# 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 t<sup>1</sup><sub>SAMSUNG</sub> freezer can be differentiation)



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Highward appropriated its Sciently Processo.

# **PHILIPS AIR FRYER**Air-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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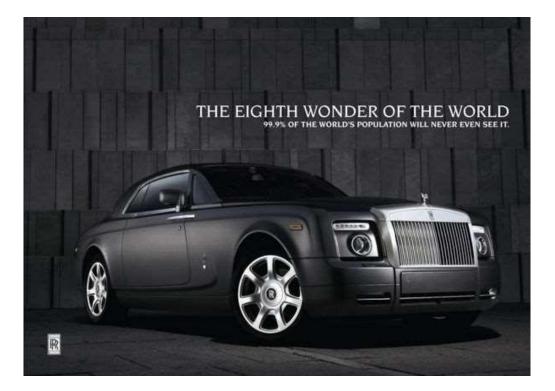




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• ROLLS ROYCE

#### 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

