



# Strategic Choices:

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## Business-Level Strategy

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# Strategic Choices





# The TOWS Matrix

		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	<b>SO Strategic options</b> Generate options here that use strengths to take advantage of opportunities	<b>WO Strategic options</b> Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	<b>ST Strategic options</b> Generate options here that use strengths to avoid threats	<b>WT Strategic options</b> Generate options here that minimise weaknesses and avoid threats

# Business-Level Strategies



# What is a Strategic Business Area?



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- Demand

- Demand potential (size, growth rate, market share)

- Customers

- Customer potential customer structure, buying motives and criteria)

- Competition

- Structure of the competition, the competitors' objectives and strategies, competitive position

- Specific resources and competences (the strategic capabilities)

- Organisation structure, control systems, technology, resources, know-how, management method, organisational culture

- Success factors (on the basis of the previous factors)



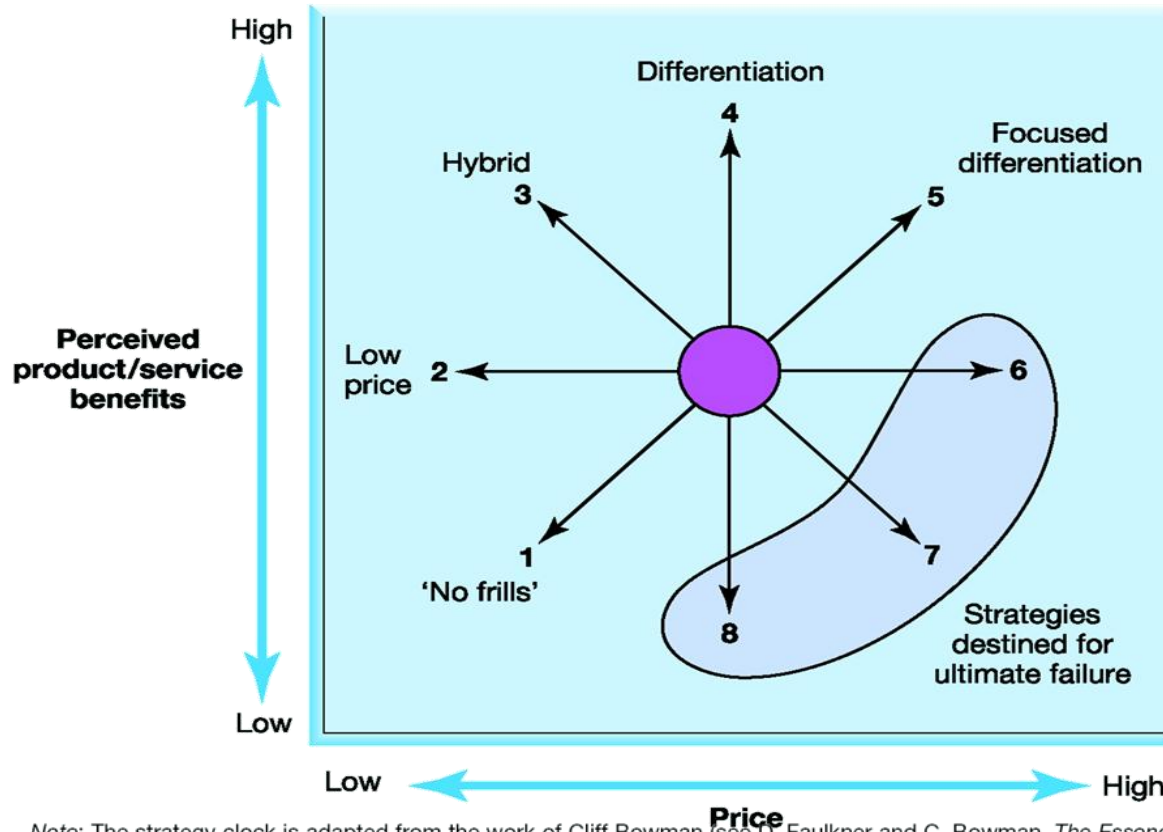
# What is a Strategic Business Unit?

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A **strategic business unit (SBU)** is a part of an organisation for which there is a distinct external market for goods or services that is different from another SBU

- Each SBU has its own business strategy

# The Strategy Clock



Note: The strategy clock is adapted from the work of Cliff Bowman (see D. Faulkner and C. Bowman, *The Essence of Competitive Strategy*, Prentice Hall, 1995). However, Bowman uses the dimension 'Perceived Use Value'.



# Route 1: No Frills Strategy

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- Low price combined with low perceived product benefits focusing on price-sensitive market segments
  - Commodity markets
  - Price-sensitive customers
  - High power, low switching costs among buyers
  - Opportunity to avoid major competitors





# Route 2: Low-Price Strategy

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- Lower price than competitors while offering similar product benefits
- Pitfalls
  - Margin reductions
  - Inability to reinvest



# Route 3: Hybrid Strategy

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- Seeks to simultaneously achieve differentiation and low price relative to competitors
- Advantageous when
  - Greater volumes can be achieved
  - Cost reductions outside differentiated activities are available
  - Used as an entry strategy



# Route 4: Differentiation Strategy

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- Seeks to provide products that offer benefits that differ from those offered by competitors
- Dependent upon
  - Identifying and understanding strategic customer needs
  - Identifying key competitors' strategies



# Route 5: Focused Differentiation

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- Seeks to provide high perceived product benefits, justifying price premiums
- Key issues
  - Choice between focus strategy and broad differentiation
  - Tensions between focus strategy and other strategies
  - Market changes

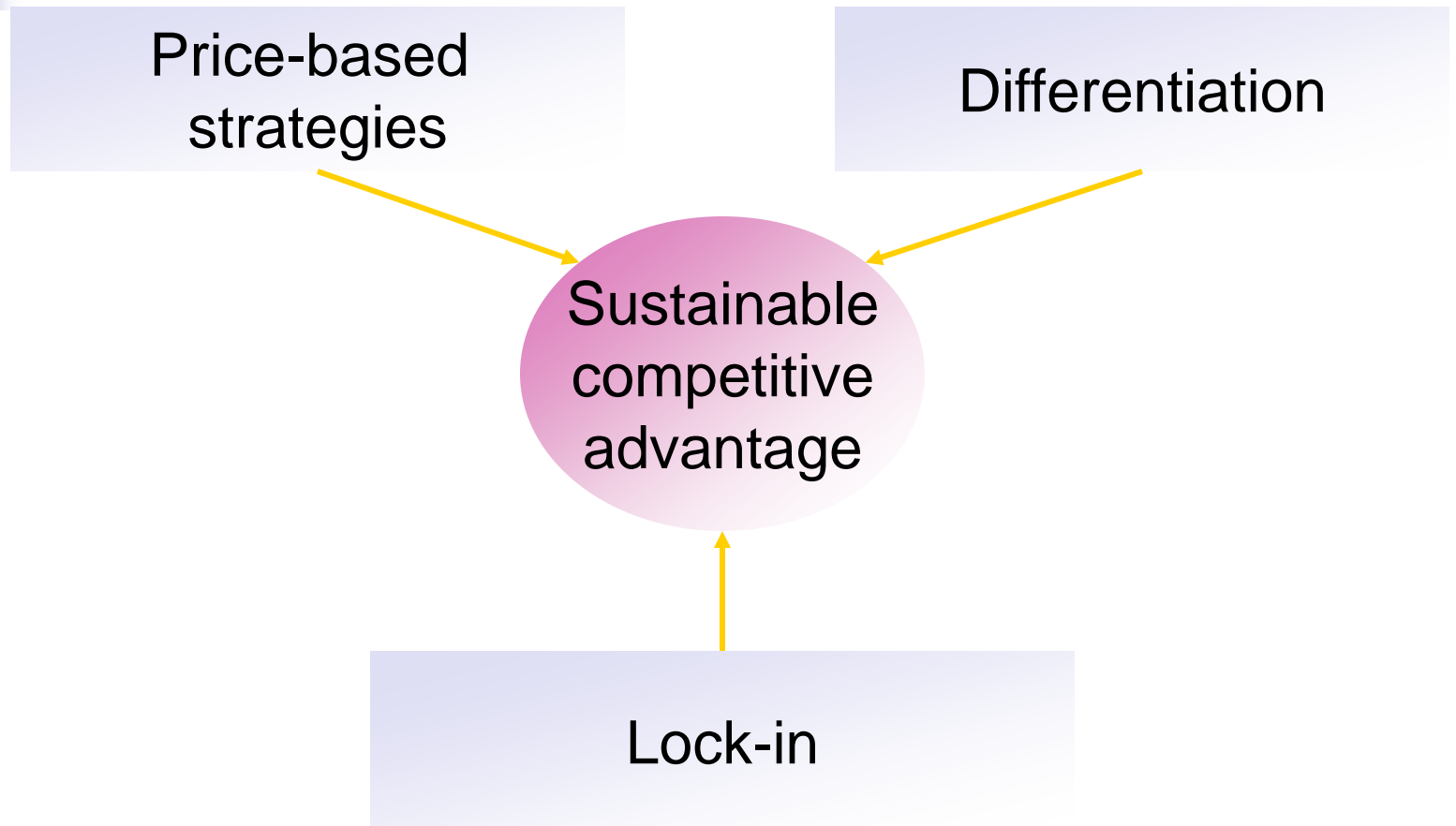


# Routes 6-8: Failure Strategies

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- **6** – Increase prices without increasing service/product benefits
- **7** – Reduction in product/service benefits with increase in relative price
- **8** – Reduction in benefits whilst maintaining price

# Sustaining Competitive Advantage





# Achieving Low Prices

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Operate with lower margins

Develop a unique cost structure

Create efficiency in organisational capabilities

Focus on market segments with low expectations

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# Dangers of Low Price Strategies

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- Competitors might follow suit
- Customers associate low price with low benefits
- Cost reductions may result in inability to pursue differentiation strategy



# Ways of attempting to Sustain Advantage through Differentiation

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Create difficulties  
of imitation

Create a situation  
of imperfect mobility

Establish a lower  
cost position



# Establishing Strategic Lock-In

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Size or market  
dominance

First-mover  
dominance

Self-reinforcing  
commitment

Insistence on  
preservation  
of position

# Competitive Strategies in Hypercompetitive Conditions

## Overcoming bases of competitive advantage by:

- Imitation
- Strategic (re)positioning
- Blocking first-mover advantage
- Overcoming barriers to entry

## Competitive strategies in hypercompetitive conditions

## Characteristics of successful hypercompetitive strategies:

- Cannibalise bases of success
- Smaller moves may be more effective than bigger ones
- Disruption of the status quo
- Be unpredictable
- Mislead the competition

# Competition and Collaboration

