UNIT 9: BUSINESS LEVEL STRATEGIES

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Foundation of Business Level Strategies

9.4 Industry Structure and Positioning of Firm in Industry

9.5 Generic Business Strategies

9.6 Tactics for Business Strategies

9.7 Business Strategies for Different Industry Conditions

9.8 Let Us Sum Up

9.9 Further Reading

9.10 Answers to Check Your Progress

9.11 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit you will be able to:

- learn how business strategies are framed
- discuss various factors contributing framing of business strategy.
- discuss the meaning of generic business strategies
- outline the stages of industry life cycle

9.2 INTRODUCTION

In this unit we are going to discuss the various concepts of Foundation of business level strategies, Industry structure, positioning of firm in industry, generic business strategies.

We will also discuss the tactics for business strategies like Timing Tactics and Market Location tactics. At the end of the unit you will be able to know about the business strategies for different industry conditions.

9.3 FOUNDATION OF BUSINESS LEVEL STRATEGIES

It is well known fact that corporation or companies operate through their business like a human being functions through his limbs. Corporate level strategies provide the broad direction to the organisation. At the individual business level most competitive interaction occurs. Company either gain or lost its competitive advantage. Business level strategies are an important levels at which corporate set their strategies. After corporate strategies firms frames business level strategies. Corporate level strategies laid down the framework in which business strategies have to operate. Strategies like stabilise, expand or retrench are decided at corporate level. These strategies are then applied at business level. Individual businesses need to frame their own strategies in order to contribute to the achievement of the overall corporate objectives.

Corporate level strategies are related with decision regarding allocation of resources among different businesses of an organisation and nurturing a portfolio of businesses such that the overall corporate objectives are achieved.

Each business in a company can be defined along three dimensions of customer needs, customer groups and alternative technologies. Business definition is at the core of business strategies. Business definition try to provide the direction in which action has to be taken (defining what, who and how). The 'what' of the business definition deals with the customer needs. The 'who' refers to the customer groups that are targeted by a business and the 'how' of the business definition refers to the alternative technologies used to provide the product and services that satisfy the perceived needs of the particular customer group targeted.

Business strategy occurs at the strategic business unit level or product level. It emphasises on improvement of the competitive position of a firm's products or services in a specific industry or market segment served by that business unit. There can be two types of business strategy – competitive strategy or cooperative strategy. Businesses need a set of strategies to

secure its competitive advantage. Michael E Porter is credited with extensive pioneering work in the area of business strategies or what he calls competitive strategies. The dynamic factors that determine the choice of a competitive strategy, according to Porter, are two namely the industry structure and the positioning of the firm in the industry.

9.4 INDUSTRY STRUCTURE AND POSITIONING OF FIRM IN INDUSTRY

➢ **Industry Structure:**

According to Porter's there are five forces which determine the industry structure. These forces are :the threat of new entrants; the threat of substitute products or services; the bargaining power of suppliers; the bargaining power of buyers; and the rivalry among the existing competitors in an industry.For every industry these factors differs. As every industry has its unique structure and these factors determine the long term profitability of the organisation in that industry.

➢ **Positioning of Firm in Industry:**

The second factor that determines the choice of a competitive strategy of a firm is its positioning within the industry. Porter considers positioning as the overall approach of the firm towards competing. It is designed to gain competitive advantage. It is based on two variables: the competitive advantage and the competitive scope. Competitive advantage is possible due to two factors; lower cost and differentiation. Competitive scope can be in terms of two factors; broad target and narrow target.

i. **Competitive Advantage:** Firm can gain competitive advantage in the market through various approaches and can set positioning for its products or services. One way to position its products is to offers mass produced products, distribute it through mass marketing which will results in lower cost per unit. The other approach may be offering high priced products of a limited variety but to select group of customers who are willing to pay higher prices. According to Porter, lower-cost is based on the competence

of an organisation to design, produce and market compatible product, more effectively and efficiently than the competitors. Differentiation will provide a firm competitive advantage.

ii. **Competitive Scope:** The second factor is competitive scope which is defined by Porter as the breadth of an organisation's target within its industry. Breadth indicates the number of products, channel of distribution used, geographical area covered etc. and the array of related industries in which the firm would also operate and compete. Scope is important as industries are segmented having different needs. Firm needs to have different approaches, competencies and strategies to satisfy the varied nature of need of the customers. Depending upon the scale of operations firm may adopt wider range of approach or a narrow target approach. Under broad range firm may offer wide variety range of products in large scattered area. Under narrow targeting the firm can offer limited range of products or services to a few customers groups in a restricted geographical area.

9.5 GENERIC BUSINESS STRATEGIES

If the primary determinant of a firm's profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns.

A firm positions itself by leveraging its strengths. Michael Porter has argued that a firm's strengths ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: *cost leadership*, *differentiation*, and *focus*. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. The following table illustrates Porter's generic strategies:

Target/Market Scope	Advantage	
	Low Cost	Product/Service Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment)	Focus Strategy (low cost)	Focus Strategy (differentiation)

Fig 9.1 Porter's Generic Strategies

A. **Cost Leadership Strategy:** This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market.

Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

Firms that succeed in cost leadership often have the following internal strengths:

- Access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

B. Differentiation Strategy: A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Firms that succeed in a differentiation strategy often have the following internal strengths:

- Access to leading scientific research.
- Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product.
- Corporate reputation for quality and innovation.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

C. Focus Strategy: The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.
Porter used the car industry as an example of generic strategies in practice.

Toyota is (or was at the time) the low cost producer in the industry. Toyota achieves its cost leadership strategy by adopting lean production, careful choice and control of suppliers, efficient distribution, and low servicing costs from a quality product. Note how the cost leadership must be in all aspects of the business (or value chain).

BMW is an example of a differentiation strategy. BMW still serves a relatively wide range of the total market but its cars are differentiated in the eyes of the customer who is prepared to pay a higher price for a BMW than for a Toyota, for instance, of similar specification.

Morgan is an example of a Focus strategy. It only addresses a very small part of the market—(i.e. those who enjoy getting wet and like the sound of an engine more than conversation!). Each of these three companies has been successful by pushing a particularly generic strategy successfully.

A Combination of Generic Strategies - Stuck in the Middle?

The firm can get “stuck in the middle” between low cost providers and differentiated cost leaders and hence firms of this kind should pursue a hybrid strategy. E.g.: Premium Padmini; Nike cheapest shoe starts at 599 up to 3999.

Typically a firm can obtain a competitive advantage by two ways : Either a cost advantage (meaning selling a product at a lower cost) or by a differentiation strategy (meaning having features and capabilities that are unique and can therefore be charged at a slightly higher price) . A firm stuck in the middle is one that tries to implement both strategies i.e a low cost and a unique feature.

An organisation can elect not to have a deliberate competitive strategy by employing none of the three generic strategies outlined by Michael Porter. Porter’s three generic strategies are; cost leadership strategy, differentiation strategy and the focus strategy.

Instead of employing any of Porter three generic strategies a firm can elect to be stuck in the middle. An organisation employing a “stuck in the middle”

strategy is neither deliberately pursuing a cost leadership strategy nor a differentiation strategy nor a focus strategy?

The airline industry is an example of an industry where most of its players employ the “stuck in the middle” strategy. These firms do not pursue a deliberate cost leadership strategy or a differentiation strategy but they simultaneously employ the cost leadership strategy and a differentiation strategy. This is evidenced by their implied twin objectives of wanting to be perceived as charging the lowest fares than competition and also at the same time wanting to be viewed as offering superior quality service than their competitors.

This argument is further strengthened by the fact that most of the long haul airlines offer economy class service, business class service and first class service simultaneously in the same plane during the same journey and this can neither be described as employing a cost leadership or differentiation strategy. This is in contrast to a strategy employed by Ryanair and Easyjet.

Porter argued that being stuck in the middle does not usually lead to achievement of competitive advantage because firms employing a stuck in the middle strategy will struggle to compete with companies in the same industry which employ one of his three generic strategies. This is because very few firms have the ability to be the best in all areas. In other words a jack of all trades will struggle to compete when competing with a master in a specific trade.

In concluding it is also worth mention that Porter also argued that being struck in the middle may work sometimes especially when a firm is lucky enough to be competing with competitors employing the stuck in the middle strategy. This could be one of the reason why the stuck in the middle strategy seems to be working for firms in the long haul airline business because all airlines seem to be using the same business model.



CHECK YOUR PROGRESS

Q1: What forces determine the industry structure?

……

……

……

Q2: Define Competitive Scope

……

……

……

Q3: What is Cost Leadership Strategy?

……

……

……

9.6 TACTICS FOR BUSINESS STRATEGIES

A Tactics is a sub-strategy. It is a specific operating plan. It gives details about how a strategy is to be implemented. It tells us when and where it is to be put into action. Tactics are narrower in a scope and shorter in their time horizon as compared to strategy. Let us discuss the two types of tactics: Timing Tactics and Market Location Tactics

1. Timing Tactics: Timing of tactics is an important factor. When to make a business strategy move is as equally important as what move to make. A business strategy either low-cost, differentiation or focus may become right move only it is done at the right time.

The first company tp manufacture and sell a new product or service in the market is called the pioneer or the first mover organization. Eg.Parle , mineral water industry in India.

The other organizations that enter the industry subsequently are late mover organization. Eg. Delhi based Vishal Retail Ltd that introduced its mineral

water plant in 2007. It adopted low-cost strategy offering product at the half of the market price.

2. **Market Location Tactics:** This is the second important aspect of business tactics. This aspects deal with where to compete. It is about deciding the target market. Industry consists of number of organization who offers similar products or services. The entire market share is distributed the organization. Somebody may get big share where other may get low market share. Market location could be classified according to the role that organization plays in the target market. On the basis of role played the market location tactics could be of four types; leader, challenger, follower and nichers.

a. Market Leaders: These are the organization who have large market share. They get big share because they lead in the industry as regards to technology, product or service attributes, pricing or distribution network.

b. Market Challenger: These are the organization who have second or lower ranking in the industry. They can either adopt a strategy to challenge the market leader or choose to blindly follow them. When they challenge their intention is to gain more market share. Market challenger may use Frontal attack, Flank Attack, Encirclement attack, Bypass attack or Guerrilla attack strategy.

c. **Market Followers**: These are the organization that initiate the market leaders but do not upset the balance of competitive power in the industry. They prefer to avoid direct attack. They try to reap the benefits of innovation by imitation. They may adopt approaches like Counterfeiter strategy, Cloner strategy, Imitator strategy or Adapter strategy.

9.7 BUSINESS STRATEGIES FOR DIFFERENT INDUSTRY CONDITIONS

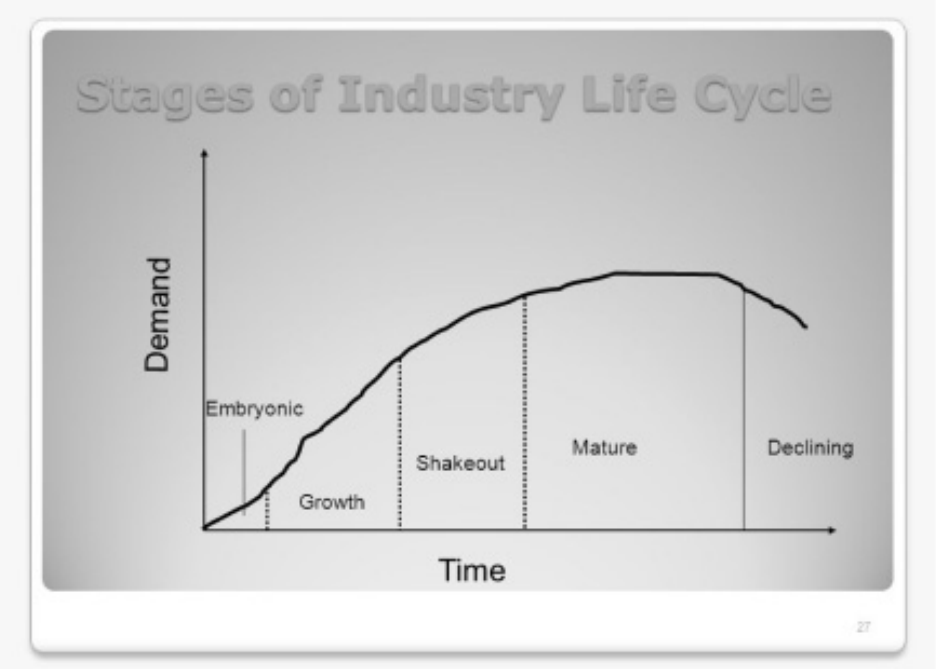
Business strategies are addressed to a particular industry and markets. Industries like products pass through different stages of growth.

Life cycle models are not just a phenomenon of the life sciences. Industries experience a similar cycle of life. Just as a person is born, grows, matures, and eventually experiences decline and ultimately death, so too do industries

and product lines. The stages are the same for all industries, yet every industry will experience these stages differently, they will last longer for some and pass quickly for others. Even within the same industry, various firms may be at different life cycle stages. A firms strategic plan is likely to be greatly influenced by the stage in the life cycle at which the firm finds itself. Some companies or even industries find new uses for declining products, thus extending their life cycle.

Industry Life-cycle Analysis is a useful tool for analysing the effects of industry.Evolution on competitive forces is the “Industry life cycle” model, which identifies five sequential stages in the evolution of an industry, viz., embryonic, growth, shakeout, maturity and decline. The strength and nature of each of Porter’s five competitive forces (particularly, those of ‘risk of entry by potential competitors’ and ‘rivalry among existing firms’) change as an industry evolves and managers have to anticipate these changes and formulate appropriate strategies. Embryonic Growth Shakeout Sales & Profits Time Maturity Decline

Note: This discussion is regarding Industry Life-cycle analysis, In the light of Porter’s Five-forces model. It is not to be confused with Product Life-Cycle strategies.



Stage v/s Strategy

1. **EMBRYONIC STATE:** In the introduction stage of the life cycle, an industry is in its infancy. Perhaps a new, unique product offering has been developed and patented, thus beginning a new industry. Some analysts even add an embryonic stage before introduction. At the introduction stage, the firm may be alone in the industry. It may be a small entrepreneurial company or a proven company which used research and development funds and expertise to develop something new. Marketing refers to new product offerings in a new industry as "question marks" because the success of the product and the life of the industry is unproven and unknown.

A firm will use a focused strategy at this stage to stress the uniqueness of the new product or service to a small group of customers. These customers are typically referred to in the marketing literature as the "innovators" and "early adopters." Marketing tactics during this stage are intended to explain the product and its uses to consumers and thus create awareness for the product and the industry. According to research by Hitt, Ireland, and Hoskisson, firms establish a niche for dominance within an industry during this phase. For example, they often attempt to establish early perceptions of product quality, technological superiority, or advantageous relationships with vendors within the supply chain to develop a competitive advantage.

Because it costs money to create a new product offering, develop and test prototypes, and market the product, the firm's and the industry's profits are usually negative at this stage. Any profits generated are typically reinvested into the company to solidify its position and help fund continued growth. Introduction requires a significant cash outlay to continue to promote and differentiate the offering and expand the production flow from a job shop to possibly a batch flow. Market demand will grow from the introduction, and as the life cycle curve experiences growth at an increasing rate, the industry is said to be entering the growth stage. Firms may also cluster together in close proximity during the early stages of the industry life cycle to have access to key materials or technological expertise, as in the case of the U.S. Silicon Valley computer chip manufacturers.

Industry is just beginning to develop (eg., personal computers in 1976). Growth at this stage is slow due to factors such as: Buyers' unfamiliarity with the industry's products, High prices due to poor economies of scale, and poorly developed distribution channels. Barriers to entry tend to be based on access to key technological know-how. Higher the complexity, higher the barrier for new entrants. Rivalry is based not so much on price as on educating customers, opening up distribution channels, and perfecting the design of the product. The company that is first to solve design problems or employ innovative efforts is often able to build up a significant market share, eg. Personal computers (Apple), vacuum cleaners (Hoover) and photocopiers (Xerox – the ultimate proof of the success of a brand). The company has major opportunity to capitalize on the lack of rivalry and build up a strong market presence.

2. **Growth stage:** The growth stage also requires a significant amount of capital. The goal of marketing efforts at this stage is to differentiate a firm's offerings from other competitors within the industry. Thus the growth stage requires funds to launch a newly focused marketing campaign as well as funds for continued investment in property, plant, and equipment to facilitate the growth required by the market demands. However, the industry is experiencing more product standardization at this stage, which may encourage economies of scale and facilitate development of a line-flow layout for production efficiency.

Research and development funds will be needed to make changes to the product or services to better reflect customers' needs and suggestions. In this stage, if the firm is successful in the market, growing demand will create sales growth. Earnings and accompanying assets will also grow and profits will be positive for the firms. Marketing often refers to products at the growth stage as "stars." These products have high growth and market share. The key issue in this stage is market rivalry. Because there is industry-wide acceptance of the product, more new entrants join the industry and more intense competition results.

The duration of the growth stage, as all the other stages, depends on the particular industry or product line under study. Some items—like fad clothing, for example—may experience a very short growth stage and move almost immediately into the next stages of maturity and decline. A hot toy this holiday season may be nonexistent or relegated to the back shelves of a deep-discounter the following year. Because many new product introductions fail, the growth stage may be short or nonexistent for some products. However, for other products the growth stage may be longer due to frequent product upgrades and enhancements that forestall movement into maturity. The computer industry today is an example of an industry with a long growth stage due to upgrades in hardware, services, and add-on products and features.

During the growth stage, the life cycle curve is very steep, indicating fast growth. Firms tend to spread out geographically during this stage of the life cycle and continue to disperse during the maturity and decline stages. As an example, the automobile industry in the United States was initially concentrated in the Detroit area and surrounding cities. Today, as the industry has matured, automobile manufacturers are spread throughout the country and internationally. In this stage, demand is expanding rapidly and the industry's products take off because Customers have become familiar with the product, Prices fall because experience and economies of scale have been attained, and Distribution channels have developed. The U.S. cell-phone industry was in the growth stage most of the 1990s. In 1990 there were only 5 million cellular subscribers in the nation. By 2002, this figure had increased to 88 million and demand was growing @ more than 25% per year.

Entry barriers: Control over technological knowledge has diminished by this time, also few companies have yet achieved significant scale of economies or built brand loyalty. Thus, threat from potential competitors is generally highest at this point. Rivalry: High growth rate usually means new entrants can be absorbed into an industry without marked increase in intensity of rivalry. Thus, rivalry tends to relatively low. A strategically aware

company takes advantage of this relatively benign environment to prepare itself for the forthcoming intense competition in the shakeout stage.

3. **Industry Shakeout:** Explosive growth cannot be maintained indefinitely. Sooner or later, rate of growth slows, demand approaches saturation levels and most of the demand is limited to replacement because there are few potential first-time buyers left (eg., U.S. personal computer industry – Dell Computers case). As an industry enters the shakeout stage, rivalry between companies become intense. Companies accustomed to rapid growth had in the past installed large production facilities. However, demand is no longer growing at historical rates, resulting today in excess capacity.

Rivalry: In an attempt to utilize this capacity, companies often cut prices. The result can be a price war, which drives many of the most inefficient companies to bankruptcy. New entrants: Not a significant factor at this stage. It is now a case of "survival of the fittest" which is enough to deter any new entry.

4. **Maturity stage:** As the industry approaches maturity, the industry life cycle curve becomes noticeably flatter, indicating slowing growth. Some experts have labeled an additional stage, called expansion, between growth and maturity. While sales are expanding and earnings are growing from these "cash cow" products, the rate has slowed from the growth stage. In fact, the rate of sales expansion is typically equal to the growth rate of the economy.

Some competition from late entrants will be apparent, and these new entrants will try to steal market share from existing products. Thus, the marketing effort must remain strong and must stress the unique features of the product or the firm to continue to differentiate a firm's offerings from industry competitors. Firms may compete on quality to separate their product from other lower-cost offerings, or conversely the firm may try a low-cost/ low-price strategy to increase the volume of sales and make profits from inventory turnover. A firm at this stage may have excess cash to pay dividends to shareholders. But in mature industries, there are usually fewer firms,

and those that survive will be larger and more dominant. While innovations continue they are not as radical as before and may be only a change in color or formulation to stress “new” or “improved” to consumers.

The companies that survive the shakeout enter the mature stage of the industry: the market is totally saturated, demand is limited to replacement demand, and growth is low or zero. Whatever growth there is comes from population expansion or from increase in replacement demand. Barriers to entry increase and the threat of entry from potential competitors decrease. Competition for market share drives down prices, often resulting in a price war (eg. Airline and PC industries). To survive the shakeout, companies begin to focus on cost minimization and building brand loyalty (eg, low-cost airlines and ‘frequent flyer’ programs, excellent after-sales service by PC companies). Only those with brand loyalty and low-cost operations will survive. At the same time, high entry barriers in mature industries give companies the opportunity to increase prices and profits. The end result will be a more consolidated industry structure.

Rivalry: In mature industries, companies tend to recognize their interdependence. They try to avoid price wars and enter into cartels/price leadership/market segment agreements (eg, the domestic pressure cooker industry), thereby allowing greater profitability. However, an economic slump can depress industry demand, reduce profits, break down agreements, increase rivalry and result in renewed price wars.

5. **Decline stage:** Declines are almost inevitable in an industry. If product innovation has not kept pace with other competing products and/or service, or if new innovations or technological changes have caused the industry to become obsolete, sales suffer and the life cycle experiences a decline. In this phase, sales are decreasing at an accelerating rate. This is often accompanied by another, larger shake-out in the industry as competitors who did not leave during the maturity stage now exit the industry. Yet some firms will remain to compete in the smaller market. Mergers and consolidations will also be the norm as firms try other strategies to continue to be competitive or grow through acquisition and/or diversification.

Eventually, most industries enter a decline stage: growth becomes negative for a variety of reasons, including Technological substitution (eg, air travel for rail travel); Social changes (eg, greater health consciousness hitting tobacco sales); Demographics (declining birthrate hurting the babycare and child products market); and International competition (cheap Chinese imports flooding many world markets). The main problem is once again that of excess capacity and, in such a scenario, rivalry among established companies usually increases. Exit barriers play a part in adjusting excess capacity. The greater the exit barriers, the harder it is for companies to reduce capacity and greater is the threat of severe price competition. (However, there is always the scope for 'end-game strategy' at this stage).

To conclude, Strategic managers have to tailor their strategies to changing industry conditions. They have to learn to recognize the crucial points in an industry's development so that they can forecast when the shakeout stage might begin or when the industry might move into decline.



CHECK YOUR PROGRESS

Q4: What is Tactics ?

……

……

……

Q5: What is Industry Life Cycle?

……

……

……



9.8 LET US SUM UP

In this unit we have discussed the following:

- Business strategy occurs at the strategic business unit level or product level. It emphasises on improvement of the competitive position of a firm's products or services in a specific industry or market segment served by that business unit.
- There can by two types of business strategy – competitive strategy or cooperative strategy.
- According to Porter's there are five forces which determine the industry structure. These forces are: the threat of new entrants; the threat of substitute products or services; the bargaining power of suppliers; the bargaining power of buyers; and the rivalry among the existing competitors in an industry.
- Michael Porter has argued that a firm's strengths fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies came out namely: *cost leadership*, *differentiation*, and *focus*.
- A Tactics is a sub-strategy,it is a specific operating plan and gives details about how a strategy is to be implemented. It tells us when and where it is to be put into action.
- Tactics are narrower in a scope and shorter in their time horizon as compared to strategy.
- There are two types of tactics: Timing Tactics and Market Location Tactics
- Industry Life-cycle Analysis is a useful tool for analysing the effects of industry. Evolution on competitive forces is the "Industry life cycle" model, which identifies five sequential stages in the evolution of an industry, viz., embryonic, growth, shakeout, maturity and decline.



9.9 FURTHER READING

1. Cherunilam Francis (2015), Business Policy and Strategic Management, Himalaya Publication House , New Delhi
2. C Appa Rao, B Parvathiswara Rao, K Sivaramakrishna (2008); Strategic Management and Business Policy, Excel Books, Nerw Delhi
3. Tandon A (2010); Business Policy and Strategic Management; Anmol Publications Pvt.Ltd.
4. Rao Subba P;Business Policy and Strategic Management: Text and Cases; Himalaya Publication House , New Delhi



9.10 ANSWERS TO CHECK YOUR PROGRESS

Ans. to Q. No.1: According to Porter's there are five forces which determine the industry structure. These forces are :the threat of new entrants; the threat of substitute products or services; the bargaining power of suppliers; the bargaining power of buyers; and the rivalry among the existing competitors in an industry

Ans. to Q. No.2: Competitive Scope is a factor which is defined by Porter as the breadth of an organisation's target within its industry. Breadth indicates the number of products, channel of distribution used, geographical area covered etc. and the array of related industries in which the firm would also operate and compete.

Ans. to Q. No.3: Cost Leadership Strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share.

Ans. to Q. No.4: A Tactics is a sub-strategy. It is a specific operating plan. It gives details about how a strategy is to be implemented. It tells us when

and where it is to be put into action. Tactics are narrower in a scope and shorter in their time horizon as compared to strategy.

Ans to Q. No.5: Industry Life-cycle Analysis is a useful tool for analysing the effects of industry. Evolution on competitive forces is the “Industry life cycle” model, which identifies five sequential stages in the evolution of an industry, viz., embryonic, growth, shakeout, maturity and decline.



9.11 MODEL QUESTIONS

1. State the Porters five forces which determine the industry structure
2. What is meant by generic strategies?
3. Explain Porter’s generic strategies with illustration
4. What is tactics for business strategies
5. Explain Industry Life cycle.

*****