

## ➤ Strategy

Strategy is about PLANNING for the future (it's not static – needs constant revision), it's a SET OF ACTIONS (to outperform competitors), and is about OBJECTIVES and PURPOSES for achieving goals.

Features of a **strategy**:

- Compete differently – understand competition and be different/ outdo them
- Distinctive elements that attract customers
- Do what rivals can't or don't do
- Gain competitive advantage and keep it sustainable

### Elements of a strategy

- Who the firm will serve
  - When will they serve (time frame)
  - Where will they serve them (geographically and cyberspace)
  - What needs will they meet
  - How will they satisfy these needs
  - Why they will do this
1. Context – industry they compete in
  2. Competition
  3. Customers – segments
  4. Company – what have they done in the past, what are they good at, what they should continue to do in the future

### The hierarchy of strategies

Level 1 – corporate level (CEO, senior managers) – long term – look at the industry you compete in, what businesses can we manage within that

Level 2 – business level (small business sections within company and determine how they operate – mid to senior managers)

Level 3 - functional level – level of marketing, production, finance, HR – how to manage particular activity to support business strategy

### **Strategic decision making**

Corporate level – what industries/ market should we compete in, on what scope should we compete

SBU level – what product categories/ market segments should we compete in, how should we position ourselves

Functional level – how should we manipulate the 4P's to achieve the desired position

## ➤ Context and Industry Analysis

**Market** – individuals and organisations who are interested and willing to buy a good/ service to obtain benefits that will satisfy a want/ need, and who have the resources to engage in such transaction

**Industry** – a group of businesses that offer a product/ class of products that are similar and close substitutes for one another

### Environmental factors affecting a market (PESTLE)

Macro environment – *external* and *uncontrollable* factors that influence an organisations decision-making and affect it's performance and strategies

- Political – government influence (government stability, trade regulations, tax policy)
- Economic – economy performance impacting company and have long term effects (interest rate, inflation rate, recession or boom, growth in spending power)
- Social – social and cultural environment (demographics, trends in values/ attitudes/ behaviours)
- Technological – innovations in technology that affect operations of industry/ market (e-commerce, social media, research and development)
- Legal – laws that affect business environment (consumer law, advertising regulations, health and safety)
- Environmental – surrounding natural environment (waste disposal, energy consumption, pollution monitoring)

### Porter's 5 forces

1. Rivalry against competitors
2. Threat of entry
3. Threat of substitution
4. Buyer power
5. Supplier power

Write overall industry attractiveness summary

Is it attractive for current players to STAY in the market?

Who is on the horizon – identify key competitors

Substitutes are NOT COMPETITORS – they are other type of products consumers can buy

Buyer power – don't just talk about end consumers; talk about retailer

*Rivalry* is strong when there is high investment intensity, numerous competitors of equal size/ capacity, little product differentiation, easy for customers to switch between brands, excess supply.

*Threat of new entrants* depends on barrier entry (strong brand preference and high customer loyalty, high capital requirements, restrictive government policies).

*Supplier bargaining power* high when demand is high and supply is low, difficulty for industry members to switch purchases from one supplier to another, supplier industry is dominated by a few large companies (more concentrated), no good substitutes for supplier products.

*Buyers power* is strong when weak buyer demand compared to industry supply, industry goods are standardised, buyer cost of switching brands is low, buyers are price sensitive.

*Threat of substitutes* is high when good substitutes are available and attractively priced, substitutes have comparable/ better performance features, and buyers have low costs in switching. Competition from substitutes is strong when sales of substitutes are growing faster than sales of industry.

Understand industry not company

The strongest forces determine the extent of the competitive pressure on industry profitability.

Determine if the force is **changing** – is it becoming a greater pressure, or is it stable? Is it decreasing in impact? Is it worthwhile to stay in the industry, or is it going to attract many new players?

### **Critical Success Factors (CSF's)**

These are the competitive factors that most affect industry member's ability to survive and prosper in the market place.

How to identify them:

1. Given the nature of competition in industry, what resources/ capabilities must a company have to be successful?
2. What shortcomings can put a company at a competitive disadvantage?
3. On what basis do buyers choose between competing brands? What product attributes/ characteristics are critical?

## Dynamic markets and industries

Common drivers of industry change:

- Increasing globalisation
- Internet capabilities
- Changes in who buys the product/ how they use it
- Technological changes and manufacturing process innovation
- Entry or exit of major firms
- Changing social norms

Trend analysis – uses market info to identify patterns by eliminating noise (trends) and identifying non-stationary trends that are helpful in predicting future events. Collecting data over longer period can make these estimates more accurate.