

_Strategy II

Abrao Kulaif | Week 10
Principles of Management | 2025

To recap

- ✓ Strategy vs. Tactics
- ✓ SWOT
- ✓ Blue ocean strategy
- ✓ The case of Patagonia

_competitive advantage

_competitive advantage

Set of unique attributes or capabilities that enable a company to outperform its rivals and achieve superior performance in the marketplace. It involves creating value for customers, sustaining that value over time, and positioning the company ahead of competitors.

Types of strategies to gain competitive advantage:

- ✓ Cost Leadership
- ✓ Differentiation
- ✓ Focus

_cost leadership

In cost leadership, a firm sets out to become the low-cost producer in its industry.

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It may include:

- the pursuit of economies of scale
- proprietary technology
- optimized supply chain

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_differentiation

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It may include:

- strong marketing abilities
- strong capabilities in R&D
- strong coordination among functions

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- It has two variants:
- cost focus
 - differentiation focus

_economies of scale



_economies of scale



When the average cost per unit of production decreases as the volume of output increases. It is often associated with mass production and the efficient utilization of resources.

_economies of scale

Ex. automobile manufacturer

COSTS

- ✓ Maintaining production facilities
- ✓ Purchasing raw materials
- ✓ Implementing quality control

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_economies of scale

Ex. automobile manufacturer

COSTS

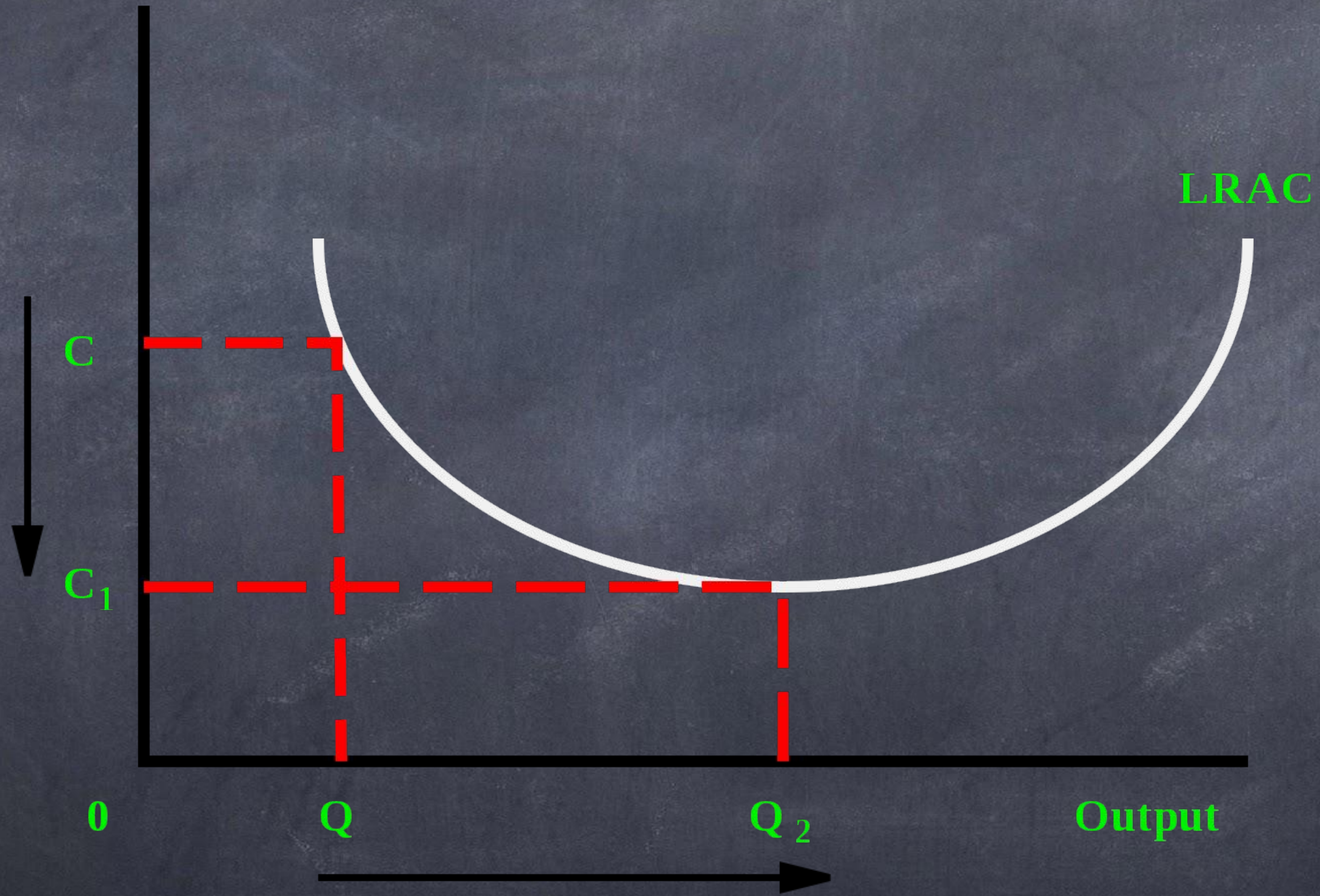
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UNITS

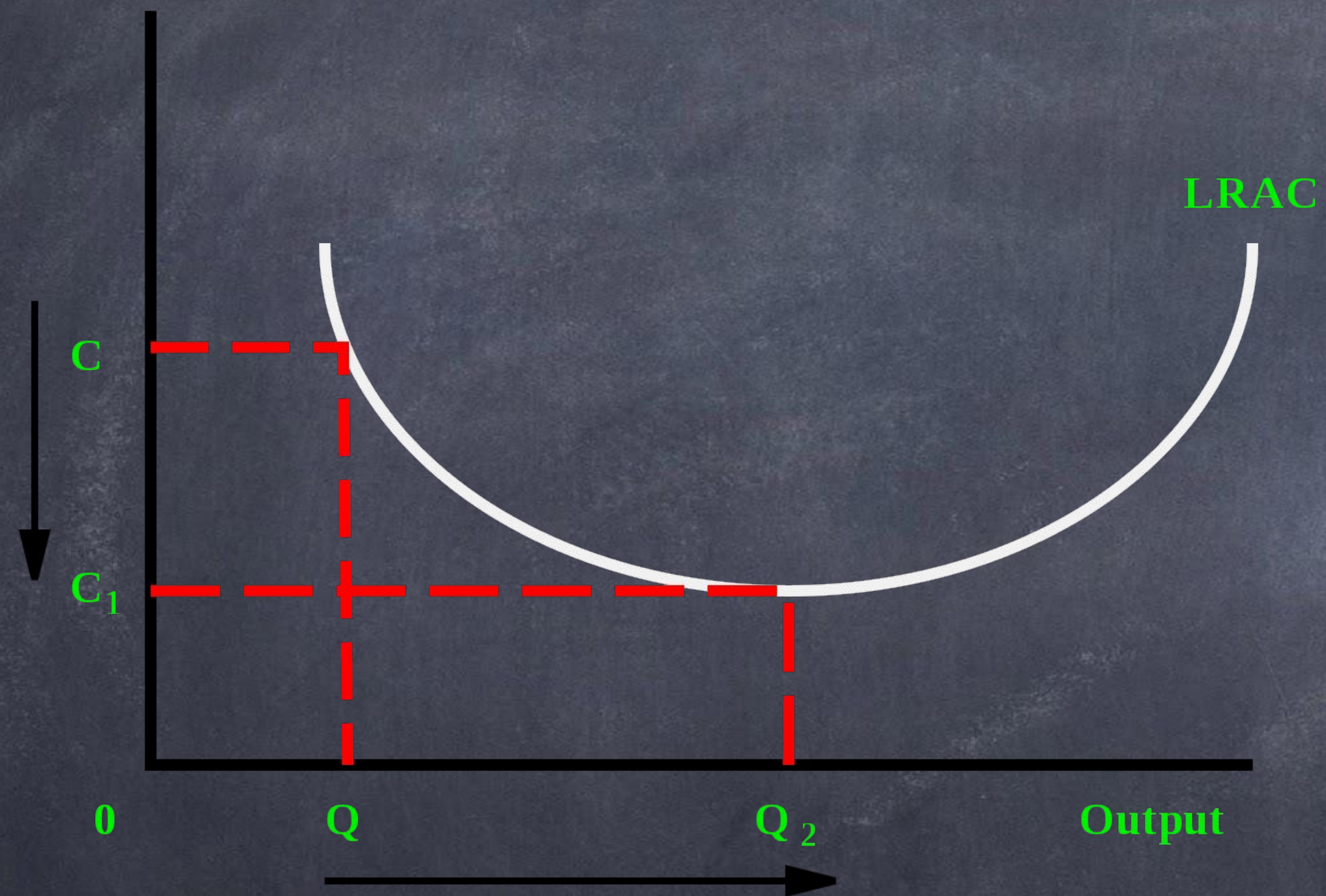
_economies of scale

Average Cost



_economies of scale

Average Cost



Why U?

_economies of scale

Average Cost



Why U?

Economies of scale ->
constant returns to scale ->
diseconomies of scale

_(dis)economies of scale

- ✓ Higher cost for producing additional units
 - ✓ Production process less efficient
 - ✓ Reduced profitability

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_economies of scope



_economies of scope



Refer to the cost advantages that a company can achieve by producing a variety of products or services rather than specializing in a single product or service. It involves leveraging shared resources and capabilities across different lines of business.

_economies of scope



Total cost of product 1 + Total cost of product 2 + Total cost of product N

_economies of scope



Total cost of product 1 + Total cost of product 2 + Total cost of product N
- The overlap of producing them all together

_competitive advantage



The case of IKEA to evidence competitive advantage via cost leadership



_competitive advantage

✓ **Efficient Supply Chain:** highly efficient + flat-packaging.



_competitive advantage

- ✓ **Efficient Supply Chain:** highly efficient + flat-packaging.
- ✓ **Economies of Scale:** large volumes + standardizing designs



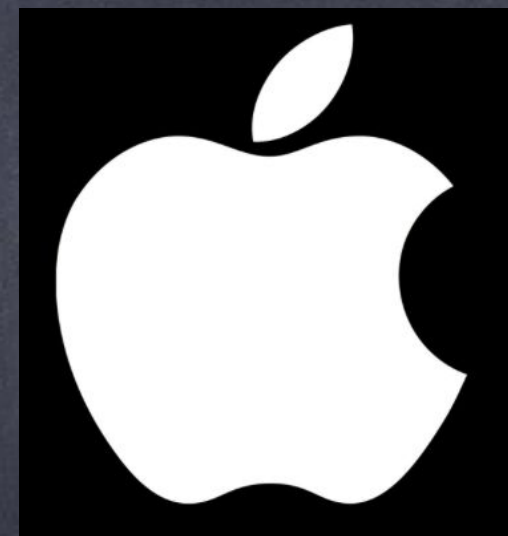
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- ✓ **Efficient Supply Chain:** highly efficient + flat-packaging.
- ✓ **Economies of Scale:** large volumes + standardizing designs
- ✓ **Self-Service Model:** lower labor costs on employee assistance.



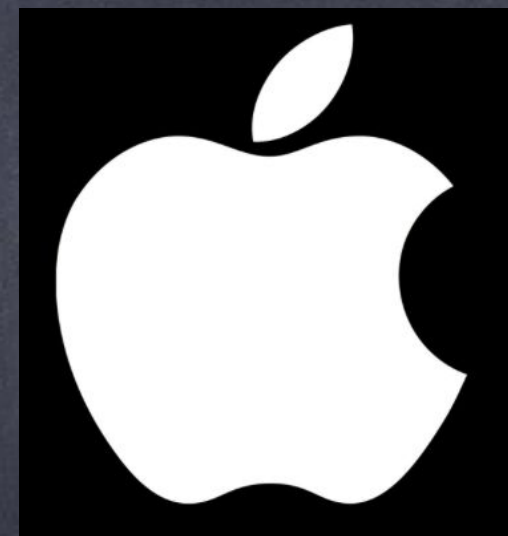
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- ✓ **Efficient Supply Chain:** highly efficient + flat-packaging.
- ✓ **Economies of Scale:** large volumes + standardizing designs
- ✓ **Self-Service Model:** lower labor costs on employee assistance.
- ✓ **Global Sourcing:** taking advantage in different regions....



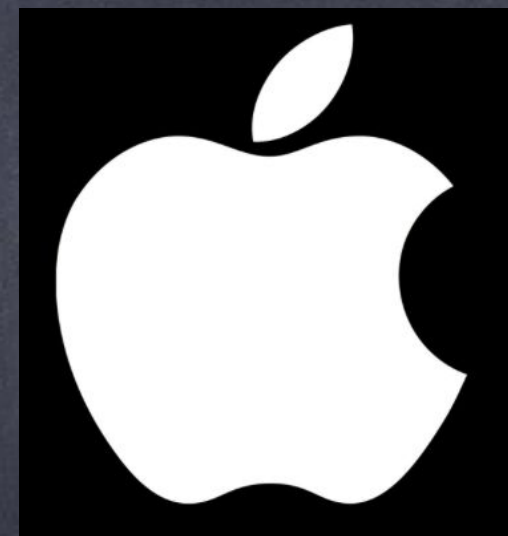
_competitive advantage

The case of APPLE to evidence competitive advantage via
differentiation



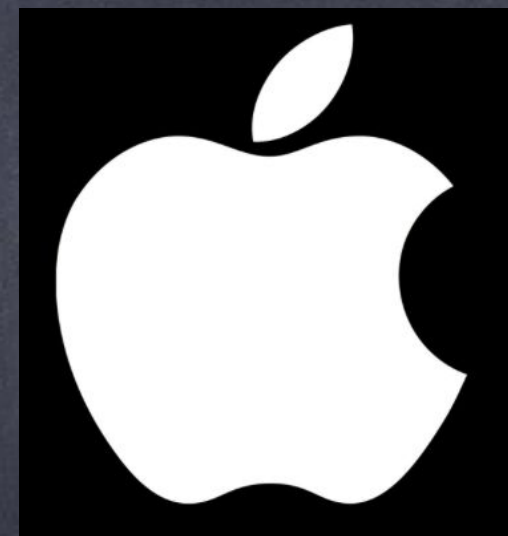
_competitive advantage

✓ **Premium Pricing:** perceived value and differentiation



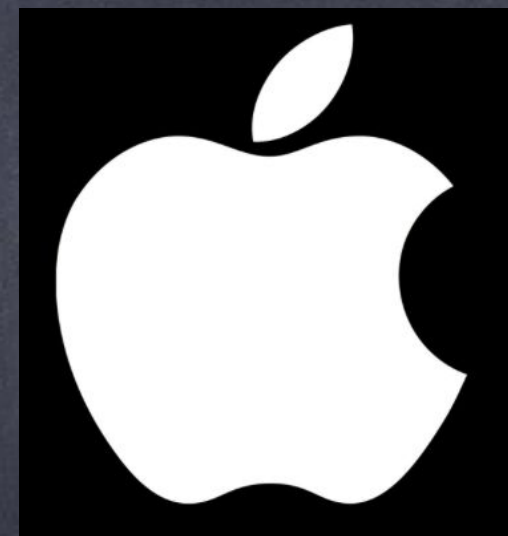
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- ✓ **Premium Pricing:** perceived value and differentiation
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_competitive advantage

- ✓ **Premium Pricing:** perceived value and differentiation
- ✓ **Brand Loyalty:** leads to repeat purchases + brand advocacy
- ✓ **Reduced Price Sensitivity:** Apple to maintain pricing power in competitive markets
- ✓ **Market leadership:** market leader in various categories

To come:

✓ Innovation & Intrapreneurship

See you on next session :)