The goal is to produce sustainable competitive advantage, rather than merely “harvesting” customers during high demand business cycles.
Three Generic Competitive Strategies

1. Cost Leadership
2. Differentiation
3a. Cost Focus
3b. Differentiation Focus

Competitive Advantage Matrix

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<td>3. Cost Focus</td>
<td>4. Dif. Focus</td>
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Cost Leadership

- Operation sets out to be the low cost producer within an industry
- Works if you can achieve and sustain overall cost leadership and command prices at or near the industry standard.
- Cost leaders must achieve parity or proximity in their bases of differentiation
Parity V. Proximity

- Parity implies either an identical product offering to competitors, or a different combination of product/service attributes that is equally preferred by buyers.
- Proximity means that the price discount needed to gain market share doesn't offset cost advantage.

Differentiation

- A firm seeks to be unique in its industry.
- Unique features must be valued by customers.
- Firm selects attributes perceived as important & positions itself.
- Rewarded by premium price.

Means Of Differentiation

- Have to look beyond the physical product.
- Must analyze the cost of differentiation.
- Sustainability.
Means Of Differentiation/Product

- Define Raw Material Quality
- Define Customer Purchasing Criteria
- Focus on Raising Buyer Performance
- Define What is Valued By Your Target Market

Means Of Differentiation/Delivery System

- How does the product reach the customer?
- Are the multiple means of customer access?
- Does your delivery system create value?
- Is it sustainable?

Means Of Differentiation/Marketing Approach

- How does the customer learn about our product?
- How do we attract new customers?
- How do we keep our current customers?
- What is our “share of stomach”?
Means Of Differentiation/Service

- Service quality will become increasingly important due to competitive forces
- Requires adoption of a Total Service Quality mindset
- Requires constant measurement and adjustment
- Recruitment & Training are key drivers of service quality

Means Of Differentiation/Product Image

- Reputation and Image
- Appearance of Products
- Taste and Smell
- Origin of Products
- Price/Value Relationship

Means Of Differentiation: Location & Positioning

- Product features/performance clear
- Differentiating factors clear
- Buyers perception of value
- Understanding of Buyer purchase criteria