Value vs. Price - Strategy theory

Academic textbooks commonly propose three "**generic**" strategies in the market: **cost leadership**, **differentiation**, or **focus**.

Porter, M (1985) Competitive Advantage: Creating and Sustaining Superior Performance, The Free Press.

Generic Strategies

(Adapted from M E Porter, Competitive Advantage, Free Press, 1985)

		Competitive Advantage	
		Low Cost	**Differentiation**
Competitive Scope	**Broad**	Low Cost Leader	Differentiation
	Narrow	Low cost focus	Differentiation focus

A more recent framework is the **Strategy Clock**, adapted from the work of Cliff Bowman. Note that Bowman recognizes a "**Hybrid**" strategy, whereas Porter advises "do not get stuck in the middle".

Faulkner, D & Bowman C, (1995) The Essence of Competitive Strategy, Prentice Hall
Johnson G & Scholes K, (2002) Exploring Corporate Strategy, Pearson Education Ltd

Questions:

1.) Where would you map or place your own enterprise in the value-price map below?

2.) Where would you map your key competitors?

3.) Do you have a simple, pure value-price offer for customers?

4.) Or do you offer product ranges that apply to different customer audiences?

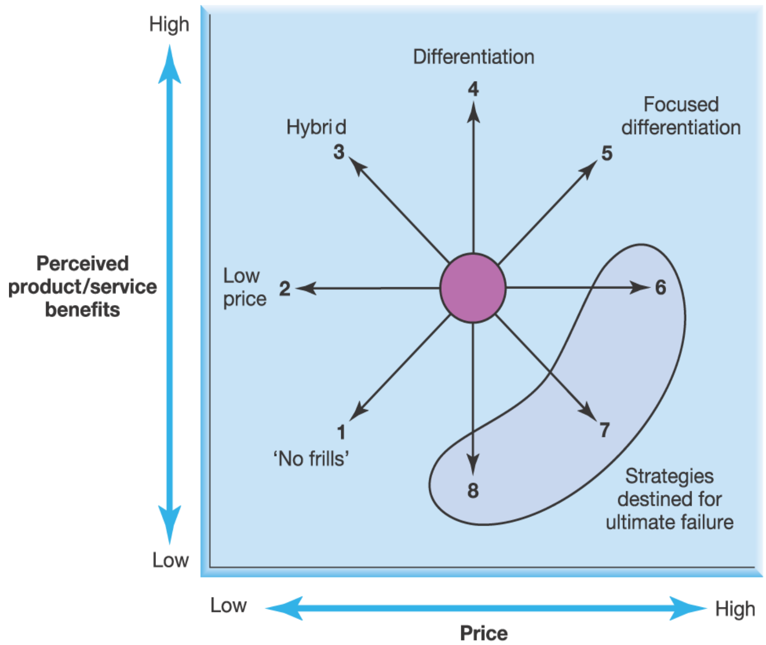
Tasks:

1.) Apply the Strategy Clock map to the UK supermarkets

2.) Apply the Strategy Clock map to the UK clothing retailers

3.) What is the key difference between these sectors? Think about the viability, or not, of a mid-market (hybrid) position.

The Strategy Clock



Note: The strategy clock is adapted from the work of Cliff Bowman (see D. Faulkner and C. Bowman, *The Essence of Competitive Strategy*, Prentice Hall, 1995.) However, Bowman uses the dimenstion 'Perceived Use Value'.

Exhibit 5.2a　　Slide 5.9

From:-　　Johnson, G. & Scholes, J. (2005) "Exploring Corporate Strategy", 7th ed, Financial Times – Prentice Hall, page 243

The Strategy Clock

	Needs/risks	
1 'No frills'	Likely to be segment specific	
2 Low price	Risk of price war and low margins; need to be cost leader	
3 Hybrid	Low cost base and reinvestment in low price and differentiation	**Differentiation**
4 Differentiation		**Differentiation**
(a) Without price premium	Perceived added value by user, yielding market share benefits	**Differentiation**
(b) With price premium	Perceive added value sufficient to bear price premium	**Differentiation**
5 Focused differentiation	Perceived added value to a particular segment, warranting price premium	**Differentiation**
6 Increased price/standard value	Higher margins if competitors do not follow; risk of losing market share	**Likely failure**
7 Increased price/low value	Only feasible in monopoly situation	**Likely failure**
8 Low value/standard price	Loss of market share	**Likely failure**

Exhibit 5.2b　　Slide 5.10