Four Key Strategies

Here are some strategies to consider. However, there are others that may be just as effective.

THE MASS MERCHANT: Cost Leadership

You want to sell as much product as you possibly can. You sacrifice some profits in order to increase market share. Your price is lower than average, and you budget more than do your competitors in the area of marketing. Your plant growth is rapid, as you have to fill all the orders coming in. There is a limited number of products to be sold, meaning that every one you sell is one your competitors cannot. **An Important Ratio:** Market Share (Your Unit Sales/Total Units Sold = Market Share %)

THE LUXURY MARKETER: A Differentiated Product

This strategy is based on the philosophy that no one NEEDS your product. Therefore, one might as well sell a luxury product, something people buy because they can afford it. With proper marketing, you can convince them that they only want the best. Price is usually not an issue, because customers feel that they get what they pay for. Your price is always higher than the competition, and your marketing budgets tend to be above average. Product Development is important, as you create the perception of being on the cutting edge of technology. Your production is lower, because you squeeze all the profit you can from each unit sold. **An Important Ratio:** Profit per Unit (Net Profit/Units Sold = Profit/Unit).

AN ANALYTIC APPROACH: Cost Focus Strategy

This strategy is focused primarily on Price You take the approach that in the end, all firms are selling about the same product. In order to make this company profitable, you have to squeeze every dollar of profit you can. You have to drive your cost per unit down by investing in Quality Management. You have to keep your plant operating at optimum capacity (between 85% and 95%), and keep inventories as low as possible. Your price should be right in the middle of your competitors, and you should be wary of burning up money with costly marketing campaigns. Marketing is important, but you should spend as much as they do, not more. The same strategy goes for your product development budget. **An Important Ratio:** Net Margin (Profit Before Tax/Gross Sales = Net Margin %)

THE OPPORTUNIST: Emergent Strategy

Change your strategy as needed to meet the changing markets you face. Buy all the market research you can, and attempt to capitalize on the weaknesses of competitors. If prices are rising, you lower yours to capture sales. If industry marketing is on the rise, drop price and capture their sales. If prices are low, raise yours and market heavily. If the economic forecast is good, have inventory in case your competitors' stock out. Reduce your costs as much as possible, and have cash available in reserve for investments in inventory, marketing, etc. As to dividends, remember the investors only make money if the company makes money. This strategy is more risky but can be more rewarding, *if* implemented flawlessly. **An Important Ratio:** An Opportunist watches all ratios carefully and calculates the odds.