

## Generic Strategy: Focus

### Key Points:

- A focus strategy—as the name implies—focuses a firm on a specific customer segment, product or service or geography with the objective of servicing the particular focus area exceptionally well. Each industry can have several different firms with unique focuses.
- To achieve a focused position, a firm's overall policies, goals, activities, investments and focus need to be geared toward meeting the needs of the target very well.
- Focusers risk losing their positions when their cost advantages are eliminated by broad competitors, when the perceived differences between the focuser's products and services narrow relative to the overall market or when the focuser is outmaneuvered by even more focused strategies.

### Main Thoughts:

Firms can achieve better than average returns in their industries by achieving a focused competitive position. To achieve this focused competitive position, a firm's overall policies, goals, activities, investments and focus need to be geared toward meeting the needs of the target very well. A focus strategy can combine elements of a cost leadership strategy and/or a differentiated strategy; the difference mainly is that the target is not the broader market as a whole; rather, it is a subset of the market consisting of narrower buying groups, products or services or geographies. Focused competitors typically will not reduce costs or differentiate to the same degree of the broader competitors; however, they will focus enough to serve the needs of their target market particularly well.

A focused strategy is effective because—like the cost leader and differentiators—it mitigates the challenges faced in industry competition vis-a-vis the target market. The focus of the strategy attracts customers who are willing to pay for additional features or services or eliminates activities unnecessary to customers who care to pay a lower price. Customers' loyalty to the brand reduces their propensity to switch or substitute while creating barriers for competing firms with in or entering the industry. Additional margin derived from either improved pricing or lower costs also helps combat buyer power.

A focused position precludes high market share or scale in operations because of the choice to select a subset of the broader market. Specialty sports car manufacturers, like Lotus, focus on the segment of the market that seeks a pure sports or racing car-driving experience. As such, Lotus knowingly selects a significantly smaller segment of the broader market that has tastes, preferences and a payment capacity more oriented toward their offerings. The following table highlights common requirements of a differentiation strategy:

#### Skills & Resources

Selection of cost skills and differentiation skills--depends upon the target segment

#### Organizational Requirements

Selection of cost skills and differentiation skills--depends upon the target segment

**Figure 1: Differentiation Strategy Requirement (Adapted From Porter, Michael, Competitive Strategy, 1980, Free Press)**

Maintaining a focused position requires a constant focus on the needs of the target, as well as a close monitoring of those like-focused competitors that might out focus the focuser or those broad market firms that could eliminate the focuser's cost or differentiation advantage.

**Figure 2: Generic Strategy Matrix (From Porter, Michael, Competitive Strategy, 1980, Free Press)**



**As an Example:**

An effective focuser is Dollar Tree. Unlike Wal-Mart, the industry cost leader, or Target, a broad differentiator, which both provide a full range of merchandise; Dollar Tree focuses on products at the one-dollar price point. This sub segment of the broader market is referred to as discount variety stores. At Dollar Tree, the store layout, merchandise categories and even overall go to market strategy are all focused on products that cost a single dollar. Not surprisingly, predictable subsets of customers—specifically intense value shoppers—frequent Dollar Tree's thousands of store locations throughout 48 states in the United States.

**Editorial**

A focused strategy is an effective way for firms to compete when they do not or cannot enter the broader market. Because of their sub-selection—in the case of Dollar Tree on price point versus customer segments outright—these firms are able to design a value chain based upon what is a highly unique set of skills. The focus strategy lends itself to combining both the best of cost leadership and differentiation because of the limitations

in scope with respect to markets or products. However, focused competitors cannot ignore broad market competitors. Failure to address advances in broader competitors' capabilities means a potential loss of the ability to service uniquely the chosen target. Wal-Mart's constant advancements in cost leadership rendered many regionally focused chains uncompetitive and ultimately these regionally focused chains lost out in their target markets due to Wal-Mart's substantially greater product selection at overwhelmingly lower price points.

**For More Information See:**

Articles:

n/a

Text

Porter, Michael, E., *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Free Press, 1980.