

Purpose of porters generic strategies



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It is to focus on the importance of competitive advantage as the foundation for competitive realisation. The knowledge of these approaches provides appreciation that there are a restricted numbers of significant strategic routes in practice. However, the model is essentially superficial and offers small genuine insight to the methods of competitive advantage that determine organisational performance. As Wilson and Gilligan (2005) pointed out, the philosophy is principally producer asset-driven rather than being founded on an understanding of markets and consumers. For instance, cost leadership does not sell products itself. Buying choices are made upon the basis of desired product factors or upon the value, not on the basis of the component price.

The strategy clock framework, which is more sophisticated approach, develops and improves Porter's model (Evans et al., 2003). It recognises and deals with some of the shortfalls of generic strategies and in particular, it recognises that in certain circumstances a ' hybrid' combined strategy can be effective. The strategy clock characterises different positions in a market where consumers and also potential consumers have different ' requirements' in terms of value-for-money (appendix 1).

Q2.

IKEA uses a hybrid strategy of differentiation and low price in comparison to rivals. The success of this strategy is conditional on the capability to provide better benefits to consumers together with low prices while attaining adequate margins for reinvestment in low price to sustain and progress in differentiation (Johnson, 2008). IKEA focuses on building distinction on the foundation of its product choice, marketing, logistics, and store operations whilst saving costs on service level. IKEA is successful in employing hybrid strategy because cost reductions are available outside of its differentiated accomplishments.

The company is realising cost leadership by multi-level competitive advantage on supply side, low cost logistics and large retail units in inexpensive suburban areas. For instance, a unique cost structure flat pack gives IKEA as low cost distribution channels as possible. As IKEA's equipment is unassembled, it could be shipped more economically. As consumers need to unpack and transport the products alone, that allows another huge savings by involving consumer in the value chain. However, IKEA did a lot more than just provide convenient, easy to transport products. IKEA designs products wisely and stays more stylish than competitors. It transformed furniture shopping to enjoyable activity and though differentiated from competitors whilst maintained high quality, innovation and yet low prices.

Q3.

This strategy is hard to imitate because the company needs to compete with businesses that employs either of the strategies – differentiation as well as cost leaders. Therefore it needs to sell high quality products and at the same

time be a cost leader. Porter suggested that company can be stuck in the middle when it has not clear strategic direction between these two (Appendix 2, Wilson and Gilligan, 2005). Companies therefore can very easily become outperformed by competition and never find successful hybrid route in long term.

Yet, IKEA is a successful multinational business because it presents a highly differentiated product into a traditional industry. It designs the products by stylish and innovative way, so when products are finalised, they are of high quality but inexpensive. IKEA's design specialists try to find the balance of inexpensive materials and suppliers for every single product in order to fulfil its strategy. As Cappell (2005) stated, it can take even up to three years to come up with right balance for the certain product. IKEA is hard to compete against because the company brought revolution to the logistics of furniture construction by scheduling sets of the most important suppliers to produce equipment parts at lowest cost possible. It has also outsourced equally production and delivery components of the value chain.

Q4.

IKEA's founder Kamprad released that he set succession plan as his three sons are ready to take over the company in undefined future (Furniture Today, 2002). They will need to deal with many threats like changes in fashion and lifestyle for instance. These must be analysed efficiently so the company can generate opportunities out of them and ensure they produce what markets desire. Kamprad is the most significant factor of company's success and his ethos such as 'wasting resources is a mortal sin' and

promises of ‘ a better life for many’ (Cappell, 2005) must be followed in the future direction.

IKEA is pure example of how to monitor the marketplace and how to beat competitors (appendix 3). However, in order to maintain its success, it needs to continue pushing the edges of stylish innovation while paying greater attention to cultural differences of each market. There is a hazard that company may lose its competitiveness as fundamentals of its strategy partly contradict themselves. Also dropping prices year by year may stop at some point in the future and the company will have to find a way to differentiate its products by increasing its quality or offering even better experience, for instance. In order to avoid these potential pitfalls, IKEA must splinter its capitals and diverse its strategic operations. It has to put all the efforts to genuinely analyse each market expectations and continue in practices that define its culture – egalitarianism and competitiveness.