

Management



In the business world companies utilize different strategies to penetrate the marketplace. Two strategies that are often used by marketers are cost leadership strategy and differentiation strategy. A low cost strategy is implemented by beating the market in terms of price. In the retail industry Wal-Mart utilizes a low cost leadership strategy. A differentiation strategy involves adding a set of meaningful and valued differences to distinguish the company's offering from the competitor's offerings (Kotler). A company in the auto industry that utilizes a differentiation strategy is BMW. Typically low cost leadership and differentiation strategies are implemented independently. The reason this occurs is because the two strategies have a different focus. A low leadership strategy persuades customers by offering the best price. Everyone loves to purchase a bargain. The implementation of a low cost leadership strategy can be used by corporations in order to increase their market share. The differentiation strategy is different because since the firm wants to become different in some aspect this typically implies offering a premium product. Products that are differentiated can be sold at higher prices in the marketplace. Despite the differences between the cost leadership strategy and a differentiation strategy it is possible to implement both simultaneously. Companies that are able to implement a cost leadership with differentiation are using a hybrid strategy. It is difficult to achieve, but under certain circumstances the hybrid strategy can be used. A perfect example of a company that can achieve a cost leadership with differentiation is a firm that operates in a monopoly marketplace. The lack of competition gives the monopolist lead way into the price structure that the firm implements. An important thing to remember about cost leadership is that the lower prices are relative to the market for similar products. Offering

a fair price is sufficient to achieve cost leadership as a monopolist. The differentiation strategy can be achieved as a monopolist without hurting its cost leadership status because the monopolist can charge more while at the same time retaining cost leadership status. A second example of a company that due to market circumstances can achieve a hybrid cost leadership / differentiation strategy is a new entrant into a market. The new entrant would need an innovative product to attract customers. The company can achieve differentiation and cost leadership by offering greater value than the competition. There are several factors that enabled companies to be able to implement an integrated cost leadership / differentiation strategy. Some of those factors are: Flexible manufacturing systems Information networks across companies Total quality management systems (Openlearningworld). The use of a hybrid strategy can provide a company a competitive advantage that can be used to achieve tremendous sales growth and market penetration. The law of supply and demand states that by lowering the price of a good its demand will go up automatically as a consequence. The use of the differentiation aspect of the strategy helps firms build their brand value. Offering better quality and greater service are two ways to achieve differentiation. Work Cited Page Kotler, P. 2003. Marketing Management (11th ed.). New Jersey: Prentice Hall. Openlearningworld. com. 2010 "Integrated Cost Leadership - Differentiation Strategy." 17 April 2011. <
<http://www.openlearningworld.com/olw/courses/books/Business%20Strategies/Business%20Strategy/Integrated%20Cost%20Leadership%20-%20Differentiation%20Strategy.html>>