GENERIC COMPETITIVE STRATEGIES

INTRODUCTION

- Professor Michael Porter suggested three general positioning strategies to achieve competitive advantage :
 - 1. Low Cost Leadership Strategy
 - 2. Differentiation Strategy
 - 3. Focus Strategy
- The Generic Competitive Strategy (GCS) is a methodology designed to provide companies with a strategic plan to compete .The GCS is useful when a company is looking to gain an advantage over a competitor

MICHAEL PORTER'S GENERIC STRATEGIES

Target/Market Scope	Advantage	
	Low Cost	Product/Service Uniqueness
Broad	Cost Leadership	Differentiation
(Industry Wide)	Strategy	Strategy
Narrow	Focus Strategy	Focus Strategy
(Market Segment)	(low cost)	(differentiation)

LOW COST LEADERSHIP STRATEGY

- The firm employs **economies of scale** and **efficiencies** in production line
- Here the firm tries to beat the competitors by keeping the **prices low**
- It is characterised by reduction of over heads and fixed costs of production
- This helps to avoid risk and able to sustain in inflation

ACHIEVED THROUGH

- Appropriate Demand forecasting techniques
- Efficient resource utilisation
- Achieving economies of scale
- Outsourcing
- Complete capacity utilisation
- Use of improved technologies

EXAMPLE

- Wal-Mart is one of the most well-known companies that use Cost Leadership as their business strategy.
- With efficient distribution methods, huge volume discounts from suppliers, and their control of manufacturing and inventory
- By specializing in low costs, they got higher number of customers who spend an average amount of money in their stores

DIFFERENTIATION STRATEGY

- This strategy is adopted by the firm which wants to **differentiate its product** from its competitors
- Here the firm wants to **highlight some feature or benefit** in its product offering as superior to that of its competitors
- By heavy advertising it is able to insert this value in the minds of its customers thereby creating brand loyalty for its product

ACHIEVED THROUGH

- Through different pricing strategies
- Incorporating features and benefits in their product or service
- Packaging
- By offering new products, services or offer attractive promotions (innovation)
- Channel and distribution strategies

EXAMPLE

• **BIG BAZAAR** : Adopt a low price strategy to attract its customers (pricing strategy)



SAMSUNG SMART CONVERTIBLE REFRIGERATORS

As per t¹_{SAMSUNG} freezer can be differentiation)



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Highward appropriated its Sciently Processo.

PHILIPS AIR FRYERAir-fried foods are healthier than deep fried foods (innovation)



PEPSI & COCO-COLA

They cover all retail outlets in towns as well as in villages

(channel differentiation)





FOCUS STRATEGY • In this firm focuses on a particular segment or

market within an industry

- This segment maybe defined in terms of **products, geography or customers**
- Focus are of two types

– Cost focus

Cost focus strategy implies a cost advantage in the segment

Differentiation focus

Differentiation focus focuses on a differentiated offering in the market

ACHIEVED THROUGH

- Offering unique features that fulfill the demands of a narrow market
- Develop Customer Intimacy
- Promotional and advertising activities based on needs of target market
- Increasing production efficiency by making investments in technology

EXAMPLE FOR COST FOCUS

• IKEA

Young furniture buyers who want style at low cost (price sensitive)



SOUTHWEST AIRLINES .They keep ticket prices low by lowering its operating cost .Point to point services for flying passengers from mid-sized cities



EXAMPLE FOR DIFFERENTIATION FOCUS • ROLEX

Serve highest end of wristwatch market
 (premium pricing an



CHANGE THE WORLD. WE LEAVE THAT TO THE PEOPLE WHO WEAR THEM.

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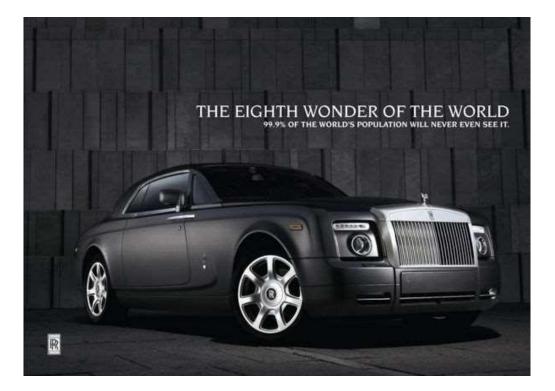




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• ROLLS ROYCE

Serving luxuries end of automobile market (premium pricing and image)



CONCLUSION

COST LEADERSHIP	DIFFERENTIATION	COST FOCUS & DIFFERENTIATION FOCUS
Broad market coverage	Broad market coverage	Narrow market coverage
Low price than competitors	Unique market offerings	Provide low cost and unique products to a small market segment
Bring down cost of production	Creating superior products	Customised products

REFERENCE

- "Strategic Management Concepts" by Robert E Hoskisson and Michael A Hitt
- "Strategic Marketing Management: planning, implementation and control" by Colin Gilligan and Richard M S Wilson
- "Strategic Project Management (Strategic Success)" by Paul Roberts

