

Focused low-cost strategy

[Business](#), [Strategy](#)



The market is segmented on the basis of price sensitivity. The niche market is identified and all the marketing efforts are directed to serve that market. The low cost strategy is adopted for the chosen focused low cost strategy or niche market where volume can create huge impact on the revenues. The marketing mix is designed on the basis of segmentation strategies. The aim of marketer is to achieve effectiveness. This strategy is effective when the competition is there but competitors are not strong or a small or very specific segment of customers are capable of creating remarkable difference in the revenues.

Best cost provider strategy

Best cost provider strategy is adopted in a highly competitive business environment. This helps in sustaining the differentiation for longer term than the simple low cost strategy. This is based on the value of a product. Marketer offers the best value for the product in the lowest cost. This maintains the image of the marketer in providing value products or services and maintaining quality. ? Focused differentiation strategy In Focused differentiation strategy marketer identifies a profitable segment which can be served with unique products at above average price.

The identified group can be ready to pay premium for the products. The limited availability of product or services for the specific groups of customers makes the offer unique, for instance designer cars, clothes, accessories. Sometimes due to the existing competition, an entrant can try to focus on a niche area in order to penetrate the market. Where an organization can afford neither a wide scope cost nor a wide scope differentiation strategy, a niche strategy could be more suitable. When an organization focuses effort

and resources on a narrow, defined segment of a market, it develops an advantage in the niche segment. You may also be interested in reading " Are entrepreneurs born or made essay"

Once it gains visibility and popularity, it can then widen its spectrum of growth. b. Non Stop Yachts is pursuing which type of generic strategy? What is attractive about the strategy and what are the risks for Non Stop Yachts? Michael Porter's analysis of the five forces that drive competition within an industry can be used to analyze the market's competitive environment. It allows marketer to identify attractive segment. Porter has identified the following five forces that determine the long run profit attraction of a market or market segment.

Any market is comprise of industry competitors, potential entrants, substitutes, buyers and suppliers. There are numbers of threats existing in the market place from all the players of the market. These threats are as follows:

- The threat of entry by new competitors
- The intensity of rivalry among existing competitors
- Pressure from substitute products
- The bargaining power of buyers
- The bargaining power of suppliers

In this case of Non Stop Yachts, it is clear that the threat of entry by new competitors is low as the economies of scale and complexity of the business environment is high.

The organization operating in the industry from longer duration has achieved their economy of scale. The learning and experience curve of the company reveals that it has less threat from the new entrants. Any new entrant need to understand market complexity as well as able to supply range of products and components for the repair, maintenance and replacement business. However the old players of the different markets who already have achieved the economies of scale and have experience of production and selling of the similar products pose serious threats.

The vertical and horizontal integration by different key industry players is one of the most important threats. There are almost negligible possibilities for the customers to substitutes these highly specialized components of mega yacht. This reduces pressure for the substitute products for the existing player. The profitability and returns can be attractive factors for any new entrants. However the cost of investment, knowledge and experience are high. The time required to achieve economies of scale is longer. This will act as controlling factors. The strategy adopted by the Non Stop Yachts was the focused low-cost strategy .

Non Stop Yacht has targeted yacht manufacturing industry and within this industry the most profitable mega yacht segment. It analyzed the business environment and tried to fill the gap by offering a service which was not available so far. It utilized the advance technological platform and offered a virtual shop. This helped customers to view the products instead of carrying catalogues they could just surf the website and find out about the products matching to their requirements and place the order. This reduced their time,

effort and resources. The margin of error was minimized. This was the way to create value for the buyers.

The virtual platform and supporting the database of several products, updating the database and keeping the portal running was highly technical and challenging job. This was one of the reasons it did not have to face the rivalry from the competitive firms. The virtual platform has comparatively low cost in the long run as compared to the other ways of differentiating products and services. These were the unique and appealing attributes for NSY. It was unique, offered multiple features, and had spare parts available and matching services. It was difficult to the competitors to imitate the uniqueness immediately.

The employees at NSY were committed to customer service and their jobs. All these contributed to achieving growth rates for the organization. However there are certain limitations of this strategy. The premium price is not always justified for the buyers. There is no uniform pricing strategies of different buyers. The pricing strategy is subject to competitor's pricing as well as availability of product in the market place. The threat of copying the strategy is always there by the rivals and new entrants. Over differentiation of products exceed the needs of the buyers'.