Bowman’s Strategic Clock

3.8 Choosing Strategic Direction
What you need to know

- How to compete in terms of benefits and price
- Strategic positioning to include:
  - Bowman’s Strategic Clock
Concept links

- Bowman Strategy Clock
- Price
- Competitive advantage
- Perceived Value
- Differentiation
- Market positioning
- Adding value
The Challenge of Business Strategy

To find a way of achieving a sustainable competitive advantage over the other competing products and firms in a market
What is a Competitive Advantage?

An advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.
What is Bowman’s Strategic Clock?

Bowman’s Strategic Clock is a model that explores the options for strategic positioning – i.e. how a product should be positioned to give it the most competitive position in the market.
Two Dimensions Determine The Strategic Options Around the Clock Face

PRICE

PERCEIVED VALUE
Positions Around the Clock

Perceived Value to the Consumer

- High
- Low

Price

- Low
- High

Differentiation

- Hybrid
- Focused Differentiation
- Monopoly pricing

Loss of market share

- Low price & low added value
- Risky High margins

Low price

Loss of market share

1. Low price & low added value
2. Low price
3. Hybrid
4. Differentiation
5. Focused Differentiation
6. Risky High margins
7. Monopoly pricing
8. Low price & low added value
Low Price and Low Value Added  
(Position 1)

Not a very competitive position for a business. The product is not differentiated and the customer perceives very little value, despite a low price. This is a bargain basement strategy. The only way to remain competitive is to be as “cheap as chips” and hope that no-one else is able to undercut you.
Low Price (Position 2)

Businesses positioning themselves here look to be the low-cost leaders in a market. A strategy of cost minimisation is required for this to be successful. Profit margins on each product are low, but the high volume of output can still generate high overall profits. Competition is usually intense – often involving price wars.
Involves some element of low price (relative to the competition), but also some **product differentiation**. The aim is to persuade consumers that there is good added value through the combination of a reasonable price and acceptable product differentiation. This can be a very effective positioning strategy, particularly if the added value involved is offered consistently.
A differentiation strategy aims to offer customers the **highest level of perceived added value**. Branding plays a key role in this strategy, as does product quality. A high quality product with strong brand awareness and loyalty is perhaps best-placed to achieve the relatively prices and added-value that a differentiation strategy requires.
This strategy aims to position a product at the **highest price levels**, where customers buy the product because of the **high perceived value**. This the positioning strategy adopted by **luxury brands**, who aim to achieve premium prices by highly targeted segmentation, promotion and distribution. Done successfully, this strategy can lead to very high profit margins, but only the very best products and brands can sustain the strategy in the long-term.
A high risk strategy that likely to fail – eventually. Business sets high prices without offering anything extra in terms of perceived value. If customers continue to buy at these high prices, the profits can be high. But, eventually customers will find a better-positioned product that offers more perceived value for the same or lower price. Other than in the short-term, this is an uncompetitive strategy.
Where there is a monopoly in a market, there is **only one business offering the product**. The monopolist doesn’t need to be too concerned about what value the customer perceives in the product – the only choice they have is to buy or not. There are no alternatives. In theory the monopolist can set whatever price they wish. Fortunately monopolies are usually **tightly regulated** to prevent them from setting prices as they wish.
This position is a **recipe for disaster** in any competitive market. Setting a middle-range or standard price for a product with low perceived value is unlikely to win over many consumers who will have much better options (e.g. higher value for the same price from other competitors).
Evaluating Strategic Position Using the Bowman’s Clock

Three of the positions (6, 7 and 8) are uncompetitive. These are the ones where price is greater than perceived value. Provided that the market is operating competitively, there will always be competitors that offer a higher perceived value for the same price, or the same perceived value for a lower price.