What is the Strategy Clock?

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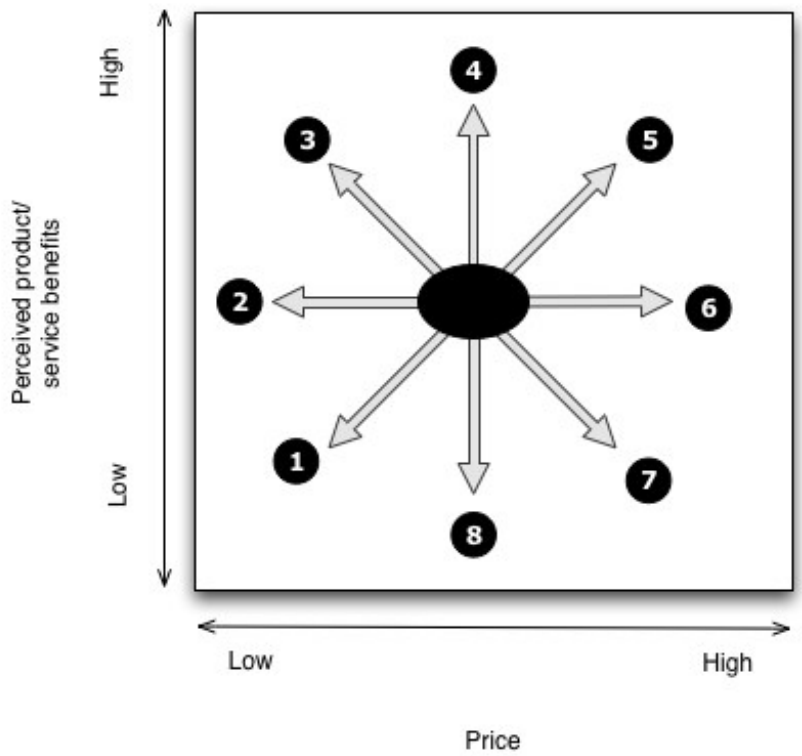
Introduction

The strategy clock is one of the less well-known strategy tools and is based on the principle that organisations achieve competitive advantage by providing their customers with what they want, or need, better or more effectively than their competitors. The strategy clock adopts the assumption that customers will accept any offering based on 'perceived value-for-money'. The clock is based on different perceptions of the product/service offering against a price line. This results in some generic strategic options based on the positioning on the clock.

The Strategy Clock



The Strategies

Each of these eight different points is now discussed:

1. 'No frills' – this combines a low price, low perceived benefit and is focussed on a price-sensitive market segment. Such products tend to be commodity- like, and customers do not discern or value differences in the offerings from different suppliers. Price is the key competitive issue. There may be price- sensitive customers who cannot afford better-quality goods (think Aldi?), and buyers have high power, and/or low switching costs. Building customer loyalty is difficult, so providers try to 'buy' loyalty in other ways (loyalty cards, for example). It may also be a useful strategy where smaller participants avoid the major competitors, who may well be competing on non-price strategies.
2. 'Low price' – organisations competing here are seeking to achieve a lower price than competitors while trying to maintain similar perceived benefits to those offered by competitors. To succeed here, an organisation needs to identify and focus on a market sector which is unattractive to competitors, or, with more difficulty, compete on price. The key challenge is to reduce costs which others cannot imitate or match, resulting in a sustainable advantage.
3. Hybrid – this strategy seeks to simultaneously achieve differentiation, and a price lower than that of competitors. The success or otherwise of this strategy depends on the ability to deliver enhanced benefits to customers together with lower prices whilst achieving sufficient margins for reinvestment to maintain and develop the bases of differentiation. It can be advantageous in certain instances: if much greater volumes can be achieved than competitors, then margins may still be better because of a low cost base; if the organisation is clear about the activities on which differentiation can be built, it may be possible to reduce costs on other activities; and as an entry strategy in a market with established competitors.
4. Differentiation – this strategy results in offerings that provide benefits different from

those of competitors and that are widely valued by buyers. The aim is to achieve competitive advantage by offering better products/services at the same price or by enhancing margins by slightly higher pricing.

5. Focused differentiation – this strategy seeks to provide high perceived benefits, justifying a substantial price premium, usually to a niche market.
6. Increased price/standard value – a failure strategy – higher margins if competitors do not follow – risk of losing market share.
7. Increased price/low value – a failure strategy – only feasible in a monopoly situation.
8. Low value/standard price – a failure strategy – loss of market share.

Where do your products and services lie?