

Topic 7 - A few examples of Product differentiation

Identification: Product differentiation can be

- Horizontal: different characteristics
- Vertical: different qualities

Strategy:

- Offer consumers different characteristics building on taste heterogeneity (people like different things)
- Offer consumers different qualities building on wealth heterogeneity (some people cannot afford high quality) or heterogeneity in intensity of preferences for quality (some people are less willing to be charged more for better quality)

Examples:

- Gas stations geographically located
- Cereals, jams...
- Videogames
- Airline tickets
- Movie rental
- Clothing, sporting goods...
- Diamonds, pearls

Applications of the same concepts for political economy (location of political platforms on a line from left to right)