



## UNIT-2

### 2.10 CRAFTING BUSINESS LEVEL STRATEGIES

Crafting effective business-level strategies involves developing approaches that allow a company to compete successfully in a particular market or industry. These strategies focus on how to create value for customers, achieve competitive advantage, and meet organizational goals. Here's a guide on how to craft business-level strategies:

#### Steps to Crafting Business-Level Strategies

##### 1. Analyze the External Environment

- **Market Analysis:** Understand market trends, customer needs, and competitive dynamics.
- **Industry Analysis:** Use tools like Porter's Five Forces to assess the competitive pressures in the industry.
- **SWOT Analysis:** Identify opportunities and threats in the external environment.

##### 2. Analyze Internal Capabilities

- **Resource Audit:** Assess the company's tangible and intangible resources.
- **Core Competencies:** Identify what the company does uniquely well.
- **Value Chain Analysis:** Examine internal activities to find strengths and weaknesses.

##### 3. Define Strategic Objectives

- **Vision and Mission:** Align strategies with the company's vision and mission statements.
- **Specific Goals:** Set clear, measurable objectives for market position, growth, profitability, and innovation.

##### 4. Choose a Generic Strategy

- According to Michael Porter, there are three primary generic strategies a company can adopt:
  - **Cost Leadership:** Aim to be the lowest-cost producer in the industry. Focus on efficiency, economies of scale, and cost control.
  - **Differentiation:** Offer unique products or services that are valued by customers. Focus on innovation, quality, and brand strength.



- **Focus:** Target a specific market niche. This can be further divided into cost focus and differentiation focus strategies.

## 5. Develop Strategic Actions

- **Cost Leadership:**
  - Optimize production processes to reduce costs.
  - Streamline supply chain management.
  - Invest in technology to improve efficiency.
- **Differentiation:**
  - Invest in R&D to innovate products or services.
  - Enhance customer service and build brand loyalty.
  - Differentiate through quality, design, or unique features.
- **Focus:**
  - Tailor marketing and product development to the needs of the target niche.
  - Develop specialized products or services.
  - Build strong relationships with niche market customers.

## 6. Implementation Plan

- **Resource Allocation:** Ensure appropriate allocation of resources to strategic initiatives.
- **Organizational Structure:** Align the organizational structure with the chosen strategy.
- **Change Management:** Manage change effectively to ensure successful implementation.

## 7. Monitor and Adjust

- **Performance Metrics:** Use key performance indicators (KPIs) to monitor progress.
- **Feedback Mechanisms:** Establish mechanisms for regular feedback and review.



- **Continuous Improvement:** Be prepared to adjust strategies based on market feedback and performance outcomes.

## Examples of Business-Level Strategies

### 1. Cost Leadership: Walmart

- Walmart employs a cost leadership strategy by maintaining low prices through efficient supply chain management, bulk purchasing, and cost-effective operations. Its vast network of stores and economies of scale enable it to offer competitive prices, attracting cost-conscious customers.

### 2. Differentiation: Apple

- Apple's differentiation strategy focuses on innovation, design, and quality. Its products like the iPhone and MacBook are known for their unique features, superior performance, and premium branding. Apple invests heavily in R&D and marketing to maintain its distinctiveness in the market.

### 3. Focus: Ferrari

- Ferrari employs a focus strategy by targeting a niche market of high-end, luxury sports car enthusiasts. It emphasizes performance, exclusivity, and brand prestige. By catering to a specific customer segment, Ferrari can charge premium prices and build strong brand loyalty.

## Conclusion

Crafting effective business-level strategies requires a deep understanding of both the external market environment and internal capabilities. By choosing an appropriate generic strategy and developing specific strategic actions, companies can create value for their customers, achieve competitive advantage, and meet their strategic objectives. Continuous monitoring and willingness to adapt are essential to ensure long-term success in a dynamic business landscape.