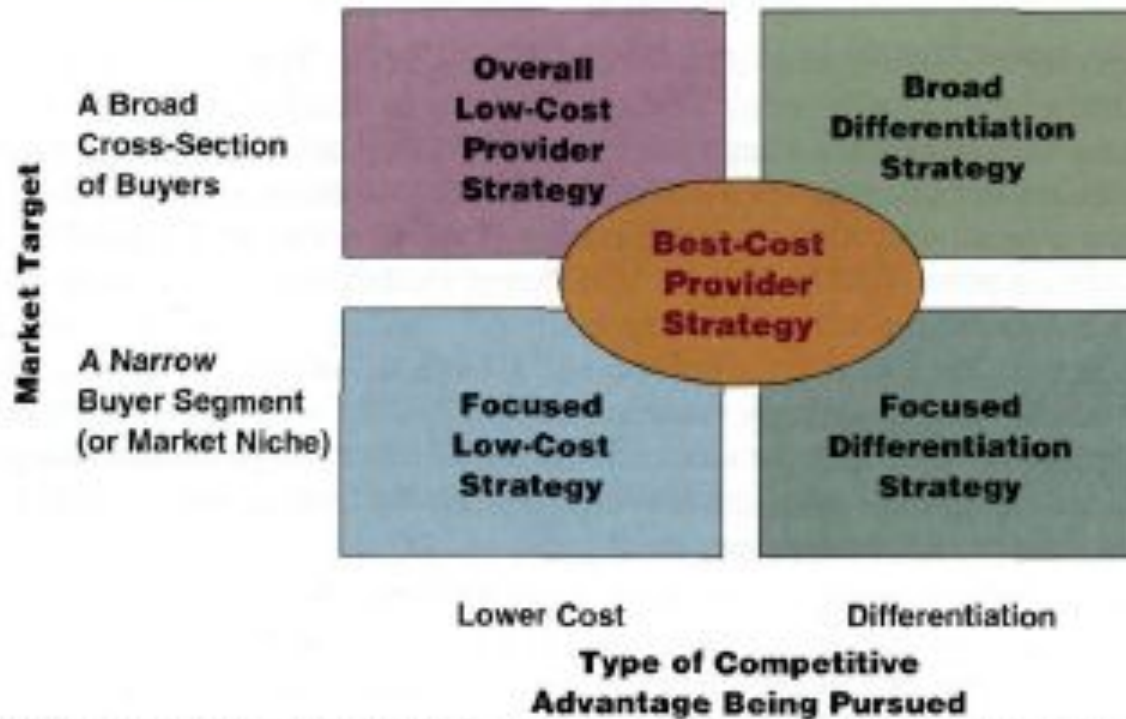


Five Generic Competitive Strategies

Figure 5.1 The Five Generic Competitive Strategies: Each Stakes Out a Different Market Position



Source: This is an author-expanded version of a three-strategy classification discussed in Michael E. Porter, *Competitive Strategy* (New York: Free Press, 1980), pp. 35–40.

Distinguishing Features

Table 5.1 Distinguishing Features of the Five Generic Competitive Strategies

| | Low-Cost Provider | Broad Differentiation | Best-Cost Provider | Focused Low-Cost Provider | Focused Differentiation |
|--|---|--|---|---|---|
| Strategic target | <ul style="list-style-type: none"> A broad cross-section of the market | <ul style="list-style-type: none"> A broad cross-section of the market | <ul style="list-style-type: none"> Value-conscious buyers | <ul style="list-style-type: none"> A narrow market niche where buyer needs and preferences are distinctively different | <ul style="list-style-type: none"> A narrow market niche where buyer needs and preferences are distinctively different |
| Basis of competitive advantage | <ul style="list-style-type: none"> Lower overall costs than competitors | <ul style="list-style-type: none"> Ability to offer buyers something attractively different from competitors | <ul style="list-style-type: none"> Ability to give customers more value for the money | <ul style="list-style-type: none"> Lower overall cost than rivals in serving niche members | <ul style="list-style-type: none"> Attributes that appeal specifically to niche members |
| Product line | <ul style="list-style-type: none"> A good basic product with few frills (acceptable quality and limited selection) | <ul style="list-style-type: none"> Many product variations, wide selection, emphasis on differentiating features | <ul style="list-style-type: none"> Items with appealing attributes; assorted upscale features | <ul style="list-style-type: none"> Features and attributes tailored to the tastes and requirements of niche members | <ul style="list-style-type: none"> Features and attributes tailored to the tastes and requirements of niche members |
| Production emphasis | <ul style="list-style-type: none"> A continuous search for cost reduction without sacrificing acceptable quality and essential features | <ul style="list-style-type: none"> Build in whatever differentiating features buyers are willing to pay for; strive for product superiority | <ul style="list-style-type: none"> Build in upscale features and appealing attributes at lower cost than rivals | <ul style="list-style-type: none"> A continuous search for cost reduction while incorporating features and attributes matched to niche member preferences | <ul style="list-style-type: none"> Custom-made products that match the tastes and requirements of niche members |
| Marketing emphasis | <ul style="list-style-type: none"> Try to make a virtue out of product features that lead to low cost | <ul style="list-style-type: none"> Tout differentiating features Charge a premium price to cover the extra costs of differentiating features | <ul style="list-style-type: none"> Tout delivery of best value Either deliver comparable features at a lower price than rivals or else match rivals on prices and provide better features | <ul style="list-style-type: none"> Communicate attractive features of a budget-priced product offering that fits niche buyers' expectations | <ul style="list-style-type: none"> Communicate how product offering does the best job of meeting niche buyers' expectations |
| Keys to sustaining the strategy | <ul style="list-style-type: none"> Economical prices/good value Strive to manage costs down, year after year, in every area of the business | <ul style="list-style-type: none"> Stress constant innovation to stay ahead of imitative competitors Concentrate on a few key differentiating features | <ul style="list-style-type: none"> Unique expertise in simultaneously managing costs down while incorporating upscale features and attributes | <ul style="list-style-type: none"> Stay committed to serving the niche at lowest overall cost; don't blur the firm's image by entering other market segments or adding other products to widen market appeal | <ul style="list-style-type: none"> Stay committed to serving the niche better than rivals; don't blur the firm's image by entering other market segments or adding other products to widen market appeal |

Individual work for now 😊

- < Take your assigned brand (see below)
- < Prepare for next class (27th Jan)
 - < an overview of the value chain (draw it, describe it)
 - < Describe the strategy the company (brand) is applying
 - < Hand in the paper at the beginning of the class

| STUDENT NAME | Brand | | STUDENT NAME | Brand | | STUDENT NAME | Brand |
|------------------------------|---------------|--|-------------------|----------|--|--------------------|-----------|
| Alekseev Andrii | Coca-Cola | | Malashok Dasha | Honda | | Soloshenko Daniil | UPS |
| Azime Anna | Toyota | | Maslov Roman | Pampers | | Tomovsky Luka | Budweiser |
| Babesha Karyna | Mercedes-Benz | | Sallam Diala | Pepsi | | Vetosh Anastasiia | L'Oréal |
| Cardenas Dayanna Gabriela | Danone | | Shchetinin Mykyta | Gillette | | Vlasiuk Veronika | Hermès |
| Gutnyk Khrystyna | McDonald's | | Halit H. G. | Canon | | Zamula Anastasiya | Adidas |
| Hrytsai Volodymyr | BMW | | Shkil Bogdan | Colgate | | Chikalova Arina | Nescafe |
| Kravchenko Anastasiia | Nike | | Shuta Lorina | IKEA | | Petrus Kristina | Audi |
| Ladyvir Marek | Louis Vuitton | | Skrypka Maksym | Zara | | Prikolota Viktoria | Kellogg's |
| Machavariani Mariam | H&M | | Sobkova Yulia | Pampers | | Dmitriy Hordiychuk | Philips |

■ And let us talk about supplementing strategies

< Strategic alliances

< Merger and Acquisition

< Outsourcing

< What are the opportunities & risks?