Porters Generic Forces – low Cost, Differentiation and Focus:

Cost-leadership:

- Cost-leadership strategy involves becoming the lowest-cost organisation in a domain of activity.

Four key cost drivers that can help deliver cost leadership:

*Lower input costs:*
  - For example lower cost of labour and raw materials.
  - Proximity to inputs and raw materials.

E.g. Primark produces in India where labour cost is low.

*Economies of scale:*

Increasing scale usually reduces the average costs of operation over a particular time period, perhaps a month or a year.

*Experience:*

The cumulative experience gained by an organisation with each unit of output leads to reduction in unit costs. E.g. production in electronics and cars.

![Economies of scale and the experience curve](image-url)
• Cost-focus strategy (e.g. Ryan Air targeting price-conscious holiday travellers)
• Differentiation focus strategy (e.g. Evans targeting large size clothing for only women at higher prices).

Successful focus strategies depend on at least one of three key factors:

• Distinct segment needs
• Distinct segment value chains:
• Viable segment economics.

Differentiation vs Segmentation:

Segmentation: Concerns choices of which customers, i.e. specifies a firm targets

i.e. Where the firm competes

Differentiation: Concerns choices of how a firm distinguishes its offerings from those of its competitors

i.e. How the firm competes

Strategy (Faulkner and Bowmans) clock:

• The strategy clock provides an alternate approach to generic strategy which gives more scope for hybrid strategies.

It has two distinct features:

• It is focused on the prices to customers rather than the costs to organisations.
• The circular design allows for incremental adjustments in strategy rather than stark choices.
Summary of competitive Strategies:

We have covered various strategies for sustainable competitive advantage. These include:

- Porter’s Generic Strategies
- Faulkner and Bowman’s Clock
- Treacy and Wiersema’s value discipline
- Blue Ocean Strategies

Other strategies include:

- Ansoff’s Matrix
- Mergers & Acquisition
- Takeovers etc

Describing strategy:

**STRATEGY AS POSITIONING**

Where are we competing?
- Product market scope
- Geographical scope
- Vertical scope

How are we competing?
- What is the basis of our competitive advantage

**STRATEGY AS DIRECTION**

What do we want to become?
- Vision statement

What do we want to achieve?
- Mission statement
- Performance goals

How will we get there?
- Guidelines for development
- Priorities for capital expenditure, R&D
- Growth modes: organic growth, M&A, alliances