

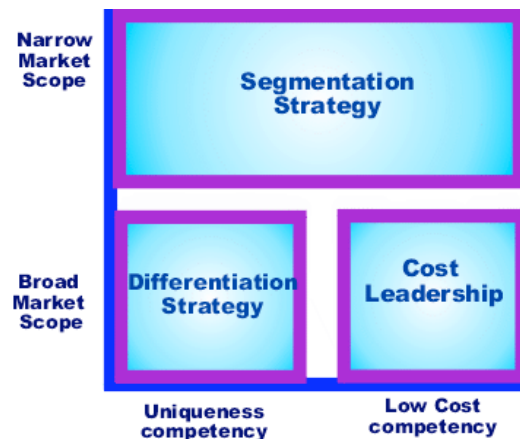
Project Task 3

To describe the strategy followed by the firm to get a competitive advantage.

The bargaining power rivalry is what keeps Mercedes-Benz on the run, as such that it can keep ahead of BMW and others, who are always there and always threatening their market share.

Power of Customers Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other-all at the expense of industry profitability.

We could point out three main strategies used by the Company to be market leaders: Differentiation, Versatility and Broad Market. To explain them we are going to compare with the diagram of Porter's Generic Strategies.



The Differentiation Strategy

Differentiation involves making your products or services different from and more attractive than those of your competitors. How you do this depends on the exact nature of your industry and of the products and services themselves, but will typically involve features, functionality, durability, support and also brand image that your customers value.

To make a success of a generic Differentiation strategy, organizations need:

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

Large organizations pursuing a differentiation strategy need to stay agile with their new product development processes. Otherwise, they risk attack on several fronts by competitors pursuing Focus Differentiation strategies in different market segments.

Differentiation of product has enabled Mercedes Benz to beat down the power of its customers by offering them basically the same product (engines) at various prices under various models and class.

Cost Leadership Strategy

A firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors. If cost-leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. The ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate.

The versatility of Mercedes Benz enables it to produce a wide range of vehicle ranging from cars to trucks has made them a household name.

Focus or Strategic Scope

This dimension is not a separate strategy per se, but describes the scope over which the company should compete based on cost leadership or differentiation. The firm can choose to compete in the mass market (like Wal-Mart) with a broad scope, or in a defined, focused market segment with a narrow scope. In either case, the basis of competition will still be either cost leadership or differentiation.

In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialized needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through product innovation and/or brand marketing rather than efficiency. It is most suitable for relatively small firms but can be used by any company. A focused strategy should target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment.

Summing up the versatility of Mercedes Benz enables it not only to produce a wide range of vehicle ranging from cars to trucks but it has also employed a Superior Engineering Technology in relation to other automobile manufacturers and made available the existence of a worldwide after sales service. This diversity of product programme permits consumers to make wide variety of choices and has been a determining factor in the choices made by consumers who decided to buy a Mercedes Benz product and making them a household name. The strategy followed by Mercedes Benz along the years based Differentiation, Versatility and Broad Market has made the company the leader in sector among his principle competitors.