

➤ Porter's generic strategies

Cost-leadership (only one cost leader in a market environment): commoditised environment; customer focuses on price (因为 goods and services are same as competitors)

Input costs: labour or raw material (eg labour, wood)

Economies of scale: how increasing scale usually reduces the average cost of operation

Experience 经验曲线: eg labour productivity, efficient designs or equipment

Implication:

- Entry timing into a market is important: early entrants into a market will have experience that late entrants do not yet have and so will gain a cost advantage 越早进入 成本越低
- It's important to gain and hold market share
- Improvements normally continue overtime

Requirements: needs to be lowest cost + quality meet acceptable norms (eg. **IKEA** particle board)

Pitfalls: Technological changes that outdate model; Risk of imitation by new entrants

Differentiation leadership (can have many winners): involves uniqueness along some dimension that is sufficiently valued by customers (attract) to allow a price premium

valuable differentiation involves additional investments (R&D, branding or staff quality)

Pitfalls: Vulnerable 易受影响 to competitors engaging in cost-differentiation; Easy to lag behind competitors

Focus strategy 集中化战略: targets a narrow segment or domain of activity, following a pure cost/different strategy

In opposition to the broad approach, you are rather focusing on one or a small, narrow range of market segments and trying to win through focusing on leader/ diff

Limitation: Porter suggest that organization must select one strategy or be 'stuck in the middle'

Successful organization often employ '**Hybrid strategies**' where they combine generic strategies

Porter himself accepted that Hybrid Strategies could exist

Assumes both fairly static, or at least predictable, market, industry, and macro-environment

(stuck in the middle: if try to combine, it would confuse the construction of its value chain, try to do too many thing at once, making hard choices.

Porter's argument is that it's generally best that managers choose which generic strategy they are pursuing and then stick rigorously to it.)

➤ Value discipline

Product leadership 产品领先: being creative, pursuing new solutions (differentiation); new products and brand control, continuously brings superior products to market (value chain- high light research and design part)

Operational excellence: competitive prices, find ways to do thing faster, better, cheaper (cost leadership) [**IKEA**] internal efficiency, so you can deliver the product as cheap as possible while maintaining a good margin (value chain- process innovation)

Customer intimacy 亲近顾客: continually tailor or shape products to fit the customer; customer experience (eg. 5 stars hotel); technology helps

Need to clarify your strategies, otherwise conflicts occur

Strategic clarity: primary discipline; secondary discipline