Chapter 2 Theories of corporate strategy

Key terms

1. Corporate strategy: the plans and policies developed to meet a company's objectives. It is concerned with what range of activities the business needs to undertake in order to achieve its goals. It is also concerned with whether the size of the business organization makes it capable of achieving the objectives set.
2. Customer base: a group of customers that make continual repeat purchases from a business.
3. Diversification: developing new products in new markets.
4. Market development: the marking of existing products in the new markets.
5. Market penetration: using tactics such as the marketing mix to increase the growth of existing products in an existing market.
6. Portfolio analysis: a method of categorising all the products of a firms to decide where each one fits within the strategic plans.
7. Product development: marketing new or modified products in existing markets.
8. Theoretical model: a situation that could exist but doesn't really.

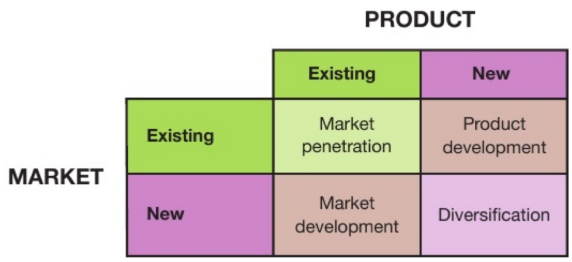
1. Business strategy

• **Corporate stategy**: the plans and policies developed to meet a company's objectives. It is concerned with want range of activities the business needs to undertake in order to achieve its goals. It is also concerned with whether the size of the business organisation make it capable of achieving the objectives set.

2. Development of corporate strategy

- It involves key members of management looking critically at what business has done before.

3. Ansoff's matrix (by Igor Ansoff)



▲ Figure 1 Ansoff's Matrix

• He develop Ansoff's matrix as a strategic tool to help a business achieve growth.

1. Market penetration: to achieve growth in existing markets with existing products.

↳ by brand loyalty, use products more frequently

2. Product development: concern marketing new or modified product in existing markets.

↳ e.g. Iphone, Ipad

3. Market development: involves the marketing of existing products in new markets.

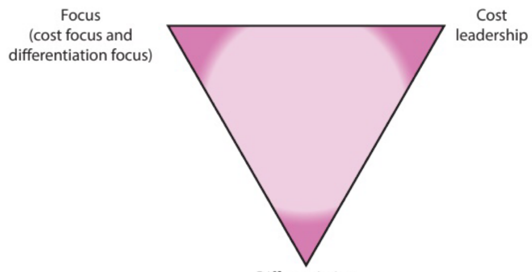
↳ It needs to understand local habits, tastes and needs.

4. Diversification: when new products are developed for new markets.

↳ It reduces risk from over dependence on existing markets and products.

4. Porter's strategic matrix by Michael porter

↳ to identify the source of competitive advantage that a business might achieve in the market.



▲ Figure 2 Porter's Strategic Matrix

1.) Cost leadership ⇒ lowest cost producer in the market, meaning that the business can offer the lowest price.

2.) Differentiation ⇒ a business operating in a mass market with a unique position

3) Focus ⇒ targeting a narrow range of customers in one of ways e. g. niche marketing focusing on a very narrow segment of the market.

- **1.) cost focus**
- **2.) differentiation focus**

5. Aims of portfolio analysis

• **Portfolio analysis;** a method of categorising all of products of a firm in order to decide where each one fits within the strategic plans.

• **2 steps in portfolio analysis**

1.) giving full overview of all products in current business portfolio

2.) looking at the performance of each product by examining.

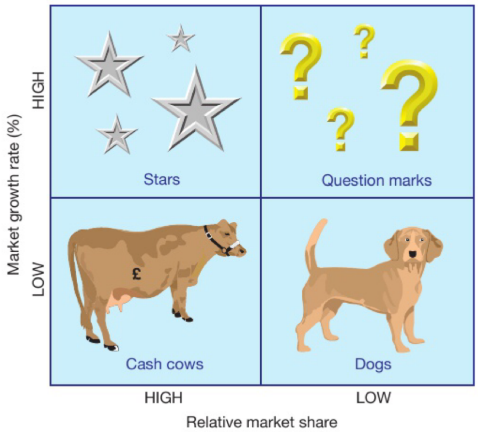
2.1) current and projected sales

2.2) current and projected costs

2.3) competitor activity and future competitor

2.4) risk that may affect performance

6. Boston Consulting Group Matrix or Boston Matrix



1. Star: high growth & competition

⇒ require investment.

2. Cash cows: low growth of product with high market share.

⇒ generate cash for investing in other areas.

3. Question marks: a product with low market shares in high growth market.

⇒ consume a lot of cash but give little return.

4. Dog: low market share in low growth market.

⇒ they should be sold or divested

7. Effects of strategic and tactical decision

- Strategic decisions are long term to achieve goals.
- Tactical decisions are short term. to respond the current business conditions (day to day.