

# Generic Strategies

# What is a Competitive Advantage?



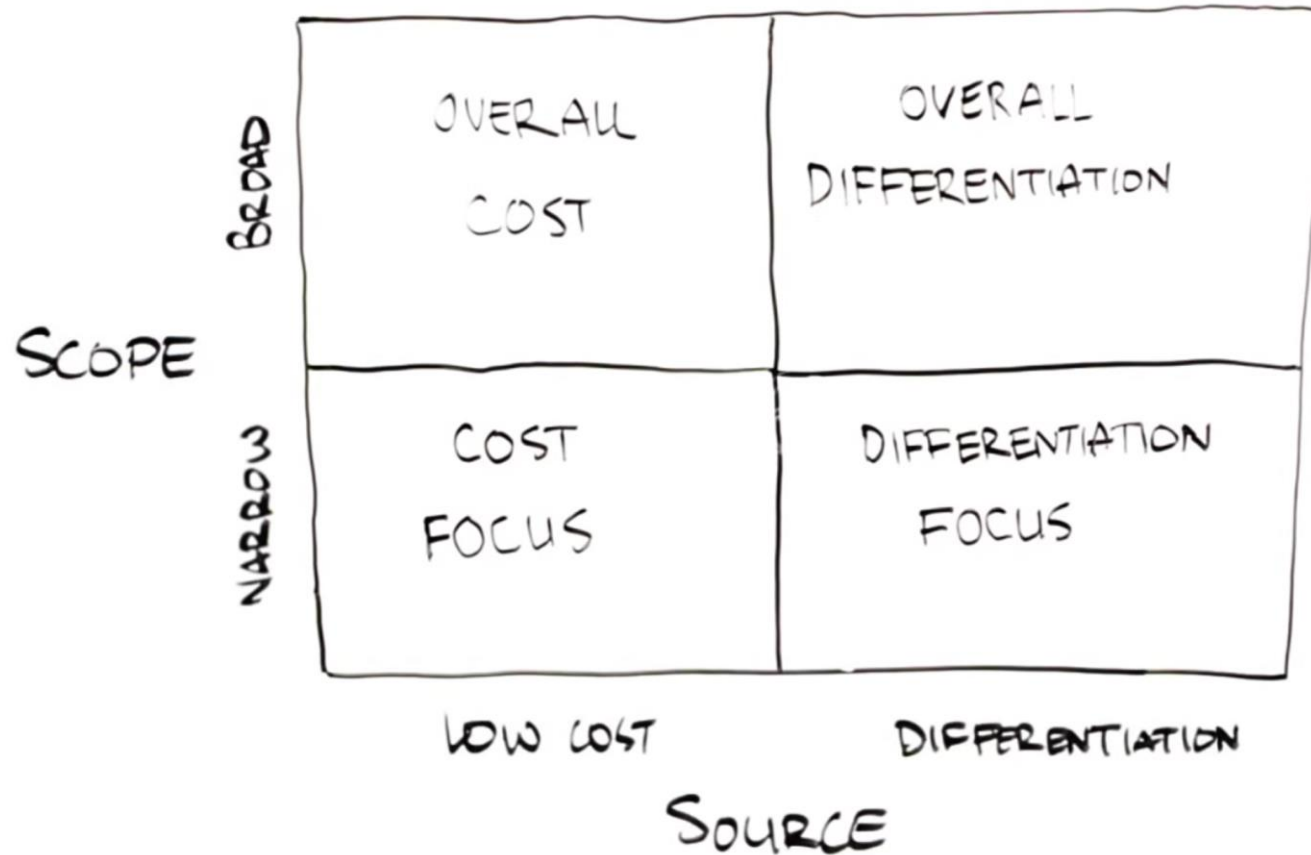
WHAT IS A  
COMPETITIVE ADVANTAGE?

A COMPETITIVE ADVANTAGE  
IS WHEN A COMPANY  
ACHIEVES HIGHER PROFITS  
THAN THE AVERAGE  
COMPETITOR IN THE  
PRODUCT MARKET



“the focal firm can achieve a competitive advantage in one of two ways. First, drop costs while keeping revenues constant. Second, increase revenues while holding costs constant.”

# Scope vs. Source



“The result is these four quadrants that represent the four generic strategies”

# Cost Leadership

OVERALL  
COST  
LEADERSHIP

OVERALL COST	OVERALL DIFFERENTIATION
COST FOCUS	DIFFERENTIATION FOCUS

DELL

amazon

Walmart



THESE LOW-COSTS ALLOW THEM  
TO CONSISTENTLY CAPTURE HIGHER PROFITS  
THAN THEIR COMPETITORS.

“products that are pretty similar to other products in the marketplace, but they have lower costs.”

# Differentiation

DO SOMETHING DIFFERENT!

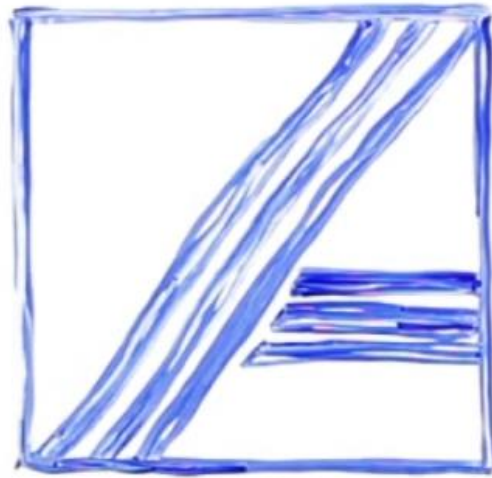
THESE HIGHER PRICES ALLOW THESE COMPANIES TO CONSISTENTLY CAPTURE HIGHER PROFITS THAN THEIR COMPETITORS.

OVERALL COST	OVERALL DIFFERENTIATION
COST FOCUS	DIFFERENTIATION FOCUS



“These companies offer products that customers really want, and so customers are willing to pay high prices for them.”

# Cost Focus



Smith's

OVERALL COST	OVERALL DIFFERENTIATION
COST FOCUS	DIFFERENTIATION FOCUS



ALDI

Ralph's

“a cost leadership strategy in a narrow or focused market.”

# Differentiation Focus

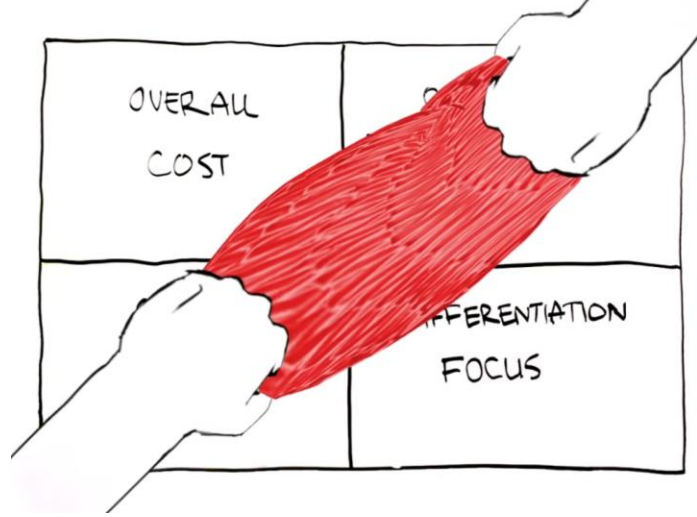


“a differentiation strategy in a narrow or focused market.”

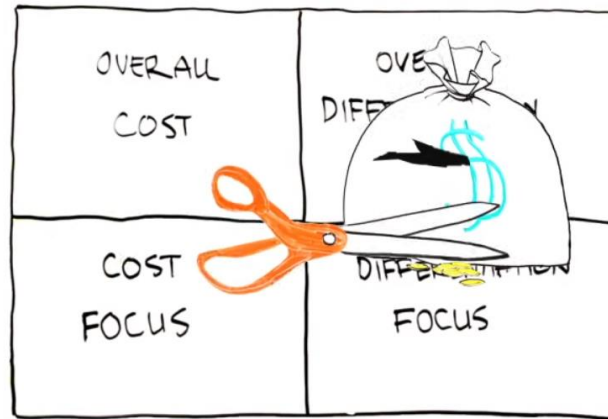
# More Than One?



“Your products aren’t different enough for customers to be willing to pay more, but they also aren’t cheap enough for customers to choose you for your bargain prices.



“Companies that try to do more than one frequently get “stuck in the middle.””



“The main activities you engage in to become a cost leader are simply inconsistent in most cases with the main activities you engage in to be a differentiator.”