

Low cost or  
differentiation



1. Using scenario planning, analyze the pros and cons of each alternative.

Alternative of low cost Pros \* New traffic for budget conscious customers \* More sales volume Cons \* More needed space to hold product \* Less product available because selling product faster \* More labor required for replenishment of inventory and store front \* More disgruntled employees from sheer volume of customers \* High employee turnover from stress

Alternative of differentiation Pros \* Highlights company strengths and niches \* Attract target customers \* Higher revenue per transaction Lower cost because specialized inventory needs less space Cons \* Alienate customers that can't afford higher cost of product \* Higher market risk because business is less diversified

Alternative of using both low cost and differentiation Pros \* More customer volume \* More diversified customer base \* More opportunities through greater sales options Cons \* Need more space \* Labor will feel more drained due to employees needing to have more product knowledge on a higher volume of product \* Low cost diminishes the prestige and experience of the high cost \* Low cost stigma diminished by expensive product . Think about the various clothing retailers in your local malls and city, and analyze the choices they have made about how to compete with one another along the low-cost and differentiation dimensions.

Low cost Macy's has gone to lower price points and over time lost prestige in the market. Macy's has attempted to go for more volume but because of the recession was always empty whenever I walked into the store. They stopped lower cost because they didn't want to lose appearance of the go to fashion locale, instead they were being viewed as the cheaper last season stop.

Macy's is now trying to stop the decline in their reputation but are still stuck in the middle, like the example in the book. Differentiation In the last five years Nordstrom seems to be the go to up to date fashion stop for people seeking high end fashion. The prices are noticeably higher. Nordstrom clearly differentiates themselves through superior customer service, cleaner stores, and top designer name brands. Nordstrom differentiates themselves further with a near unlimited open return policy, free alterations and tailoring, helpful employees happy to be there, and employees happy to help showing why they are worth the extramoney.