Strategic Positioning

A company's relative position within its industry matters for performance. Strategic positioning reflects choices a company makes about the kind of value it will create and how that value will be created differently than rivals. Strategic positioning should translate into one of two things: a premium price or lower costs for the company.

Achieving Superior Performance Within an Industry

It's possible to compete on low cost and be differentiated at the same time—but companies that try to be all things to all customers can wind up getting stuck in the middle, a strategic mistake that Michael Porter calls "the kiss of death."

SEEKING OUT COMPETITIVE ADVANTAGE

The role of the strategist is to engineer superior performance within a given industry. How can a strategist increase profitability? The answer lies in having a competitive advantage. Companies must search out "white space" in the industry, which usually means competing on one of two fronts.

THE VALUE CHAIN

Strategists aim to shift relative price or relative cost in a company's favor, to achieve competitive advantage.

Differentiation
Driving up prices is one way to increase profitability. To command a premium price, a company must deliver distinctive value to customers. This is *differentiation*.

Cost Leadership
Driving down costs is another way to increase profitability. To compete on cost, companies must balance price with acceptable quality. This is *cost leadership*.

But how? By making choices about the hundreds of activities companies perform as they compete.

> MORE ABOUT THE VALUE CHAIN

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