

Good example of competitive strategy over the web assignment essay

[Business](#), [Company](#)



Competitive Strategy Over The Web Assignment

1. Porter introduced four types of basic competitive strategies in the industry. The selection of the type of competitive strategy depends on the capacity, resources, and ambitions of the company.

1) Cost leadership strategy. This one is typical for companies that have a wide coverage of the market by offering a standard product at relatively low cost. This strategy is based on the high performance and low cost of production. The source of these advantages may be economies of scale, high technology or favorable access to raw materials.

2) Differentiation strategy. Due to the distinctive features of the product and its uniqueness, the firm receives a significant competitive advantage.

Differentiation lies not only in the quality of the products but also in the production way, ways of delivery, after-sales service, and other parameters. Generally, the strategy of differentiation is accompanied by higher costs of production and marketing. Despite this, the company, using this strategy, gain profit due to the market readiness to accept a higher price.

3) The strategy of focus (specialization). While using this strategy, the company aims to concentrate on one segment or a small group of customers and maintain better service for customers than competitors. There are two types of focus strategy. Within the selected segment firm seeks to achieve any profit due to low costs, either through differentiation (Manktelow, 2007).

2. Value chain divides the company's operations in the strategically important activities to examine the costs and existing and possible means of differentiation. The competitive advantage of the company emerges as a result of these strategic activities which are better than competitors. For

example, to achieve cost leadership, the total cost of the company throughout the value chain should be less than competitors`. This can be achieved in two ways:

1) To surpass competitors in the efficient management and the use of reserves to reduce costs in some of its units;

2) Reorganize the chain organization, eliminating the most costly units.

Economies can affect any link of the value chain, and occurs when the increased volume of activities reduce costs, or when the cost can be spread of a larger volume of products sold. When the costs in one link of the value chain are dependent on the efficiency of other links, the firm can reduce total costs and improve coordination of interdependent activities.

3. McDonald`s is the perfect example of a company which applies differentiation strategy. Its target audience is the people of all ages, especially middle-class workers, who are looking for the lunch or take a quick bite due to the lack of time. Basing on their audience, McDonald`s executives made a marketing ploy. Previously, they created the lunchbox which worker can easily take with him. Marketers understood that many workers had a family and children so they put the toy into the lunchbox and promote this product for kids as convenient and delightful. With no doubt, parents started to buy these boxes, dramatically increasing the value of sales. Another component McDonald`s add to their differentiation strategy is the quality service (Kokemuller, n. d.). Most of the customers return to McDonald`s, not because of their competitive prices. They feel like they really have a break during their lunch in Mac due to the quality service and convenience. In addition, McDonald`s have powerful marketing strategy and

big advertising costs as well as charity actions promoting the brand. The main goal of the company is the maintenance of quality and provision of innovations so the company during the many years is on the top of the fast food mountain. However, there are certain risks involved in this strategy. Firstly, the tastes of customers may change which results in the decrease of the value of sales. Moreover, companies using the focus strategy may be more successful on the market.

References

Kokemuller, N. (n. d.). Examples of Differentiation in Fast Food | Chron. com. Retrieved from <http://smallbusiness.chron.com/examples-differentiation-fast-food-69833.html>

Manktelow, J. (2007, October). Porter's Generic Strategies - Strategy Skills from MindTools. com. Retrieved from http://www.mindtools.com/pages/article/newSTR_82.htm