The Effect of Product Differentiation on Local Brand Positioning: A Case Study of "Venus" Brand Shampoos in the Algerian Market

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Abstract

Due to the high development of global markets and the growing number of competitive rivals, product differentiation has become the solution to be positioned differently from the rival offers. This research aims to examine the effect of product differentiation on the brand positioning of the competing companies in the Algerian shampoo market, with a highlight on Venus brand as it is the only local shampoo producer in Algeria. The multi-dimensional scaling (MDS) technique using factor analysis is employed for data analysis to draw a perceptual map that displays the relative position of twelve shampoo brands including Venus. The results show a significant difference between the position of the standard Venus shampoo and Venus differentiated product. The differentiation strategy illustrated in our case, enabled Venus Company to improve its brand positioning, which made it closer to the different market segments.

Keywords: local brands, differentiation strategy, brand positioning, MDS analysis, perceptual map.

1. Introduction

Like consumers from most communities, Algerian consumers tend to give more importance to physical appearance, and are willing to pay more on products they believe to enhance their physical appearance. Hair care market or more precisely, shampoo market is therefore considered as a highly growing market, as everybody uses shampoo. This may explain the growing number of shampoo brands on the Algerian market shelves nowadays. As a result, shampoo enterprises, especially the local ones, are facing a very strong competition, and each one of them is seeking for differentiation to establish itself as a different brand. The leading company in the Algerian hair care market is L'Oreal Group. Among the top five players, namely Unilever Algeria SPA, Procter & Gamble, and Colgate-Palmolive, only Laboratories Venus Sapeco is a local manufacturer. Hair care in Algeria offers a large variety of products on various price platforms and is therefore able to cater to the majority of the population.

The local company, Venus, offers a very wide range of differentiated shampoo products (28 product), oriented to different market segments with the lowest prices in the market, in addition to its standard shampoo, but still facing a very hard competition from foreign companies on the local market. Therefore, the main purpose of this article is to answer the following questions: How do Algerian consumers perceive Venus' products? Does Venus differentiated shampoos affect its brand positioning? How could Venus improve its differentiation strategy?

2. Literature Review

Differentiation concept was first introduced in 1933, when Chamberlin developed it as a new approach to compete in his "Theory of Monopolistic Competition" (Silva, 2001). Scheuing (1974) defines it as "adding variation of one product which will compete with it within the same market". While for Porter (1985); Calori and Anderson (1988) differentiation is "a unique position in which the firm's offer has some valuable, distinctive characteristics for the customers, those characteristics must fulfil the following criteria: being perceived by customers, defensible from imitation by competitors and valuable for the supplier either through higher market share and/or higher margin". Furthermore, Kotler (1998) defines differentiation and mentions the different aspects to differentiate a product by saying, "differentiation is the introduction of differential features, quality, style or image of brands as a basis for commanding a premium". A successful product differentiation creates value to both customer and manufacturer (A. Haarla, 2003). Evans and Berman (1997) call it the "non-price-based strategy". Differentiation makes the marketer avoid price competition and reduce the impact of price on demand by offering a distinctive product.

Brands are a direct consequence of the market segmentation strategy and product differentiation. Branding means more than just giving name and signalling to the outside world that such a product or service has been stamped with the mark and imprint of an organization. Branding consists in transforming the product category; it requires a corporate long-term involvement, a high level of resources and skills (Kapferer, 2004; Maurya & Mishra, 2012). For Kapferer (2008), the characteristics of each product within a brand must be compatible with the brand positioning considering the brand is first of all a tool of integration: it is a tool of coherence, by bringing together under its name a range of products and services, each of which must carry the

central brand values. A product or service that is not representative of the brand must not carry the brand name. Although, product differentiation, mainly through introducing new product characteristics, may lead to a change in the consumer's perception of the brand. Some companies need this change to reposition their brands to catch on the changing consumer needs and the changing marketing environment. Keller et al. (1998) explain that a brand may need to advertise new claims to link associations that function either as additional points of difference for the brand versus competitors or as points of parity designed to negate competitors' intended points of difference. Keller et al. (1998) also point to the problem that potentially can arise when advertising attempts to link a new, unrelated brand association is that consumers still might continue to think of the brand in the "old way" because of strong associations already in memory. As a result, consumers might fail to incorporate new advertising information into their brand knowledge structures or fail to retrieve new advertising information when making later brand-related decisions. For other companies, that want to introduce a differentiated product but still want to keep the old perception that the previous products had, this can be a positive thing because changing the global brand perception may make it lose its value. In this context, kapferer (2008) illustrated a tangible case of Danone, whose central value is active good health, introducing Danette, the sugary and rich, which is not compatible with the global brand positioning but appears much healthier than a Mars or Lion chocolate bar, typically associated with obesity, or a creamy Mont-Blanc dessert. In this case, the company should have a very strong brand positioning.

3. Theorical Background

There has been a wide range of research contributions talking about the benefits of product differentiation in market competition, but only few of them examined its impact on a company's brand positioning. Najafizadeh, Elahi, Moemeni and Lotfi (2011) examined the relative position of popular brands in detergent industry according to four differentiating features, which were discovered through factor analysis, and were used to draw the perceptual map. The positioning of each brand was depending on the differentiating feature used by the brand, which indicates the impact of product differentiation on brand positioning.

Other contributions (Smith, 1956; Porter, 1985 and Haarla, 2003) considered that the use of a product differentiation strategy by itself is not enough to ameliorate brand positioning. To benefit from differentiation a marketer must be able to identify customers, who benefit from differentiation and are ready to pay for it (A. Haarla, 2003). Product differentiation and market segmentation are two complementary strategies. While market segmentation is concerned with dividing the demand side and choosing one or more segments that better suit the company's strategies and abilities, product differentiation is concerned with adapting the company's offer to better suit the requirements and needs of the segment or segments chosen in the market segmentation phase. Smith, W.R. (1956) considered the two strategies as alternative marketing strategies, where product differentiation gives way to marketing differences that enable the marketer to target one or more segments resulted from the demand divergence in the market.

In this way, as illustrated in Figure 1, a successful product differentiation will secure a layer of the market cake, whereas equally successful application of the strategy of market segmentation will secure one or more wedge-shaped pieces (Smith, W. R. 1956).

Figure 1. Market segmentation and Product differentiation
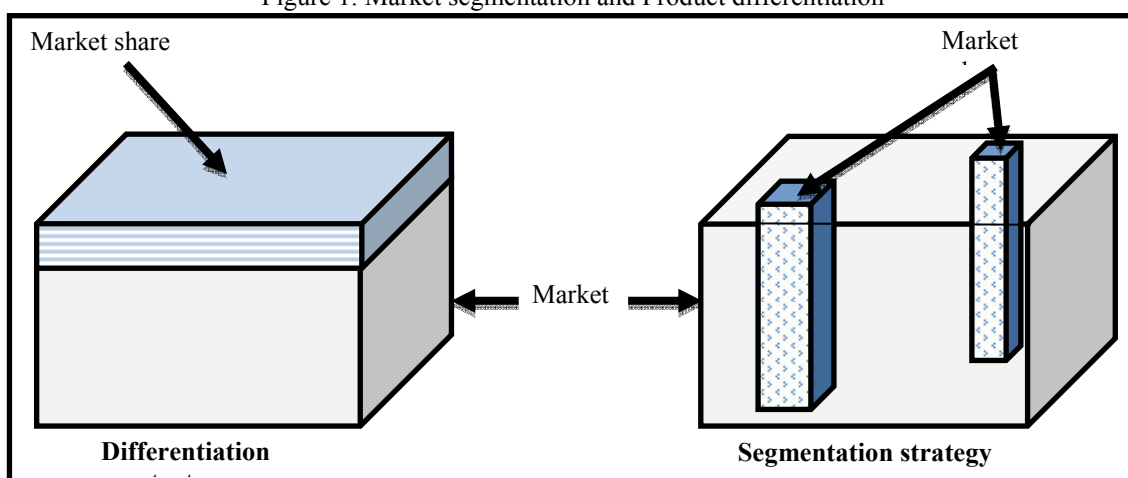
Source: Adapted by authors

4. Shampoo Market Development

Traditionally, Algerian or generally Maghreb people were using natural ingredients, such as clay, for hair and

skin care. Natural clay is well-known for hair strengthening, cleansing, detoxifying and shine among many other benefits. But due to the change in their life styles, consumers are more time poor than ever before and are demanding new practical ways to manage and maintain their hair and hygiene quickly and efficiently. They started accelerating the traditional hair care process by washing with shampoo, which was a big opportunity to start investing in this business.

As shampoo consumers are different from each other, they have different hair characteristics. Therefore, shampoo companies started to differentiate their shampoos in response to the different needs of the different consumer groups. They started with market segmentation, which was challenging because shampoo affects both hair scalp and the hair itself. This is why shampoo companies tend to use double-criteria segmentation. Nowadays, more innovations were made to develop this industry, such as waterless, multifunctional, and salon style shampoos, which are having a big success in the global market.

5. Hair Care Market in Algeria

According to a report by Euromonitor International (2015), hair care market in Algeria is experiencing a very positive growth. The growth rate in 2014 was even one percentage point higher than the review period CAGR(Compound Annual Growth Rate) of 8%. This positive trend is explained by Algeria's better economic conditions and changes in lifestyle, which are reflected in higher consumption rates across. The leading company is L'Oreal Group with a 23% value brands. Among the top five players, namely Unilever Algeria SPA with 11%, Procter & Gamble with 9%, and Colgate-Palmolive with 7%, only Laboratories Venus Sapeco with a 9% value share is a local manufacturer.

Hair care in Algeria offers a large variety of products on various price platforms and is therefore able to cater to the majority of the population.

In addition to its standard shampoo, the local company, Venus, offers a very wide range of differentiated shampoo products (28 product), oriented to different market segments with the lowest prices in the market, but still facing a very hard competition from foreign companies on the local market.

6. Research Methodology

In order to identify consumer perceptions of Venus brand shampoos and to determine the positioning of Venus brand among the other shampoo brands, a survey was conducted. A convenient sample of 500 respondents was used for this research. The questionnaire was formulated in both Arabic and French (as some Algerian citizens are French speakers) and was shared online in addition to a paper version. The paper version of the questionnaire was distributed in 5 northern cities; Chlef, Ain-Defla, Blida, Oran and Algiers. The survey was undertaken by the authors during the period of March-June 2016.

7. Validity and Reliability of Measurement Tools:

The validity of the research variables and their related questions used in the questionnaire are reviewed by 4 marketing professors and 2 marketing experts in the field of hair care. Hence, the final variables or characteristics, on which the evaluation of each brand was based on, are determined as follows:

- Aesthetic;
- Treating;
- Cleansing;
- Natural;
- Reliable brand;
- Economic.

After distributing the questionnaire among the sample respondents, Cronbach's alpha formulation was used via SPSS software for data analysis to test the degree of the questionnaire's reliability. The resulted alpha was 0.839 which indicates a high degree of questionnaire's reliability.

8. Data Analysis:

In order to draw a perceptual map for the various shampoo brands as perceived by the sample respondents, the authors used factor analysis to explore the most differentiating attributes.

The factor analysis is a common name for some multi variety statistic methods which their objective is data abstraction. The method deals with the examination of inner correlation between numerous variables and eventually it clarifies and classifies them in a set of limited common factors (Kalantari, 2006). The first step in factor analysis is testing weather the data is adequate for factor analysis. Both the Kaiser-Mayer-Olkin (KMO) and Bartlett's tests were used to ensure the possibility of applying factor analysis for the obtained data. The calculated results are shown in Table 1.

Table 1. KMO and Bartlett's Tests

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,630
Bartlett's Test of Sphericity	Approx. Chi-deux	968,944
	Df	276
	Signification	,000

The KMO measure varies between 0 and 1, the closest the value to 1 is better. The calculated KMO value is 0.630, which indicates data fitness for factor analysis.

The second step is calculating communalities. It is the degree of common variance between a variable and other variables used in the analysis as shown in Table 2

Table 2. Communalities

	Initial	Extraction
Aesthetic	1,000	,849
Treating	1,000	,883
Cleansing	1,000	,710
Natural	1,000	,406
Reliable	1,000	,754
Economic	1,000	,549

Initial communalities are estimates of the variance in each variable accounted for all factors, while extraction communalities are estimates of the variance in each variable accounted for the factors resulted in factor analysis. All values shown in Table 2 indicate variables high fitting with the factors resulted from factor analysis.

The results of factor analysis are shown in Table 3. The factor matrix is rotated orthogonally and based on Varimax method.

Table 3. Total Variance Explained

Factor	Initial Eigen Values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,064	51,060	51,060	3,064	51,060	51,060	3,061	51,020	51,020
2	1,087	18,124	69,184	1,087	18,124	69,184	1,090	18,164	69,184
3	,954	15,903	85,087						
4	,578	9,636	94,723						
5	,236	3,937	98,660						
6	,080	1,340	100,000						

The Eigen value in the first section of Table 3 indicates the specific variance degree that is clarified by each factor, where the variables are standardized so that each variable has a variance of 1.

Only two factors were retained from factor analysis, which is indicated by the number of rows in the second section of Table 3. These two factors together contribute to 69,184% of the total variance. The other variables are less important because they contribute to less variance. These results are confirmed in Figure 2.

Figure 2. Scree Plot
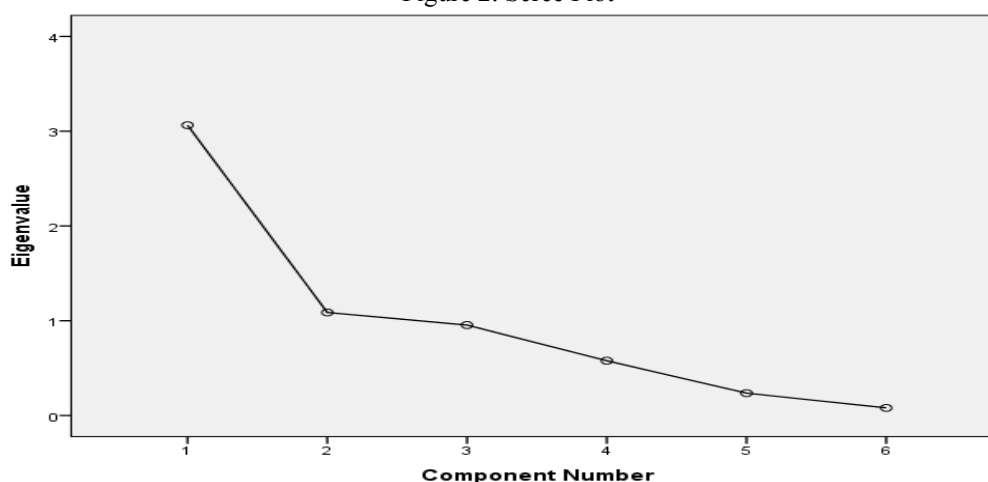
The values in the last section of Table 3 represent the distribution of variance after Varimax rotation in order to maximize the variance of each factor.

Table 4 contains the unrotated component loadings, which indicate the correlations between the variable and the two factors. We deleted all correlations that are equal or less than 0.5 to make easier to interpret as shown in Table 5.

Table 4. Unrotated Component Matrix

	Component	
	1	2
Treating	,939	-,042
Aesthetic	,919	,066
Reliable	,851	,170
Economic	-,696	,253
Cleansing	,212	,815
Natural	-,287	,569

Table 5. Component Matrix Before Rotation

	Component	
	1	2
Treating	,939	
Aesthetic	,919	
Reliable	,851	
Economic	-,696	
Cleansing		,815
Natural		,569

The correlations in Table 4 and 5 indicate the contribution of each variable in the definition of the two factors. For example, the strong correlation between the variable « Aesthetic » and Factor 1 means that this variable play an important role in the definition of Factor 1. The ideal case is that each factor is strongly correlated with some variables and less correlated with the others, this is called simple factor structure. Although, the results of the factor solution are not always interpretable. The factor solution may result a strong correlation between all or most of the variables and one of the factors. To simplify the results of the factor solution and get a simple factor structure, factor rotation is required.

Factor rotation is the adjustment of factor axes to get a meaningful and plain factors. To understand the logic of this process, the correlations in the component table are presented in a graph in which the orthogonal axes correspond to the principle factors retained previously as shown in Figure 3.

Figure 3. Example of Factor Axes Rotation
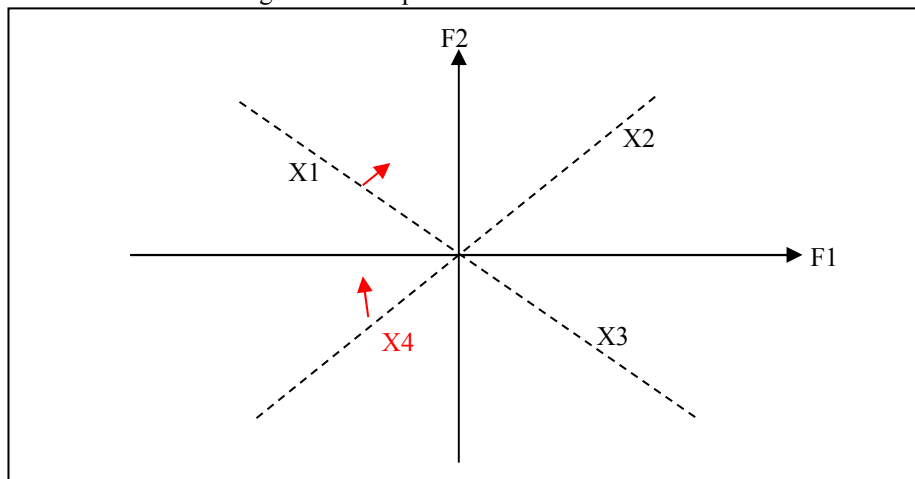
Source: D'Astous, A. (2011)

In the example presented in Figure 3, a rotation of approximately 45° made the factor structure simpler to interpret. Figure 4 illustrates the component plot after rotation and indicates the position of each one of the six attributes in the two factors' space. As we can notice from this plot, the attributes "aesthetic; treating; reliable and economic" are closer to the horizontal axis for component 1, while the two other attributes "natural and cleansing" are closer to the vertical axis for component 2. These results are confirmed by the rotated component matrix in Table 6.

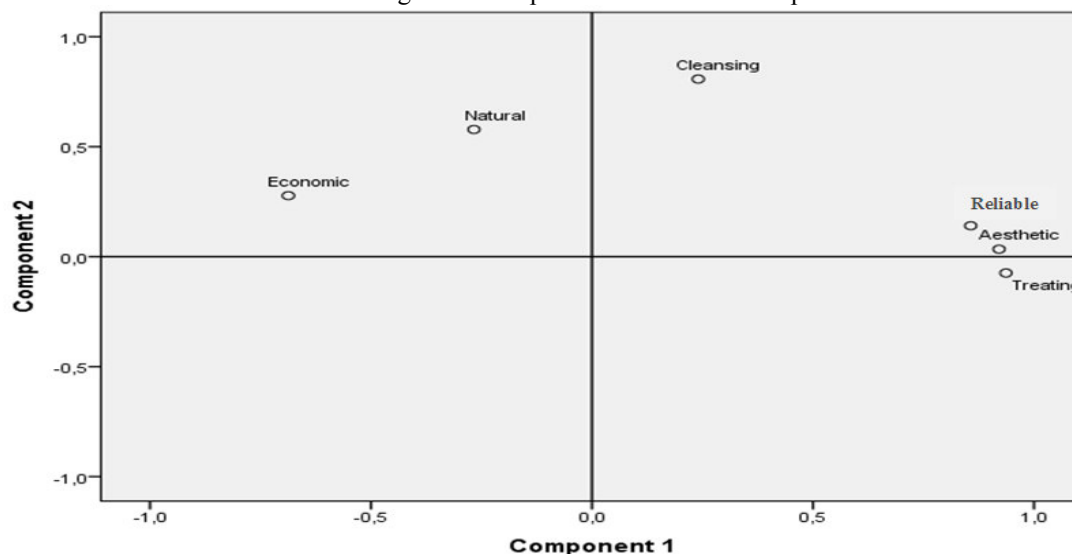Figure 4. Component Plot in Rotated Space

Table 6 contains the rotated component matrix, which indicates the factor structure. The first factor includes four variables " treating ; aesthetic ; reliable and economic", and thus is called "Quality/price". The second factor includes two variables "cleansing and natural" and thus is called "cleansing and natural". Table 7 contains factor weight matrix that is used to calculate the factor scores.

Table 6. Rotated Component Matrix

	Component	
	1	2
Treating	,937	
Aesthetic	,921	
Reliable	,857	
Economic	-,687	
Cleansing		,807
Natural		,578

Table 7. Component Score Coefficient Matrix

	Component	
	1	2
Aesthetic	,302	,050
Treating	,305	-,049
Cleansing	,095	,747
Natural	-,076	,526
Reliable	,283	,147
Economic	-,219	,241

8.1. Customer Preferences

To determine the strategic position of any company, analysing the brand positioning relative to the other competitors is not enough, we must also know if this position correspond to the expectations of a significantly large group of customers. For this purpose, the sample respondents were asked to note what they expect from shampoo brands regarding the six attributes used previously in the evaluation. In other words, they were asked to determine the level of each attribute in their "ideal shampoo". The results obtained were used to calculate the scores of the two factors as used in the previous. Cluster Analysis Template for Excel was used to obtain the market segments which are drawn in a plot as shown in Figure 5. A four segments cluster was chosen for this research. The first segment's size is 40% with expectations of high quality and moderate to high cleansing and natural aspects. The second segment's size is 33% with expectations of lower quality and moderate to high cleansing and natural aspects. The third segment's size is 21% expecting a very economic shampoo with lower cleansing and natural aspects. While the fourth segment's size is only 6% with expectations of high quality with very low cleansing and natural aspects.

Figure 5: Cluster Analysis
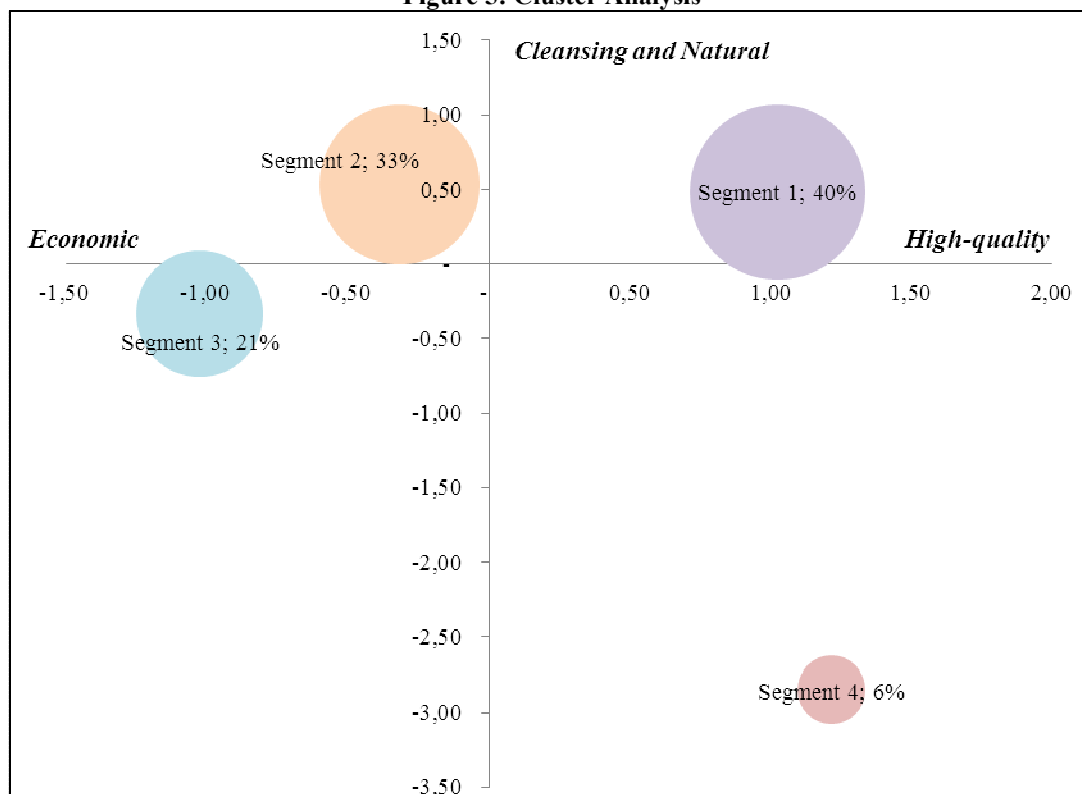

8.2. Perceptual Maps

The questionnaire respondents were asked to mention and evaluate three favourite shampoo brands basing on the six used attributes. Twelve brands, including Venus, were resulted as mentioned in Table 8.

Table 8. Sample brands' market shares

Brand	Share	Brand	Share
Head & Shoulders	13.97	Dove	16.59
L'Oreal	12.23	Palmolive	3.93
Pantene	10.04	Vatika	4.24
Venus	12.22	Clear	4.24
Elseve	5.23	Gliss	3.67
Sunsilk	9.61	Garnier	4.24

To answer the research main question, which is whether the product differentiation strategy adopted by Venus company affects its brand positioning or not, a perceptual map is used to examine the relative position of the differentiated Venus Shampoos to the standard Venus shampoo and the other brands. Four Venus differentiated shampoos were employed: Iliov; Dermolamine; Expert and Coiffix. We also examined the relative positions of the brands to the market segments.

Figure 6. Perceptual Map
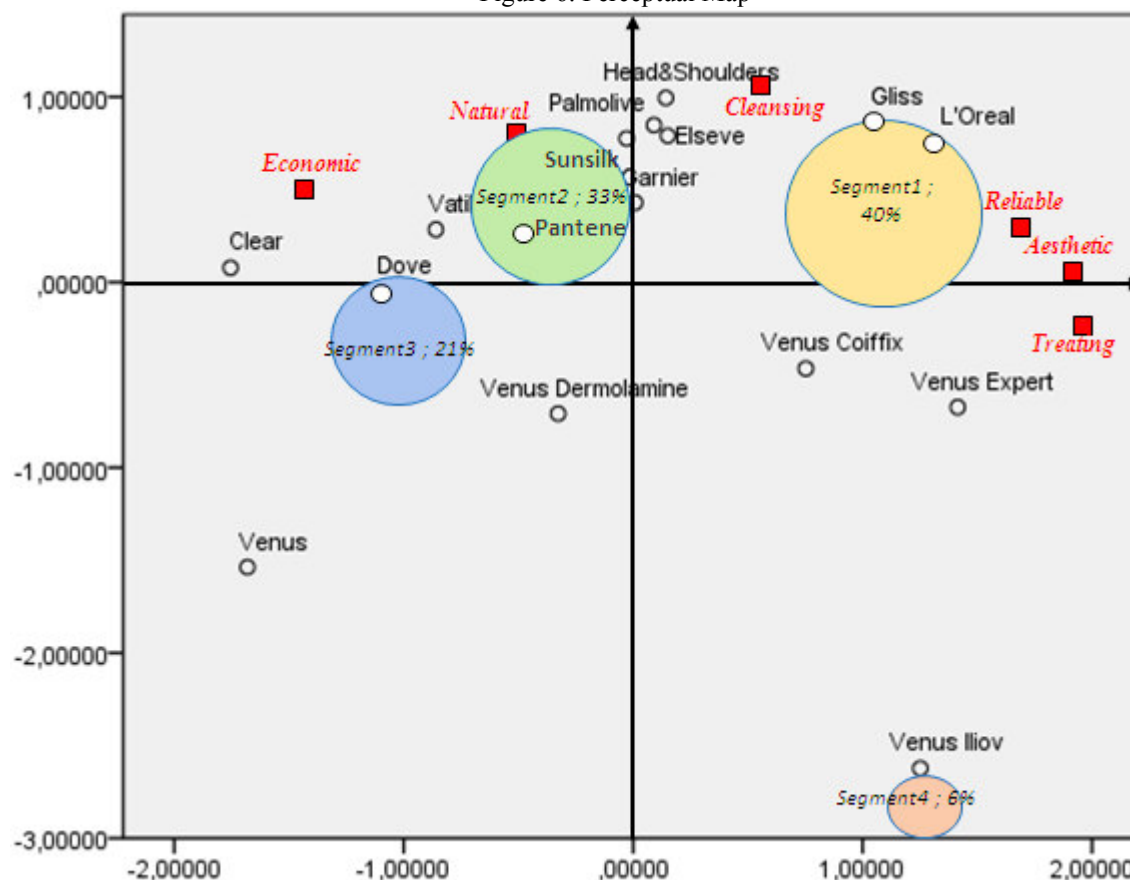
9. Discussion and Results

As displayed in figure 6, all the foreign brands are positioned in the top two quarters of higher levels of cleansing and natural axis, only the local brand Venus is positioned in the lower two quarters for lower levels of cleansing and natural axis. As we can see from this map, L'Oreal is the best positioned brand on the Algerian shampoo market, combining a high level of quality attributes horizontally and cleansing and natural vertically. It is also the closest brand to the biggest segment (40%) in the market, which makes it the leader of shampoo market in Algeria. The result obtained from this sample is very compatible with the Euromonitor International report of 2015, announcing that L'Oreal is the leader with 23% market share.

Very close to L'Oreal's positioning, Gliss is positioned as a high quality, very cleansing and natural shampoo, and targeting the same market segment as L'Oreal. Head & Shoulders; Palmolive; Elseve; Garnier and Sunsilk are very closely positioned as relatively more cleansing and natural shampoos with a moderate quality. These brands are very close to the second segment (33%). Pantene is positioned in the heart of the second segment, which means that it is very satisfying to this segment's expectations, with a moderate quality to economic, and high cleansing and natural aspects. Dove is positioned in the third segment (21%) as an economic shampoo with moderate cleansing and natural aspects. Vatika is positioned between the second and the third segments as an economic, natural and cleansing shampoo. While Clear is positioned as a very economic shampoo with moderate levels of cleansing and natural attributes, relatively close to the third segment.

For Venus shampoos, standard Venus is positioned as a very economic shampoo with lower levels of cleansing and natural attributes. The closest segment to this position is the third segment, but still not close enough from any segment in the market. By offering Venus Dermolamine, Venus was able to improve its positioning horizontally and vertically, which enabled it to get closer to the third segment and therefore improve its market share. Furthermore, Venus Expert and Venus Coiffix enabled Venus to improve its positioning even more and get closer to the biggest segment in the market which is the first segment, competing with the market leader L'Oreal on the same target segment. With another positioning strategy, Venus Iliov is the only brand positioned in the fourth segment (6%) as a high quality and low levels of cleansing and natural aspects.

From the results obtained in this study, we conclude that product differentiating has a strong effect on brand positioning. The differentiation strategy illustrated in our case, enabled Venus Company to improve its brand positioning, which made it closer to the different market segments. By implementing differentiation

strategy, Venus is competing with other brands on the same market segments but still needs improvements, as all of its differentiated products are positioned in the lower quadrants. Further improvements on the vertical axis "natural and cleansing" will be appreciated to enable Venus to compete on the upper quadrants and be therefore more competitive in the Algerian shampoo market.

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