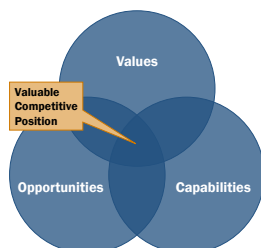


Determining Competitive Positioning

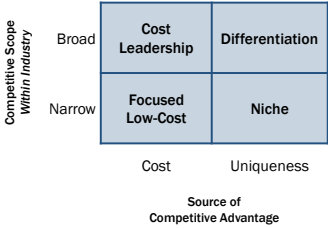


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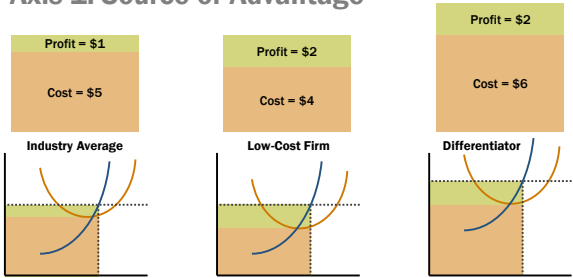
The Strategist's Challenge



Generic Competitive Positions



Axis 1: Source of Advantage



Axis 2: Competitive Scope

- The extent to which a firm targets multiple product market segments within an industry.
- Industries may be segmented into individual product markets
 - Characteristics of the product line
 - Buyer group (e.g., age, race, gender)
 - Geographic market

Generic Competitive Positions

Competitive Scope Within Industry	Broad	Cost Leadership	Differentiation
	Narrow	Focused Low-Cost	Niche
		Cost	Uniqueness
Source of Competitive Advantage			

Generic Competitive Positions, Part 1

Generic Competitive Positions

Competitive Scope Within Industry	Broad	Cost Leadership	Differentiation
	Narrow	Focused Low-Cost	Niche
		Cost	Uniqueness
Source of Competitive Advantage			

Cost Leadership Strategy

Keeping costs lower than those of competitors to generate rents vis-à-vis the marginal producer. Tend to offer standardized products with broadly acceptable product features at the lowest price.

Cost Leadership Strategy

• Examples: Wal-Mart, McDonald's, Nucor, Charles Schwab

• Strategic approaches:

- Engage in cost-cutting
 - Wal-Mart
- Build market share to gain EOS
 - Anheuser-Busch
- Use low-cost inputs, offshoring
 - Wal-Mart, Dell
- Minimize overhead such as R&D, advertising
 - Dell
- State-of-the-art operations/continuous improvement
 - Nucor

Differentiation Strategy

Generating rents from higher consumer willingness-to-pay. Command price premium from unique features, high quality, service and/or "prestige."

Differentiation Strategy

- Examples: Target, Apple, Intel, BMW, Goldman Sachs
- Strategic approaches:
 - Create brand through advertising
 - Nike
 - Develop innovative capability
 - Intel, Apple
 - Invest in human resources, R&D
 - Goldman

Generic Competitive Positions, Part 2

Focused Low-Cost Strategy

Keeping costs lower than those of competitors in a narrow segment of the market. Often used as an entry strategy by foreign firms and new ventures into advanced markets.

Focused Low-Cost Strategy

- Examples: Kia, generic drug manufacturers
- Strategic approaches:
 - Deter rivalry by dividing market
 - Budget airlines
 - Capture narrow economies of scale
 - Generic drugs

Niche Strategy

Generating rents from higher consumer willingness-to-pay by targeting a small, often premium segment of the market.

Niche Strategy

- Examples: Tiffany's, Porsche, boutique consultancies
- Strategic approaches:
 - Gain knowledge and expertise
 - Juniper Networks
 - Build brand loyalty
 - Porsche

Generic Competitive Positions

Competitive Scope Within Industry	Broad	Cost Leadership	Differentiation
	Narrow	Focused Low-Cost	Niche
		Cost	Uniqueness
Source of Competitive Advantage			

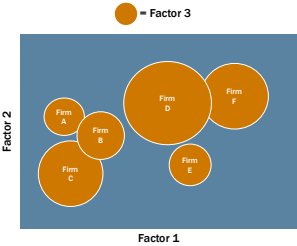
Integrated Strategies

The best of both worlds: Offering differentiated products at low cost!

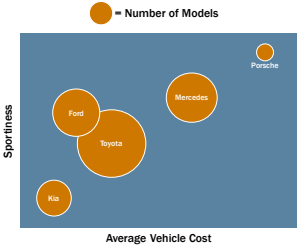
- Examples: Toyota, Southwest Airlines
- Strategic approaches:
 - Adopt total quality management or lean production techniques
 - Invest heavily in R&D / innovation
- Beware of getting "stuck in the middle"!

Mapping Competitive Positions

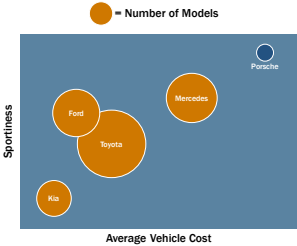
The Strategist's Toolkit:
Strategic Maps



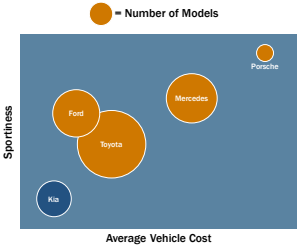
Strategic Map: Automobiles (2002)



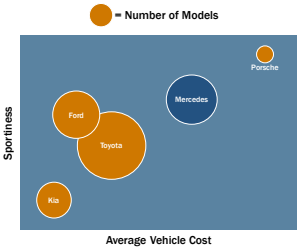
Strategic Map: Automobiles (2002)



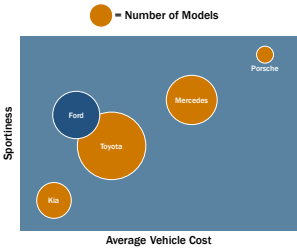
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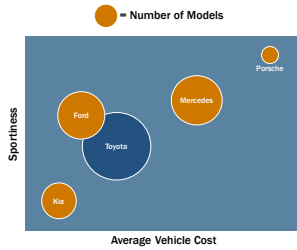
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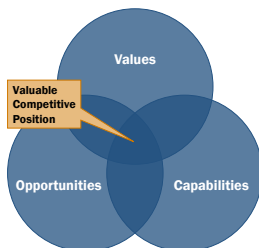


Strategic Map: Automobiles (2002)



Which Position Is Best?

The Strategist's Challenge



Which Position is Best?

Second Corollary to the Fundamental Principle:
If some competitive positions are more favorable than others, we would expect firms to adopt those strategies.

Industry Structure • Does the structure shelter certain positions?	Firm Capabilities • How may our capabilities help establish and defend a position?
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The Strategist's Toolkit:
Five Forces Analysis



The Strategist's Toolkit:
Capability Analysis

CAPABILITIES	1. _____	2. _____	3. _____	4. _____
Processes				
People				
Systems				
Alignment				
Sustainability				

Which Position is Best?

- What favorable strategic opportunities exist?
- How contested is a position?
 - New markets, positions (Blue Ocean Strategy)
 - Existing markets and positions (Red Ocean Strategy)
- Can we establish this competitive position?
 - Do we have the capabilities to execute especially vis-à-vis rivals?
 - Can we create value in unique ways versus established competitors?
- Can we defend this position once established?
 - How sustainable is any competitive advantage we may have?
 - How is the industry likely to evolve?

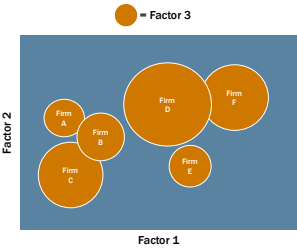
Module Lessons

Module Lessons

- Positions, like markets, are defined both by market needs and ways of delivering on those needs.
- Industries often have more than one rent-producing position.
- Rent-producing positions rely on favorable industry structure and/or superior capabilities.
- Firms can combine multiple positions, but need a strategic logic for the combination.
- The challenge of strategy is to capture these valuable, defensible competitive positions.

Strategist's Toolkit: Strategy Maps

The Strategist's Toolkit: Strategic Maps



Strategic Map: Automobiles (2002)

