Strategy Clock

The concept of the strategy clock was created as an extension to Porter's theory of competitive advantage. Porter argued that for a firm to succeed it must be clear as to its fundamental generic strategy.

The strategy clock concept as outlined in the module defines eight possible routes that a firm's strategy could follow.

1. **Low price/low value added**
   Route I may appear unattractive, but several successful organizations have followed it. It is the “cheap and nasty” option, reducing price and quality. The strategy is segment specific, appealing to the low income market and is followed by a number of clothing retailers.

2. **Low price**

   Route 2 is the strategy of reducing price while maintaining quality. In this situation the organization must ensure it is a cost leader to maintain its competitive advantage and be able to sustain its low price strategy if a price war breaks out. This is occurs from time to time in industries and may preceed an industry shakeout or takeover.

3. **Hybrid**

   Route 3 incorporates adding value while maintaining lower prices. The success here comes from being able to understand and deliver on customer needs and maintain a low cost base. An obvious follower of this strategy is Ikea, the Swedish furnishing store.

4. **Differentiation**

   Route 4 offers perceived value added at a similar or somewhat higher price than its competitors with the aim of achieving a higher market share and therefore a higher volume than competitors.

   Focused differentiation

   Route 5 results in differentiation in a specific market segment, by offering higher quality at a significantly higher price. This strategy is followed by luxury car makers.

5. **Increased price with standard value.**

6. **Increased price with low value.**

7. **Low value with standard price.**

6,7,8 are all strategies destined for failure unless the organization is working in a monopoly market.