

Strategy

- I. Strategic Business Units
 - a. Division, maybe product line, maybe a specific product
 - b. Has its own competitors, own strengths, own customers
 - c. "Pure Play" – An organization that does just one thing (a grocery store that buys and resells groceries only). Has only one SBU.
 - d. Mission Statement defined for each SBU.
- II. Strategy Should
 - a. Focus on Customer Satisfaction
 - i. Don't focus on your *products*. Marketing Myopia
 - ii. Saying, "We make encyclopedias" will only lead to problems when the Internet demands a major shift. "We distribute Information" would be better.
 - iii. "Products are transient, but customer groups and basic needs endure."
 - b. Be able to reflect organization's skills
 - i. Don't want to be overly optimistic or pessimistic
 - ii. Strengths depend on your level!
 - 1. Corporate strengths may not help at your SBU level.
 - 2. Need to think about SBU's strengths / weaknesses
 - iii. For each strength...
 - 1. How hard is this for a competitor to copy?
 - 2. Could it be rendered irrelevant by another development?
 - c. Be attainable, given the competition
 - i. Competitors may not be after all the same segments as you – focus on what's relevant.
 - ii. Look at the supply / value chain
 - 1. How many suppliers do they use?
 - 2. Cost of materials? Low / high?
 - 3. Do this for all attributes across the entire supply chain.
 - 4. Decide: In which areas (Inbound Logistics, maybe) the competitor is really strong and thus unbeatable and in which can you compete?
 - iii. For any competitor's event (e.g. competitor decreases price), am I vulnerable? Will I respond? Will the response be effective? What will the competitor's response be?
 - iv. Ask those same questions for anything you do.
 - v. Be careful about making a move without being able to answer them.
 - vi. Future Competition
 - 1. Existing competition
 - 2. New entrants (Wal-Mart becoming #1 in the grocery industry)
 - 3. Substitute Products (digital cameras replacing film cameras)
 - 4. Bargaining Power of Suppliers (vertical integration)
 - 5. Bargaining Power of Buyers
 - 6. These threaten "not the margins of the firm, but the very existence of the firm."