

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

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

The image displays two promotional posters for Big Bazaar. The left poster, titled 'FREE SHOPPING STARTS TODAY.', promotes a 'PUBLIC HOLIDAY SALE' from September 29 to October 3. It features a central blue box with the Big Bazaar logo and the sale title. Below it, a red box highlights the offer: 'SHOP FOR ₹4000 GET BACK ₹4000'. To the right, several product price tags are shown, such as '370 360' for a rice bag and '225 200' for a box of instant noodles. At the bottom, there are logos for partner banks: HDFC Bank (7% Additional Discount), HDFC Bank (₹2500), and SBI (₹1000). The right poster, titled 'BIG BAZAAR 5 DAYS MAHA BACHAT', runs from August 11 to 15. It features a large orange '5' with 'DAYS' inside. A red hexagonal box highlights the offer: 'SHOP FOR ₹3000 & GET UP TO ₹1200 CASHBACK'. Below this, various product price tags are shown, including '₹120' for a box of instant noodles and '₹220 180' for a box of instant noodles. At the bottom, there are logos for partner banks: HDFC Bank (7% Additional Discount), HDFC Bank (₹2500), and SBI (₹1000). The Big Bazaar logo is prominently displayed at the bottom of both posters.

SAMSUNG SMART CONVERTIBLE REFRIGERATORS

As per t'
freezer can be
differentiation)

SAMSUNG

WORLD'S FIRST
**SMART
CONVERTIBLE** **5in1**
Introducing
powered by **Twin Cooling Plus™**
5 NEEDS. 1 FRIDGE.



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 and positioning)



- 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

Thank
you