8 Choosing strategic direction

1 Strategic direction refers to a course of action or plan that it is hoped will lead to the achievement of long-term goals.

2 Cost, barriers to entry, competitors' actions and the ethics involved.

3 Market penetration involves trying to deepen the reach of the existing product in an existing market. Product development involves producing new products for existing markets.

4 The market for plumbing may have become saturated in a particular area. In addition, it may restrict the revenue stream for that company; diversification may open up new revenue streams. If successful, it will enable further growth for a business and the spreading of risk.

5 They are taking the same product (franchising the brand, e.g. McDonald's) but into a new market.

6 The strategic positioning of a business relates to how that business is perceived relative to other businesses in the same industry.

7 A low-cost strategy involves not only being the leader in an industry in terms of costs but also being able to sustain this leadership (e.g. Aldi and Lidl).

8 A differentiation strategy involves gaining a competitive advantage by being different from competitors in some way, whereas a focus strategy involves concentrating on a particular niche in a market, which may be either through a differentiation or a cost focus.

9 They are uncompetitive because price is greater than perceived value.

10 It may have to lower its prices in order to see the same level of sales.

11 A competitive advantage is likely to lead to brand loyalty, greater sales and therefore greater profit for a business.

12 Financial constraints, short-termism and developments in technology.