

## Six Basic Strategies

These six basic strategies can be the starting point for your own custom strategy.

### **1. Broad Cost Leader**

A Broad Cost Leader strategy maintains a presence in all segments of the market. The company will gain a competitive advantage by keeping R&D, production and material costs to a minimum, enabling the company to compete on the basis of price, which will be below average. Automation levels will be increased to improve margins and to offset second shift/overtime costs.

#### **Mission Statement:**

Low-priced products for the industry: Our brands offer solid value. Our stakeholders are bondholders, customers, stockholders and management.

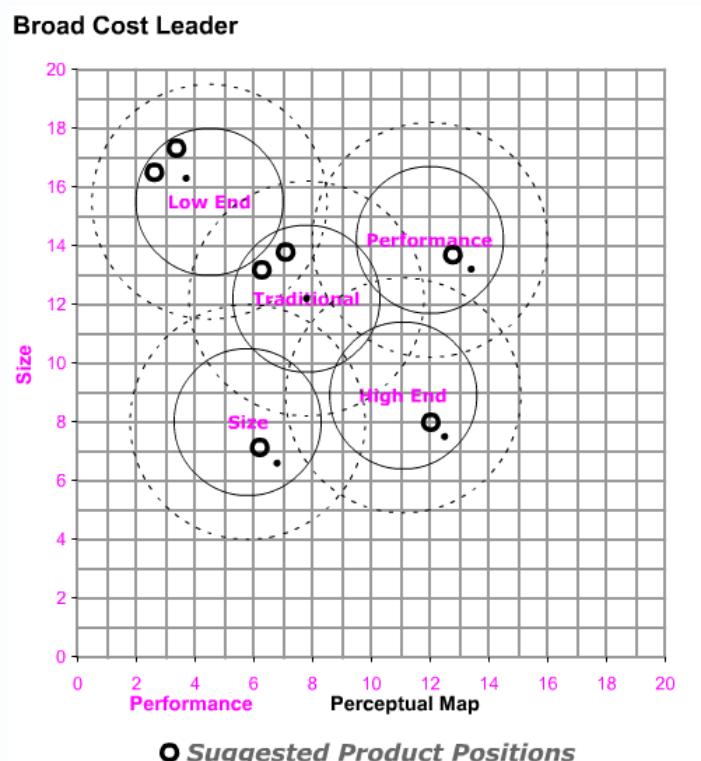
#### **Tactics:**

**Research & Development:** We will keep our existing product line, maintain a presence in every segment, and work to keep our products up to date in each segment despite high automation levels.

**Marketing:** Our company will spend modestly on promoting and selling products in our industry. Our prices will be lower than average. After we establish our cost leadership position, we will revisit our situation to explore options to improve awareness and accessibility.

**Production:** We will significantly increase automation levels on all products. However, because automation sets limits upon our ability to reposition products with R&D, we automate more in the slower moving Traditional and Low-End segments than in the fast moving High End, Performance, and Size segments. We will prefer second shift/overtime to capacity expansions.

**Finance:** We will Finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep assets/equity between 2.0 and 3.0.



## 2. Broad Differentiator

A Broad Differentiator strategy maintains a presence in every segment of the market. The company will gain a competitive advantage by distinguishing products with an excellent design, high awareness and easy accessibility. The company will develop an R&D competency that keeps designs fresh and exciting. Products keep pace with the market, offering improved size and performance. Prices will be above average. Capacity will be expanded as higher demand is generated.

### **Mission Statement:**

Premium products for the industry: Our brands withstand the test of time. Our stakeholders are customers, stockholders, management and employees.

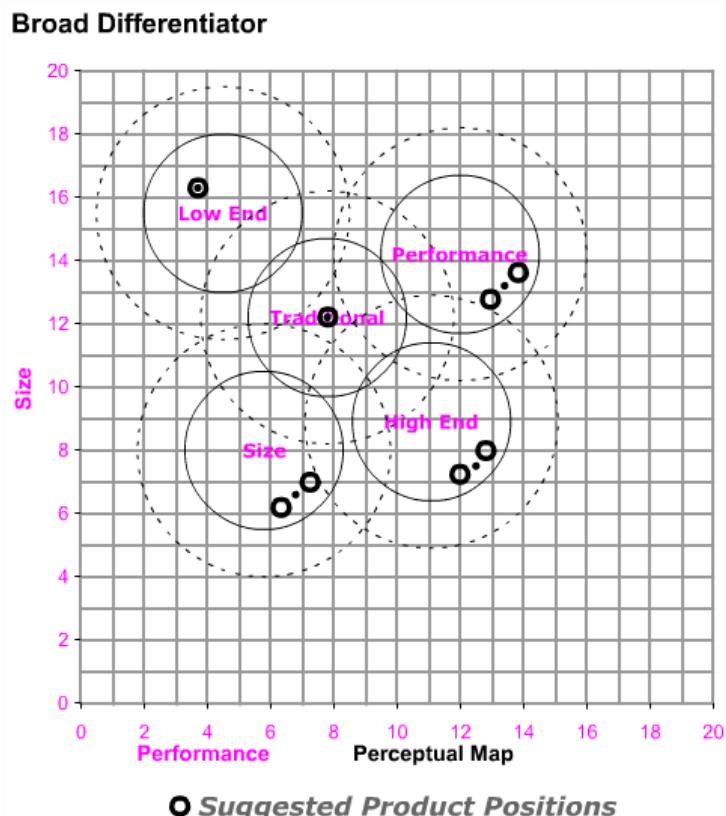
### **Tactics:**

**Research & Development:** We will keep our existing product line, maintaining a presence in every segment. Our goal is to offer customers products that match their ideal criteria for positioning, age, and reliability.

**Marketing:** Our company will spend aggressively in promotion and sales in all segments. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

**Production:** We will grow capacity to meet the demand that we generate. After our products are well positioned, we will investigate modest increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map.

**Finance:** We will Finance our investments primarily through stock issues and cash from operations, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (leverage) between 1.5 and 2.0.



### 3. Niche Cost Leader (Low Technology)

A Niche Cost Leader Strategy concentrates primarily on the Traditional and Low-End segments of the market. The company will gain a competitive advantage by keeping R&D, production and material costs to a minimum, enabling the company to compete on the basis of price, which will be below average. Automation levels will be increased to improve margins and to offset second shift/overtime costs.

#### **Mission Statement:**

Reliable products for low technology customers: Our brands offer value. Our stakeholders are bondholders, stockholders, customers and management.

#### **Tactics:**

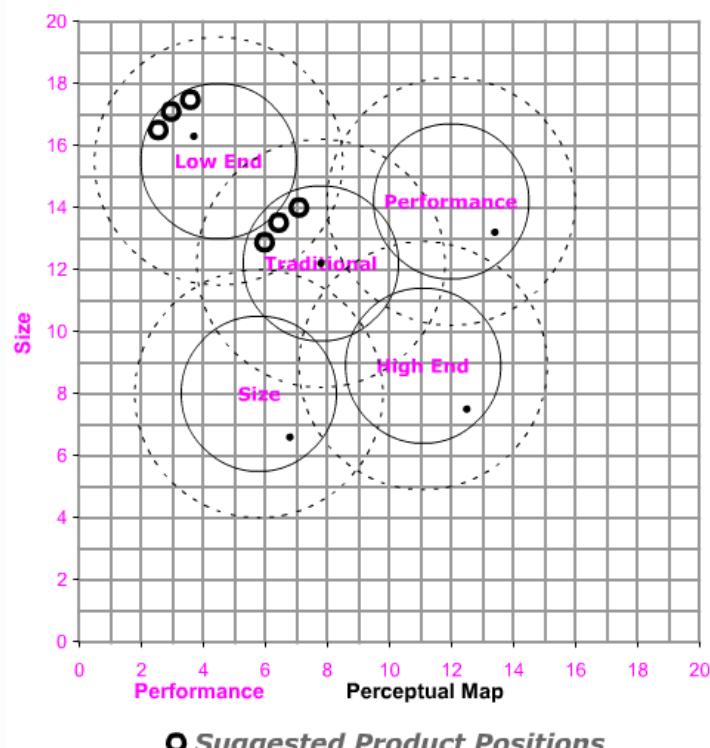
**Research & Development:** We will concentrate our existing product line into the Low End and Traditional segments. The traditional product will migrate to the Low-End segment. The High product will migrate to the Traditional segment. During the early years we will migrate (gradually) our Performance and Size segment products to the Traditional segment. We can also introduce a new product to work in the Traditional market.

**Marketing:** Initially we will attempt to keep pace with the awareness and accessibility of our competitors' products. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should continue to match our competitors. Our prices will be lower than average.

**Production:** We will significantly increase automation levels on our products. However, because automation sets limits upon our ability to reposition products with R&D, we will postpone automation for the High End and Size products until they arrive in the Traditional Segment. We will prefer second shift/overtime to capacity expansions.

**Finance:** We will Finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep assets/equity between 2.0 and 3.0.

**Niche Cost Leader (Low Technology)**



● *Suggested Product Positions*

#### 4. Niche Differentiator (High Technology)

A Niche Differentiator strategy focuses on the high technology segments (High End, Performance and Size). The company will gain a competitive advantage by distinguishing its products with an excellent design, high awareness, easy accessibility and new products. The company will develop an R&D competency that keeps designs fresh and exciting. Products will keep pace with the market, offering improved size and performance. The company will price above average, and will expand capacity as it generates higher demand.

##### **Mission Statement:**

Premium products for technology oriented customers: Our brands define the cutting edge. Our stakeholders are customers, stockholders, management and employees.

##### **Tactics:**

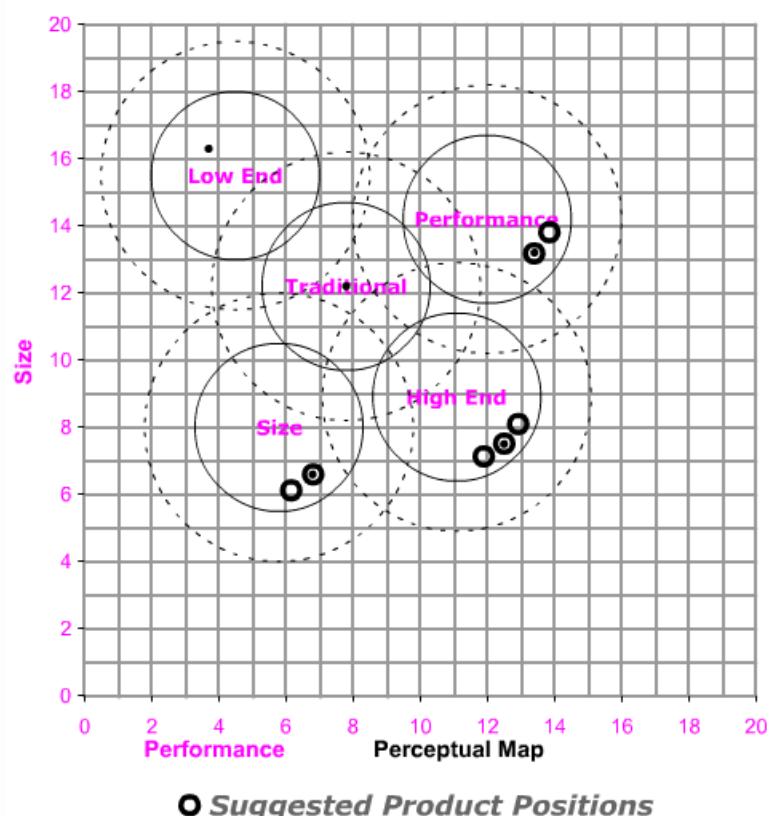
**Research & Development:** We will keep our existing technology products (High, Size & Performance), phase out Low End & Traditional, and introduce new technology product extenders in the High End, Performance and Size segments. Our goal is to offer technology oriented customers products that match their ideal criteria for positioning, age, and reliability.

**Marketing:** Our Company will spend aggressively in promotion and sales in the technology segments. We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium. In the low technology segments we will exit gracefully, harvesting our products as they exit the Low-End segment.

**Production:** We will grow capacity to meet the demand that we generate. After our products are well positioned, we will investigate modest increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with the high technology segments as they move across the perceptual map.

**Finance:** We will Finance our investments primarily through stock issues and cash from operations, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (leverage) between 1.5 and 2.0.

**Niche Differentiator (High Technology)**



## 5. Cost Leader with Product Lifecycle Focus

A Cost Leader with a Product Lifecycle Focus centers on the High End, Traditional and Low-End segments. The company will gain a competitive advantage by keeping R&D, production and material costs to a minimum, enabling it to compete on the basis of price. The Product Lifecycle Focus will allow the company to reap sales for many years on each new product introduced into the High-End segment. Products will begin their lives in the High End, mature into Traditional and finish as Low End products.

### Mission Statement:

Reliable products for mainstream customers: Our brands offer value. Our stakeholders are bondholders, stockholders, customers and management.

### Tactics:

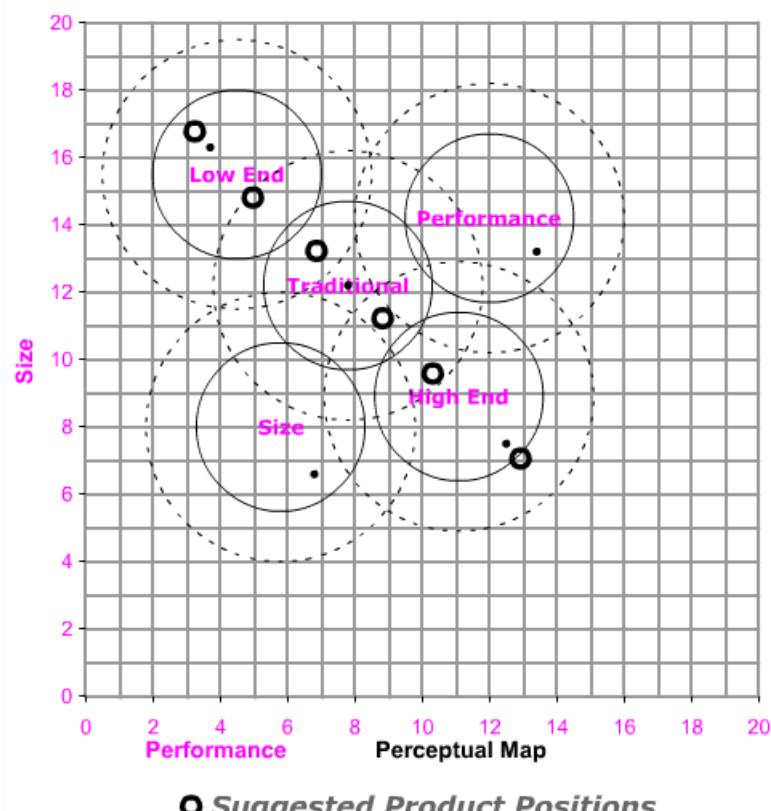
**Research & Development:** We will introduce a new High-End product every two years. We will reposition our Low-End product before it becomes obsolete (falls outside the Low-End segment circle). We will reposition our Performance and Size segment products into our targeted segments. We will ultimately have a steady stream of products lined up along the High End, Traditional, and Low-End segments.

**Marketing:** Initially we will attempt to keep pace with the awareness and accessibility of our competitors' products. After we establish our cost leadership position we will revisit our situation to decide whether sales and promotion budgets should be reduced or if we should continue to match our competitors. Our prices will be lower than average.

**Production:** We will significantly increase automation levels on products we intend to keep for more than three years (Traditional & Low End) and spend the money necessary to set up highly automated plants for our new products as they are launched. We will sell off the plants for the Size & Performance products over the next few years.

**Finance:** We will Finance our investments primarily through long-term bond issues, supplementing with stock offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are not adverse to leverage, and expect to keep assets/equity between 2.0 and 3.0.

**Cost Leader With Product Lifecycle Focus**



## 6. Differentiator with Product Lifecycle Focus

A Differentiator with a Product Lifecycle Focus strategy concentrates on the High End, Traditional and Low-End segments. The company will gain a competitive advantage with excellent design, high awareness, easy accessibility and new products. The company will develop an R&D competency that keeps designs fresh and exciting. Products will keep pace with the market, offering improved size and performance. The company will price above average and will expand capacity as it generates higher demand.

### Mission Statement:

Premium products for mainstream customers: Our brands withstand the test of time. Our stakeholders are customers, stockholders, management and employees.

### Tactics:

**Research & Development:** We will reposition our Size and Performance segment products to the Traditional segment. We will allow our present Traditional segment product to become a Low-End segment product as the segments drift. We will eventually introduce a new product to the High segment and will ultimately have two products each in the High, Traditional, and Low-End segments. Our goal is to offer customers products that match their ideal criteria for positioning, age, and reliability.

**Marketing:** Our company will spend aggressively in promotion and sales in our targeted segments (High, Traditional, and Low). We want every customer to know about our superb designs, and we want to make our products easy for customers to find. We will price at a premium.

**Production:** We will grow capacity to meet the demand that we generate. After our products are well positioned, we will investigate modest increases in automation levels to improve margins, but never at the expense of our ability to reposition products and keep up with segments as they move across the perceptual map.

**Finance:** We will Finance our investments primarily through stock issues and cash from operations, supplementing with bond offerings on an as needed basis. When our cash position allows, we will establish a dividend policy and begin to retire stock. We are somewhat adverse to debt, and prefer to avoid interest payments. We expect to keep assets/equity (leverage) between 1.5 and 2.0.

**Differentiator Strategy with a Product Lifecycle Focus**

