

**Business Strategies
and their
Market Implications**

by

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Results through **INNOVATION**

Porter's Four Business Strategies

Source of Competitive/Strategic Advantage

Low cost

Differentiation

Broad
Target
(All
customers)

**1. Cost
leadership**

**2.
Differentiation**

Target

Narrow
Target
(Market segment)

3. Focus

3a. Cost focus

**3b.
Diversification
focus**

Miles and Snow's Four Business Strategies



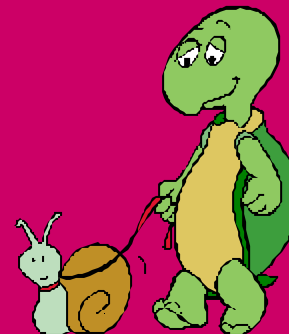
Prospector



Defender



Analyser



Reactor



Prospector

- Operates within a broad product-market domain that undergoes periodic redefinition.
- Values being a “first mover” in new product and market areas even if not all of these efforts prove to be highly profitable.
- Responds rapidly to early signals concerning areas of opportunity and these responses often lead to new rounds of competitive actions.
- Competes primarily by stimulating and meeting new market opportunities but may not maintain strength over time in all markets it enters.



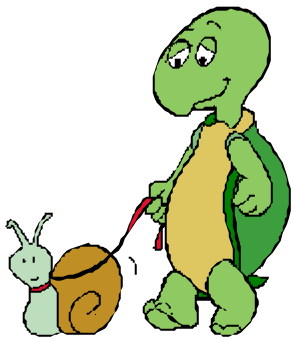
Defender

- Attempts to locate and maintain a secure position in relatively stable product or service areas.
- Offers relatively limited range of products or services compared to competition.
- Tries to protect its domain by offering lower prices, higher quality or better service than competitors.
- Usually not at the forefront of technological/new product development in its industry, tends to ignore industry changes not directly related to its area of operation.



Analyser

- An intermediate type, makes fewer and slower product-market changes than prospector but is less committed to stability and efficiency than defenders.
- Attempts to maintain a stable, limited line of products or services but carefully follows a selected set of promising new developments in its industry.
- Seldom a first mover but often a second or third entrant in product-markets related to its existing market base - often with a lower cost or higher-quality product or service offering.



Reactor

- Lacks any well-defined competitive strategy.
- Does not have as consistent a product-market orientation as its competitors.
- Not as willing to assume the risks of new product or market development as its competitors.
- Not as aggressive in marketing established products as some competitors.
- Responds primarily when it is forced to by environmental pressures.