Business Level Strategy

1. How does a company make a profit?
   1. Be customers’ “best” option
   2. But not all customers value the same features
   3. Unique
      1. Either monopoly
      2. Or more likely, differentiate on some characteristic / price
2. Market Analysis
   1. Generic business-level strategies
      1. Cost leadership vs. differentiators
      2. Broad vs. focused strategies
      3. Four generic business-level strategies:

|  |  |
| --- | --- |
| Broad Cost Leadership | Broad Differentiation |
| Focused Cost Leadership | Focused Differentiation |

* 1. Value Creation Frontier
     1. Curve represents customers trade-offs between low price and features
        1. Location of firm represents low price vs. features
        2. Size of firm represents broad vs. focused
     2. What can be learned from the curve?
        1. Market segments, strategic groups, rivals
        2. What customers are unsatisfied
        3. Which direction can our firm move to reduce rivalry

1. Tactics for Managing Industries
   1. Fragmented industries can be focused using:
      1. Chaining
      2. Franchising
      3. Horizontal mergers
      4. eBusiness
   2. Tactics for managing rivalries
      1. Price signaling / tit-for-tat
      2. Price leadership
      3. Nonprice competition
      4. Market penetration / entrenchment
      5. Product proliferation
      6. Capacity control