

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.

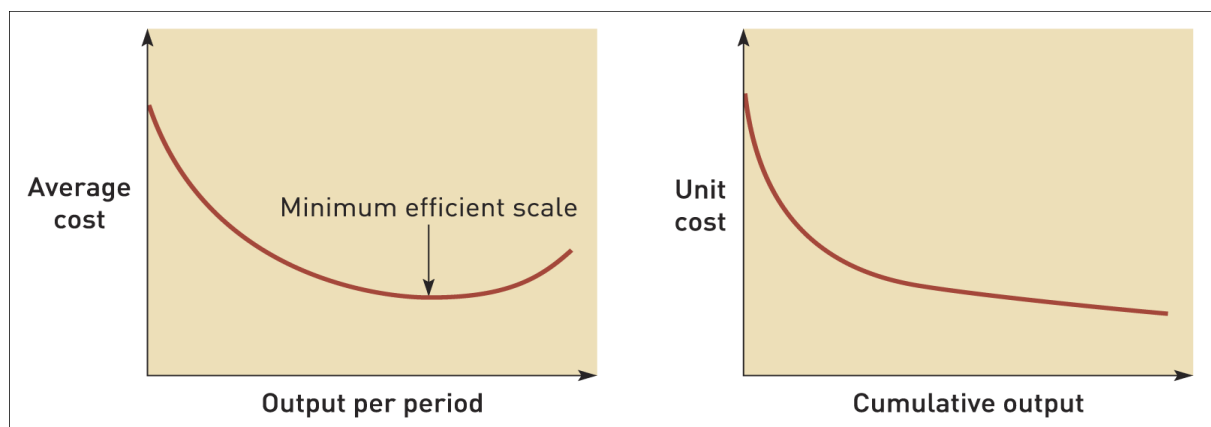
e.g. Primark produces in India where labour cost is low.

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 of electronics and cars.



Economies of scale and the experience curve

- 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.

TANGIBLE DIFFERENTIATION

observable product/service characteristics:

- size, colour, materials, etc.
- performance attributes e.g. reliability, durability, consistency
- complementary services e.g. after sales service, delivery, accessories

INTANGIBLE DIFFERENTIATION

- social, psychological, emotional, aesthetic considerations
- unobservable & subjective characteristics that appeal to the customer's image, status, identity
- 'experience goods' e.g. education

Differentiation vs Segmentation:

Segmentation: Concerns choices of which customers, needs, localities 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.

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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

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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

Corporate
Strategy

Business
Strategy

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