



CAVENDISH

Business strategy / Business model for `Your` Success Globally



The Meaning of Business Strategy and Business Model

The terms **business model** and **business strategy** are very closely related. Some business people prefer to define the business model simply as the concrete illustration of the strategy at work. In any case, both the model and the strategy describe how the company makes money: how it creates customer value, how it competes with others in the same industry, and how it generates revenues and spends money to create acceptable margins.

Many different strategies and models are possible, even for companies in the same industry selling similar products or services. Southwest airlines (in the US) and Ryan Air (in Europe), for instance, have strategies concentrating on providing low cost transportation. Singapore Airlines, by contrast, has a strategy based on brand image for highest quality luxury customer service.

A strategy is judged successful if it leads to a strong competitive position, business growth, and good margins. This item further describes **business strategy** and **business model**, in the context of related terms including **strategic objective** and **business plan**.

- **What Must a Business Strategy Achieve?**
- **Business Strategy Strategic Objectives**
- **The Business Model at the Heart of the Business Strategy**

What Must a Strategy Achieve?

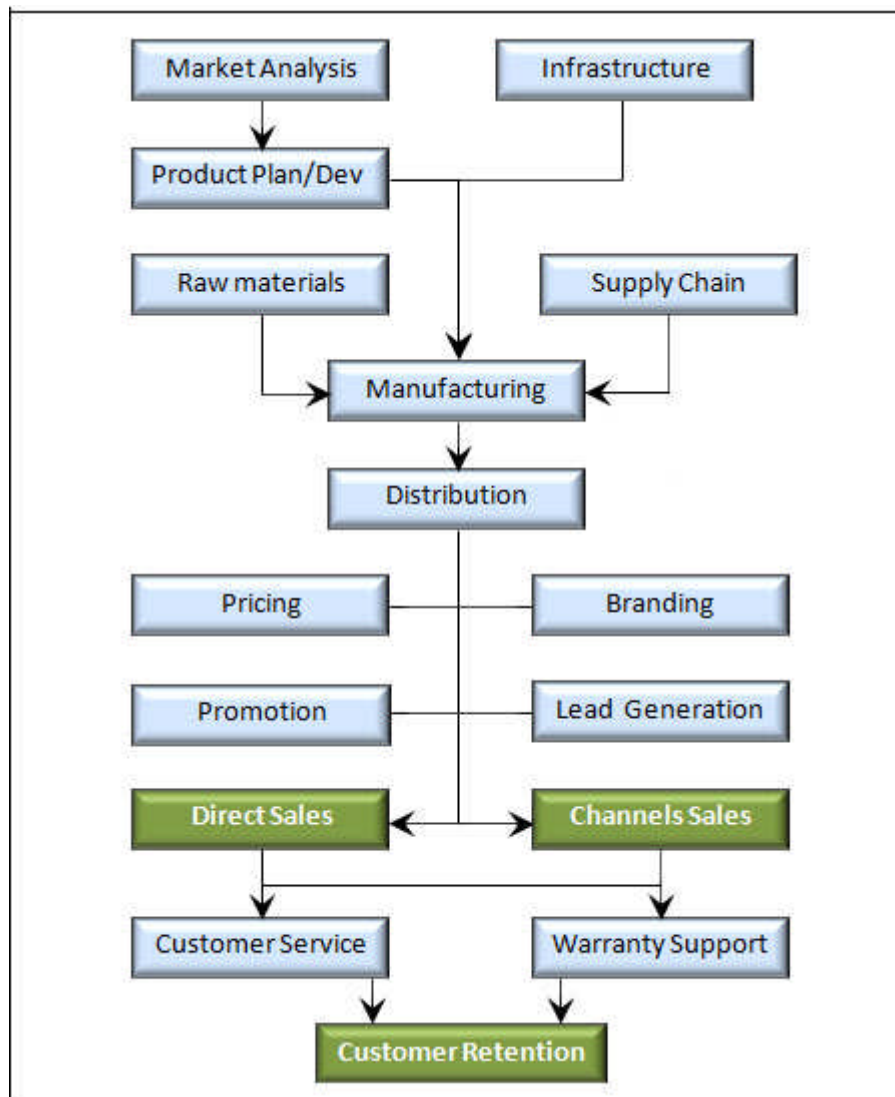
Although many strategies are possible, almost all of them succeed by targeting just two areas of business performance. Successful strategies work because they accomplish one or more of the following:

1. Create customer demand, resulting in ...
 - Increased business volume.
 - Ability to charge higher prices and take higher margins.
 - Increased customer retention, repeat business.
2. Lower costs:
 - Lower cost for developing, producing, selling, distributing and servicing products.
 - Lower infrastructure costs, lower operational costs.

As the examples below illustrate, however, there are many different ways to attempt to create demand and lower costs.

Business Strategy Strategic Objectives

A company's business strategy is probably best described and understood in terms of key business performance objectives (i.e., strategic objectives). Consider, for instance, the major operational focal points in one company's business.



Lines and arrows simply show contributions or impacts from one areas to another. The example is by no means meant to be exhaustive: even a small business includes other operational and structural areas that may be candidates for strategic objectives.

Setting certain objectives in any of these areas may lead to either increased customer demand or to lower costs. The objective can be called a **strategic objective** if achieving the objective contributes materially to reaching overall business performance objectives, including the ability to compete effectively, grow the business, and achieve good margins. Notice in the examples below, incidentally, that reaching an objective in one area (e.g., customer retention) may depend on reaching objectives in other areas (e.g., Customer Service).

A few examples of strategic objectives in one or more of these areas include the following.

Area: Infrastructure.

Objective: Operate with low infrastructure and low operational costs.

This objective may be achieved by using inexpensive office space or expecting employees to work from a home office, "Low cost" airlines may lower operational costs by hiring non union flight crews and minimizing customer services. Retail stores implement a low cost strategy by avoiding expensive store displays and using only a minimal sales staff.

Area: Branding.

Objective: Establish value for brand name that allows premium pricing.

Clothing designers (e.g., Armani, Donna Karan), designers of luxury goods (e.g., Louis Vuitton), and even consumer technology goods (such as Apple Computer and Sony) successfully brand their products by achieving objectives in product design, product quality, pricing, and promotion.

Area: Customer retention.

Objective: Encourage customers to buy successive products from the original source.

Varieties of this strategy are sometimes called the "subscription model" (e.g., mobile phone service providers who entice customers to sign long-term contracts in return for discounted or free phone handsets), or "lock in" (a maker of computer printers sells printers at low price, but then makes good margins from printing ink that must be bought from the same source). Customer retention strategies are also approached through setting objectives in customer service (to improve customer satisfaction), or pricing (offering favorable prices for repeat buyers or for upgrades).

Area: Pricing.

Objective: Be the "low price leader" in the market

A retailer may be able to offer customers lower prices than the competition if the retailer can achieve objectives in infrastructure and operational costs (as in the example above), or achieve objectives with the supply chain (e.g., negotiate lower prices from suppliers in return for volume buying and access to the retailers established market).

Areas: Product Development, Manufacturing, Direct Sales, and Distribution.

Objective: Produce finished products at low production cost; sell and deliver to customers at low cost.

The success of Dell computer is attributed to an innovative approach to achieving low costs in each of these areas. Products offered are designed to be assembled easily from pre-built components, sales are primarily through mail order or online, and distribution is accomplished through commercial carriers (without "middlemen" such as retailers, and without store expense).

The Business Model at the Heart of the Business Strategy

The business strategy is implemented, communicated, and ultimately tested and evaluated by business management through a **business model**. Moreover, It is accurate to say that the business model is the heart of the company's business plan. The business plan explains in more detail and depth how the business strategy and model will be implemented, what will impact business performance for better or worse, and what implementing the business model should lead to in terms of the company's financial performance and financial in the next year and beyond.

A business model typically includes at a minimum four major components:

1. The company's offering and value proposition.

The business model includes a statement of the company's value proposition. This describes the company's offerings in goods and services in terms of the value they offer to the customer.

For instance, Dell was founded in 1984 with an innovative value proposition that was unique at the time. Dell promised to build a computer, exactly as and when a customer orders it, and deliver it at a very competitive price. As another example, Boeing states the customer value proposition for its 747-8 aircraft very simply: "...more range, better fuel efficiency, and lower operating costs."

In brief, the value proposition states why customers would buy from this company instead of from the competition.

2. The company's customers.

Regarding customers, the business model typically spells out clearly ...

- ✓ The target market, or audience for the company's products and services. The market may be defined in terms of such factors as gender, age, occupation, economic status, experience or education, geographic location, or special interest, for example.
- ✓ The company's approach to customer relationship management (CRM), including plans and objectives for customer service, customer satisfaction, and customer retention.
- ✓ The selling and distribution strategy. The company may plan to deliver directly to customers directly through retail shops, through visits from a direct sales force, through catalog or online orders shipped directly to customers, or through third party distributors or resellers.
- ✓ The marketing strategy and marketing plan, which explain how the value proposition will be communicated and promoted, through product positioning, branding and through application of a pricing model.

3. The company's infrastructure and operations.

This section of the model spells out clearly ...

- Key activities performed by the company in order to implement the business model (such as market analysis, product design, manufacturing, and so on). Also spelled out are key activities that will be performed by business alliance partners, supply chain partners, channels partners, and others.
- Key resources and assets necessary for the creation of customer value. These can range from buildings and equipment, to critical employee skills, to patents and intellectual property, for instance.

4. The company's finances.

For many people, the section on company finances is the business model's most important content and its reason for being. This section describes in quantitative terms ...

- ✓ The company's revenue sources and cost structure. This part of the business model is often summarized and presented in descriptions that have the form of (a) the company's income statement, and (b) the company's operating budget and capital budget.

- ✓ The company's financial position, including sources of funding and degree of leverage (the extend to which funding is provided by lenders compared to funding provided by owners).

Now go and be successful.



Click on each image below for comprehensive details of other business models to help you with your success.

Plan for success with Business Plan Pro

Recommended by the experts
BusinessWeek **Inc.** THE WALL STREET JOURNAL

The fastest, easiest way to write a marketing plan that gets results.

[Learn More](#)

Marketing Plan Pro

Recommended by the experts!
Entrepreneur **Inc.** **Forbes**

The advertisement features a woman in the background holding a pen that forms a line graph. The text is arranged in a clean, professional layout with a green background at the bottom. The software box is shown at an angle, highlighting its design and the 'Recommended by the experts' badge.

Business Case Essentials
A Guide to Structure and Content

Third Edition

A complete introduction to what belongs in a business case and why, for private industry, government, and non-profit organizations.

Marty J. Schmidt

The book cover has a dark background with yellow and white text. Below the title is a grid of eight small images representing various business concepts like charts, documents, and people.

Building a Return on Investment (ROI) and Business Case Analysis Seminar on DVD



The Definitive Guide to `Getting Your Budget Approved!`



Plus, **Making sense of financial information** including profit and loss forecasts, cash flow forecasts, sales forecasts and audited accounts. See our business model on **`Interpreting Accounts and Finance for the Non-Finance Manager`**. Details from www.cavendish-mr.org.uk

For professional development training in business case building, join the premier business case seminar "Building the Business Case" (2 Days) or "Business Case Master Class," These public versions of these seminars are offered four times a year in three cities, New York City, London, and Frankfurt. Customized, onsite offerings are given by special arrangement throughout the year.

Fresh thinking requires a vision to see beyond the conventional. When you combine excellent quality with outstanding value for money you will begin to realise the full potential of creative and well presented business solutions. Together, the sky`s the limit. Have passion to learn and let the knowledge help you to be successful in life.

About the Author Colin Thompson

Colin is a former successful Managing Director of Transactional/Print Manufacturing Plants, Print Management/Workflow Solutions companies and other organisations, former Group Chairman of the Academy for Chief Executive, Non-Executive Director and Mentor - RFU Leadership Academy, helping companies raise their `bottom-line` and `increase cash flow`. Plus, helping individuals to be successful in business and life in general.

Author of several publications, research reports, guides, business and educational models on CD-ROM/Software/PDF and over 400 articles published on business and educational subjects worldwide. Plus, International Speaker/Visiting University Professor.

Colin Thompson

DDL: + 44 (0) 121 244 0306

Mobile: 07831 588310

Main T: + 44 (0) 121 244 1802

email: colin@cavendish-mr.org.uk

www.cavendish-mr.org.uk

www.colinthompson.org.uk

Visit our knowledge pool at: www.cavendish-mr.org.uk for over 95 powerful publications, business models and services.

The Cavendish Academy

<http://www.linkedin.com/e/-tc85tw-gbkla9w4-1f/vgh/3212542/>

Click on the above link for powerful information

Also, read our testimonials page to see what others believe.

Our goal is:

- [Changing Limited People into Limitless People](#)
- [Turning Limited Companies into Limitless Companies](#)

`Igniting` your success with the new powerful and inspirational books from Arima Publishing UK ;

`Accelerate with Impact` - by Colin Thompson ISBN: 978-1-84549-289-2

`Create Your Own Success Story` - by Colin Thompson ISBN: 978-1-84549-260-1

Both of these publications help you to be successful in business life and in general life. These books can be purchased from;

www.amazon.co.uk

www.cavendish-mr.org.uk

www.arimapublishing.co.uk

and all High Street bookshops worldwide

Accreditation: UK Registered Learning Provider: 10025755

Our mission is two-fold: first, to offer insights that enable people to discover both their personal and business potential; and second, to do so in a fun and effective way that fosters connection and community. We do this via business consulting, publications, seminars and speeches.

We can all choose to walk a path with heart and accountability. Our work can support our path to be one of personal development, contribution to society and positive `bottom-line` results.

TEAM (Together Everyone Achieves More) prides itself on the team's excellent reputation, credibility and expertise.



Further details from Colin Thompson

CAVENDISH

Kings Court | School | Road | Birmingham B28 8JG | UK

Telephone DDL: 0121 244 0306 or office Administrator: 0121 244 1802

Mobile: 07831 588310

email: colin@cavendish-mr.org.uk www.cavendish-mr.org.uk



