**A2 Business Studies: Marketing Strategies**

**Porter’s Generic Strategies**

*Porter suggested that each of these strategies was a way of gaining a competitive advantage, or edge, over the competition.*

***Task: Decide upon which strategy is most appropriate for each business and place them on the diagram, then justify why you have placed each firm where you have.***

**Cost Leadership Strategy:**

With this strategy, the objective is to become the lowest-cost producer in the industry. Many (perhaps all) market segments in the industry place an emphasis on minimising costs. If the achieved selling price can at least equal (or near) the average for the market, then the lowest-cost producer will (in theory) enjoy the best profits. This strategy is usually associated with large-scale businesses offering "standard" products with relatively little differentiation that are perfectly acceptable to the majority of customers. Occasionally, a low-cost leader will also discount its product to maximise sales, particularly if it has a significant cost advantage over the competition and, in doing so, it can further increase its market share.

***Examples of Firms Using Cost Leadership Strategies Include:***

***Justification:***

**Cost Focus Strategy:**

Here a business seeks a lower-cost advantage in just one, or a small number of market segments. The product will be basic - perhaps a similar product to the higher-priced and featured market leader, but acceptable to sufficient consumers. Such products are often called "me-too's".

***Examples of Firms Using Cost Focus Strategies Include:***

***Justification:***

**Differentiation Strategy:**

This strategy involves selecting one or more criteria used by buyers in a market - and then positioning the business uniquely to meet those criteria. This strategy is usually associated with charging a **premium price** for the product - often to reflect the higher production costs and extra value-added features provided for the consumer. Differentiation is about charging a premium price that more than covers the additional production costs, and about giving customers clear reasons to prefer the product over other, less differentiated products.

***Examples of Firms Using Cost Leadership Strategies Include:***

***Justification:***

**Differentiation Focus Strategy:**

In the differentiation focus strategy, a business aims to differentiate within just one or a small number of target market segments. The special customer needs of the segment mean that there are opportunities to provide products that are clearly different from competitors who may be targeting a broader group of customers. The important issue for any business adopting this strategy is to ensure that customers really do have different needs and wants - in other words that there is a **valid basis for differentiation** - and that existing competitor products are not meeting those needs and wants.

***Examples of Firms Using Cost Leadership Strategies Include:***

***Justification:***