

**Cost Leadership** This strategy generally consists of an organization attempting to gain a market share by appealing to cost-conscious or cost-restricted customers or consumers. Organizations exhibiting cost-leadership often exhibit a number of traits and attributes which make them suited for this approach:

- Access to capital or technology required to drive costs down
- High levels of productivity
- High efficiency and capacity utilization
- A low-cost base (e.g. labor, materials, facilities) and a method of maintaining this
- Use of bargaining power to negotiate low production costs
- Access to effective distribution channels

Some organizations with cost leadership may also sell products for below the market average, allowing them to gain a greater share of consumers than their competitors – particularly if their profit margins can still remain high due to low production costs. Although any organization will aim to remove any unnecessary costs, those employing this strategy prioritize lowering all overheads. Often, this can be achieved through mass-production of products, allowing the organization to exploit the economies of scale; however, costs can be cut during many stages of the production process. These organizations cannot afford to be merely among the lowest-cost producers – this leaves them open to undercutting from rivals – instead, they need to be the lowest-cost producer. This will allow the organization to sell products or services for around or below the average price for the industry, and as a result of cost, limitations will achieve the greatest profits. These mass-produced products will often be very standard and will exhibit little-to-no differentiation. Therefore, it is the aim of the organization to become the lowest-cost producer in their chosen industry.