

# Lecture 3

Design of Logistics Systems



# Risks of a low-cost strategy

- Technological innovations of competitors open the way for them to reduce costs, which can reduce to zero all previous investments and the hard-won advantage of the leader in costs.
- Competing firms may find simple and inexpensive methods of copying leadership skills by cost.



The first digital camera was created in the depths of the Kodak company in 1975.



When they realized their mistake, it was too late.

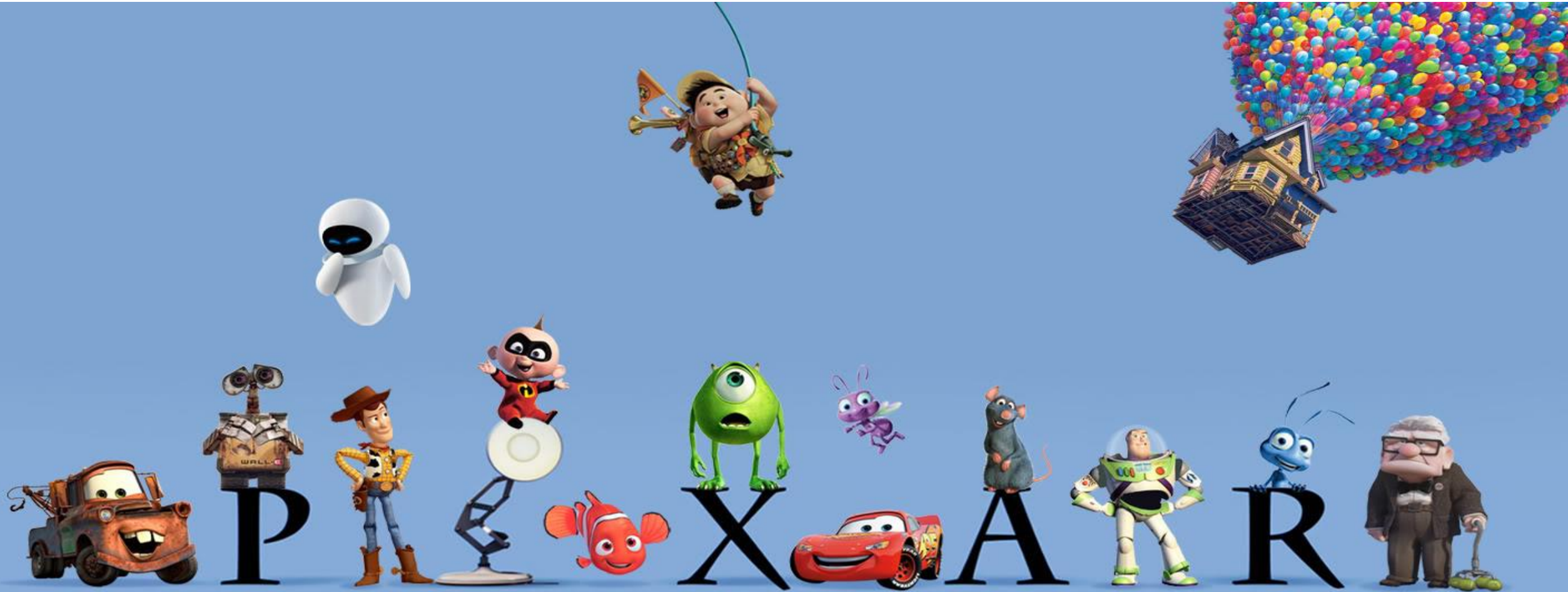
# Strategy of wide differentiation

The logic of the differentiation strategy requires that the company based the differentiation on the basis of such product attributes that would distinguish it from the product of competing companies.



If a company wants a high price to pay for its goods, it must be truly unique or perceived by buyers as unique.





Steve Jobs buys The Graphics Group from for \$ 5 million in 1986. Subsequently, it will be called "Pixar". Under his leadership, cartoons such "Toy Story" and "Monsters Inc." were released by using modern. He sold Pixar for \$ 7.4 billion in 2006, remaining a member of the Board of Directors and its largest shareholder, owning a 7% stake.



The key to the success of the differentiation strategy is

- develop such characteristics and features of the product that will reduce the total costs of the buyer for the use of the company's products
- giving the product features that increase customer satisfaction: but not at the expense of economy, but in some other way.



In order for a differentiation strategy to be successful, a company must study the inquiries and behavior of customers, to know:

- what do buyers prefer
- what do they think about the value of the goods
- How much they ready to pay.





## Successful differentiation allows the firm to:

- set a higher price for the product / service;
- increase sales
- win customer loyalty to your brand (because some customers become very attached to the additional characteristics of products).





## Cost Optimization Strategy

The strategy of optimal costs allows buyers to get more value for their money due to a combination of low costs and product quality.

The challenge is to ensure optimal costs and prices relative to manufacturers of products with similar traits and quality.



# Strategy of focusing

A focused strategy, or a niche market strategy, is focused on a narrow segment of buyers, where the firm is ahead of its competitors due to more narrowly specialized activities.



**ROLEX**







**Rolls-Royce** — This is a true legend of the automotive world. In total, more than 20 models of this car were released over the long history of the brand, Rolls-Royce focuses on quality, not quantity. The brand is primarily associated with luxury, prestige, comfort, reliability. Among the happy owners of Rolls-Royce were Charlie Chaplin, Benito Mussolini, Mohammed Ali, Elizabeth Taylor, Lenin, Brezhnev and Alfred Nobel. Due to the fact that the Japanese emperor decided to buy Rolls-Royce in the 1920s, there is still left-hand traffic in Japan.

- every car during assembly passes through 60 hands pair;
  - doors are opened in “carriage style” to underline aristocraticity and royal manners;
  - 200 types of wood in one car;
- watch in every car. at a speed of 100 km / h, their progress is the loudest that you will hear in the salon



Which will you  
choose?

