top of the mind brands in the category, as how Keller (2003) mentioned the importance of salience in developing customer based brand equity. Moreover, Tiller and the dealer also can influence the customer to purchase their required brands and both companies have executed different kind of strategies to get their recommendations with the idea of differentiation of their individual brands (Market Assessment Report of Kelani Cables PLC, 2016).

## **2.4 Brand Differentiation through Brand Positioning**

Brand positioning is a strategic decision in an organization and once the brand is positioned among the minds of stakeholders, all the respective marketing activities should be aligned with the said positioning strategy. Many firms struggle to make branding and differentiate their solution offering successfully (Shankar, Berry & Dotzel, 2009). When it comes to Sri Lankan context, Cables are positioned on quality, safety and durability in their mind and PVC pipes are noted as positioned by quality, trust and durability. Tile brands have been positioned by quality and designs in the consumer's mind. Some brands are much more differentiated than others, meaning that their customer base is more loyal and less sensitive to actions of competitors. This may result in greater profitability. According to Fuchs &

Diamantopoulos (2010), specific positioning strategies might work better with some customer segments while ignoring others. Industrial product manufacturing companies always try to keep close relations with their clients by visiting them and organizing various activities to interact with them. Sole objective of doing this is to maintain market share with them (Davis, et.al.2008). In industrial markets, personal interaction with customers plays a major role in the actual brand positioning, and every interaction between a firm and its stakeholders becomes an input to a brand image. This finding also ultimately leads to increase or maintain required market share.

### **3. Role of a Company in Differentiating Brands**

Markets become highly competitive and companies wanted to put more energy to differentiate their brands. Brand must be perceived as different in order to win market share which means customer must have a reason to start buying the brand. Brand needs to be a resonance or a bridge of loyalty as it refers in the customer based brand equity (Keller, 2003). Sri Lankan companies use various strategies to differentiate their brands to survive in the market. When considering cables, ACL cables brand has been differentiating on technology advancement and new product development whilst Kelani cables brand has differentiated as safest cables and maintaining quality. In the PVC pipe market, S-Lon has differentiated as highest quality and trusted pipes and Anton on quality and reliable platform. In the tile market, Lanka tiles as quality, reliable, trust and more designs whereas Rocell differentiated as fissionability, image and lifestyle benefits against the rest. Said differentiated brands maintain considerable market shares while achieving reasonable margins. Once the brand is differentiated, it must be perceived by the customers and differentiated brands would be less price sensitive (Ries & Trout, 1986). Thus, differentiation has to be perceived by customers as a relevant benefit whilst price factor becomes no main reason to buy. We argue the matter why companies intensively rely on price other than positioned brand differentiations when the market turbulence takes place. This alarms directions to future studies examining the power of the influence differentiated attributes on brand –related behaviors. In general, it finds empirical gaps in Sri Lanka on brand evaluation and brand –related behaviors against the noted practice-related evidences (Dissanayake, 2015; Gunawardane, et.al.2016). The new entrants find very much difficulties to get access when there are differentiated brands



available in the market. It denotes that meaningful perceived difference provides buyers reason to purchase and be loyal to the brand (Aaker, 2001; Kotler, 1994). Companies need to play a holistic role in creating sustainable differentiation stages for their respective brands by focusing to both emotional and rational contents. Whilst emotional factors are highlighted, it needs to develop its value chain to sustain the performance and judgment related matters to create logical base brands to be believed by market targets (Keller, 2003). The role of value process as an integrated business model could lead organizations to create brand differentiation as a logical base. As it finds in the case-related discussions had with industry practitioners, we highlight the role of research & development, production process, quality assurance and brand citizenship behavior in gearing employee moral to commit for the brand value chain and the resource allocation for building brands with corporate leadership as the needful in developing brand differentiations. One of the cases we found in the extended interview carried out was the brand synergy potentials of ACL and Kelani Cables as it is a context of acquisition. Kelani Cable is a brand acquired by ACL Cable, but currently both brands dominate the market with substantial portions whilst positioned in the market with different value propositions. Both brands are competitive in the market as head to head to competitors (Market Assessment Report of Kelani Cables PLC, 2016). We suggest the possibility of those two brands to have strategic fit in their backward value chain process whilst keeping their competitive strategies in the market as a growth strategy. However, it all depends on how corporate level strategies and leadership create the rationalized synergy approach with structural strategies. This is one of the rare cases found in Sri Lanka that demands innovative thinking option for radical corporate focus in building and sustaining brand differentiations against competitors.

Strong brands are considered as a key success factors and one of the most valuable intangible assets. It refers that B2B firms differentiate their brands through offerings (Keller & Lehmann, 2006). Some brands are much more differentiated than others, meaning that their customer base is more loyal and less sensitive to actions of competitors. Brand management is highly important for industrial firms as it contributes positively for B2B firms to make brand orientation leading to economic performance (Baumgarth, 2010). Sri Lankan industrial marketing practices are found focusing to intermediaries and forming opinion leadership. The cases we reviewed in this study revealed promotional campaigns are carried out for



electricians,plumbers,tillers,painters and technicians to develop holistic brand association strategies to reach end users. However, comprehensive studies need to be carried out to evaluate the effectiveness of those initiatives on brand evaluation and brand-related behaviors that holistically reflect the marketing return on investment.

#### **4. Conclusion and Notions for Future Research Directions**

This paper reviews the different empirical thoughts found to claim how differentiation is practiced in different product contexts and application scenarios. Further, paper attempted to highlight the Sri Lankan industrial sector cases namely Cables, PVC pipes and Tiles to explain their respective practices in the scope of differentiation. Supportively, foresaid industry cases are implementing the brand differentiation strategies as it finds unique to their respective markets. However, empirical evaluation on those sectors are found less to comprehend how brand building initiatives resulted brand-related behaviors. Usually, Sri Lankan brands are claimed to be less assessed in terms of empirical studies to evaluate the respective effectiveness of brand building strategies and stimulus implemented in different markets including services sector (Dissanayake, 2015; Gunawardane, et.al.2016).

Moreover, managerial implications are addressed by this study emphasizing the strategic importance of associating holistic branding approach to create brand differentiation. The roles of opinion leaders and intermediaries are a critical matter in sustaining a business model in industrial product scopes including tiles, cables and PVC pipes sectors as indicated in the paper. Additionally, marketing practices are seemed intensive in the paint segment of Sri Lanka as it involves in head to head brand competitions and brand association building events including relationship marketing with painters. Thus, managerial implication is emphasized to strategically plan and execute the professional word of mouth (WoM) and opinion leadership building in line with the other brand equity building initiatives with emotional and rational contents (Keller,2003).Meanwhile, it reveals that four segments of the industrial sector brands have spent Rs4.1 billion only for above-the-line (ATL) during the year 2016 (AC Neilson, 2016) denoting the performance significance of the industrial branding in Sri Lanka. Thus, we suggest future research directions to examine how brand

differentiation strategies influence the brand-related behaviors and brand evaluation behaviors in the industrial product segments (Gunawardane et.al.2016) whilst special focus is made to Tiles, Cables,PVC Pipes and even Paints categories in Sri Lanka, Moreover, it appreciates future researches to examine the role of intermediaries and opinion leaders as a direct and indirect mechanism that influences the brand-related behaviors of customers. Additionally, brand activations related to industrial marketing scope of Sri Lanka needs empirical assessments to determine their impact on brand evaluation and purchase intention since there is a trendy practice amongst the industry players. Brands engage with intermediaries, opinion leaders and professional including media partners in organizing brand experience programs and activations. However, it finds empirical gaps to recognize their impact to respective brands and consumer involvements with the brand across the different segments including industrial markets, services and fast moving consumer goods (FMCG). Some brands are sponsored by the testimonials including celebrities to synergize marketing communication activities to stimulate value differentiation. The uniqueness should be creating a consistent value message rather finding point of difference in situational approach (Keller, 2003). This indicates the strategic importance of systematic brand differentiation strategies and execution resulting brand-related outcomes. Thus, extended proposition is proposed to examine the role of brand activations or event marketing experiences on brand- related behaviors and brand evaluations in the foresaid product scopes. Finally, it emphasizes the need of comprehensive studies on how brand differentiation strategies found in industrial segments do influence brand-related behaviors and brand evaluations as the notions of marketing return on investments (MROI).

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