



Helping Businesses Grow & Succeed

# Creating and Sustaining Superior Performance



Presented by Bree McCastle, MBA  
Business Consultant Florida SBDC at UWF



- They were first set out by Michael Porter in 1985 in his book, "[Competitive Advantage: Creating and Sustaining Superior Performance](#)."
- Different way of achieving competitive advantage in a crowded marketplace.
- They can be applied to products or services in all industries, and to organizations of all sizes.

# CREATING AND SUSTAINING SUPERIOR PERFORMANCE

# Key Points

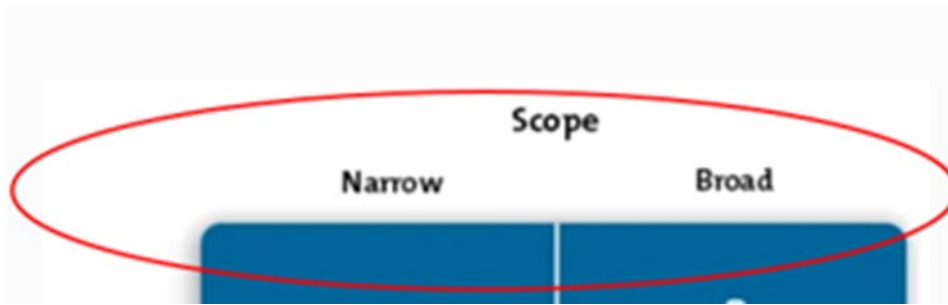
- According to Porter's Generic Strategies model, there are three basic strategic options available to organizations for gaining competitive advantage. These are: Cost Leadership, Differentiation and Focus.
- Organizations that achieve Cost Leadership can benefit either by gaining market share through lowering prices (whilst maintaining profitability) or by maintaining average prices and therefore increasing profits. All of this is achieved by reducing costs to a level below those of the organization's competitors.
- Companies that pursue a Differentiation strategy win market share by offering unique features that are valued by their customers.
- Focus strategies involve achieving Cost Leadership or Differentiation within niche markets in ways that are not available to more broadly-focused players.

# Porter's Strategies



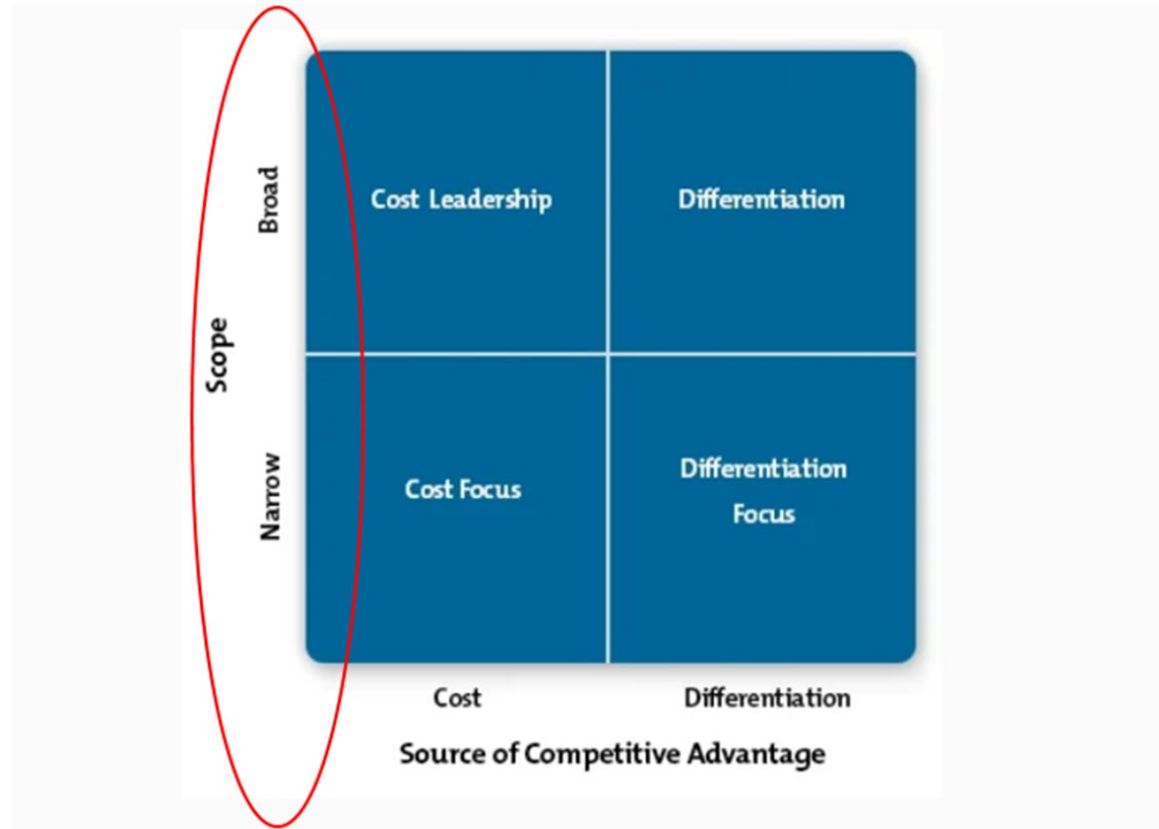
# Source of Competitive Advantage

- Porter's Strategies can be thought of as:
- (1). Source of Competitive Advantage can be Cost or Differentiation.
- (2). Scope of the approach can be Broad or Narrow.
- (1) a. A Broad Scope can be Cost Leadership or Differentiation.
- (2) b. A Narrow Scope can be Cost Focus or Differentiation Focus.



## SCOPE:

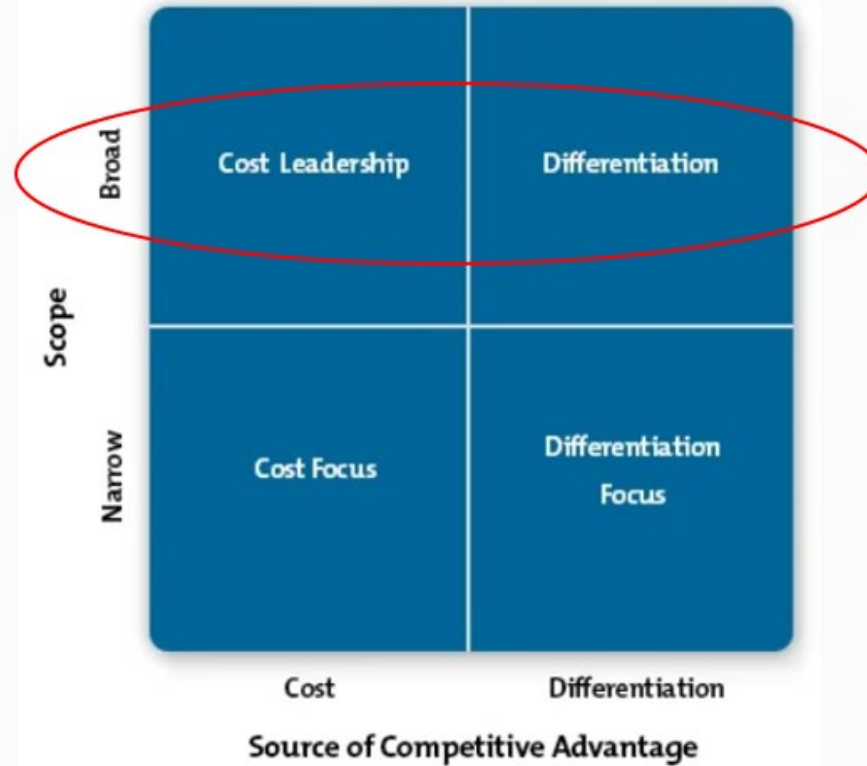
- Narrow
- Broad





## Source of Competitive Advantage

- Cost
- Differentiation



## Broad Scope

- Cost Leadership
- Differentiation



# The Cost Leadership Strategy

- Scope is Board
- Source of Competitive Advantage is “Cost”
- A focus on cost
- Increasing profits by reducing costs, while charging industry-average prices.
- Increasing market share by charging lower prices, while still making a reasonable profit on each sale because you've reduced costs

# The Differentiation Strategy

- Good research, development and innovation.
- The ability to deliver high-quality products or services.
- Effective sales and marketing, so that the market understands the benefits offered by the differentiated offerings.



## Narrow Scope

- Cost Focus
- Differentiation

# The Focus Strategy

- Focus means producing products and services that fulfill the needs of small groups of consumers.
- There are two types of focus strategies.
  - A low-cost focus strategy offers products or services to a small range (niche) of customer at the lowest price available on the market.
  - A best-value focus strategy offers products to a small range of customers at the best price value available on the market.
- Concentrating on a limited part of the market

# KEY TAKEAWAYS

- Porter's 5 Forces is a comparative analysis strategy that analyzes competitive market forces within an industry.<sup>1</sup>
- SWOT analysis looks at the strengths, weaknesses, opportunities, and threats of an individual or organization to analyze its internal potential.<sup>2</sup>
- Porter's 5 Forces are all external factors, the SWOT analysis examines both internal (strengths and weaknesses) and external (opportunities and threats) forces.<sup>21</sup>
- Both tools can be used to put strategic planning processes in place to further a company or individual's success.

# SWOT Analysis & Five Forces Analysis

- Analysis provides a unique opportunity to gain greater insight into how your business operates.
- Analysis provides you with the opportunity to not only identify these factors, but also develop and implement tangible roadmaps and timelines for potential solutions
- SWOT Analysis is a standardized practice conducted during Strategy Planning.
- Five Force business strategy tool used to analyze the level of competition of an industry and create, or adapt

# Porter SWOT analysis

<b>S</b> STRENGTHS	<b>W</b> WEAKNESSES	<b>O</b> OPPORTUNITIES	<b>T</b> THREATS
<ul style="list-style-type: none"><li>• Things your company does well</li><li>• Qualities that separate you from your competitors</li><li>• Internal resources such as skilled, knowledgeable staff</li><li>• Tangible assets such as intellectual property, capital, proprietary technologies etc.</li></ul>	<ul style="list-style-type: none"><li>• Things your company lacks</li><li>• Things your competitors do better than you</li><li>• Resource limitations</li><li>• Unclear unique selling proposition</li></ul>	<ul style="list-style-type: none"><li>• Underserved markets for specific products</li><li>• Few competitors in your area</li><li>• Emerging need for your products or services</li><li>• Press/media coverage of your company</li></ul>	<ul style="list-style-type: none"><li>• Emerging competitors</li><li>• Changing regulatory environment</li><li>• Negative press/media coverage</li><li>• Changing customer attitudes toward your company</li></ul> <p data-bbox="1309 1206 1591 1239"> WordStream</p>

# The Porter's Five Forces

Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	Threat of substitute products or services	Rivalry among existing competitors
<ul style="list-style-type: none"><li>- Barriers to entry</li><li>- Economies of scale</li><li>- Brand loyalty</li><li>- Capital requirements</li><li>- Cumulative experience</li><li>- Government policies</li><li>- Access to distribution channels</li><li>- Switching costs</li></ul>	<ul style="list-style-type: none"><li>- Number of suppliers</li><li>- Size of suppliers</li><li>- Uniqueness of each supplier's product or service</li><li>- Focal company's ability to substitute</li><li>- Switching costs</li></ul>	<ul style="list-style-type: none"><li>- Number of customers</li><li>- Size of each customer order</li><li>- Differences between competitors</li><li>- Price sensitivity</li><li>- Buyer's ability to substitute</li><li>- Buyer's information availability</li><li>- Switching costs</li></ul>	<ul style="list-style-type: none"><li>- Number of substitute products available</li><li>- Buyer propensity to substitute</li><li>- Relative price performance of substitute</li><li>- Perceived level of product differentiation</li><li>- Switching costs</li></ul>	<ul style="list-style-type: none"><li>- Number of competitors</li><li>- Diversity of competitors</li><li>- Industry concentration</li><li>- Industry growth</li><li>- Quality differences</li><li>- Brand loyalty</li><li>- Barriers to exit</li><li>- Switching costs</li></ul>



# Thank You

- Attend Training Events  
<https://sbdc.uwf.edu/>
- Follow our Facebook  
<https://www.facebook.com/SBDCatUWF>
- Weekly Virtual Office Hours  
(Wednesday 9AM – 12PM) Email me  
[@bmccastle@uwf.edu](mailto:bmccastle@uwf.edu)