

Ten things you need to know about tactics

Ian Marcoué provides a framework that you can base your revision around

1 What are tactics?

Short-term responses to an opportunity or threat. Because they are short term, tactics can be applied rather more cynically than other business decisions.

Example: Andrex sold a 12-pack of toilet roll marked 'Great Value' at a higher price per roll than the standard 4-pack, trusting, presumably, that people would just assume it was better value.

Advantage: firms must respond to changes around them. If Chelsea FC is on a hot run of form, it may be wise tactically for an opponent to choose an ultra-defensive team and play for a draw.

Disadvantage: tactics can get in the way of strategy, and ultimately the long term matters more than the short term.

2 Tactical decisions

A decision made to cover this week's trading. May be made differently next week.

Example: with unexpectedly high temperatures in an April week, a shop puts a display of all its salad items by the front entrance to the store.

Advantages: crucial though long-term decisions are, businesses that keep making the right short-term, tactical calls can end up succeeding in the long term. Traditionally this has been a great strength of Morrisons.

Disadvantages: in December 2014 it emerged that new Tesco boss Dave Lewis had taken over day-to-day running of Tesco's UK stores in the run-up to Christmas. He risks focusing on the short term at the expense of long-term strategy.

3 Pricing tactics

Short-term pricing policies designed to maximise short-term gross profit.

Example: a hotel with rooms free on a Sunday may use a discount site such as Late Rooms or Secret Escapes to fill the space, perhaps at prices 50% lower than the **rack rate** (the hotel's standard prices).

Advantage: when marginal cost is low, profits can be boosted sharply by selling at apparently low prices in order to maximise capacity utilisation.

Disadvantage: regular customers might decide to stop buying at rack-rate prices and try, instead, to buy cheaply at the last minute.

4 Buying tactics

For profit to be made, buying at the right price is as important as selling at the right price.

Example: an advantage Poundland has over Tesco is that it can buy as much or as little as it wants of an item. Shoppers expect Tesco to always have goods in stock, whereas Poundland is under no such obligation. This helps Poundland negotiate opportunistically — buying 50,000 of an item cheaply here, and 10,000 of another item there.

Advantage: manufacturers sometimes need to cut their stock levels and therefore are keen to find a buyer at (almost) any price. As mentioned above, a business such as Poundland can take advantage.

Disadvantage: companies such as Toyota are proud of their long-term relationships with suppliers. Buying tactically could put those relationships at risk.

5 Manipulating ethics

Ethics should be the moral standards that keep a business honest and point it towards social responsibility. But some companies manipulate ethical trading for short-term gain.

Example: when a famous athlete wins a race, soft drinks firms and fast food restaurants place congratulatory messages on social media to try to associate themselves with healthy living (and success).

Advantage: for people with busy lives, it's easy to mistake ethical manipulation (such as 'greenwash') for ethical values. For the firms undertaking this manipulation, this is an advantage.

Disadvantage: there are sceptics out there, willing to take companies to task for their slippery tactics.

6 Marketing tactics

Marketing based on short-term opportunities, be they seasonal or occasional (such as the Olympics).

Example: in 2012 Nike ran an ambush marketing campaign to counter the impact of Adidas' position as an official Olympic Games sponsor. It ran television ads worldwide featuring amateur athletes competing in 'Londons': East London, South Africa; London, Ohio, USA; and Little London, Jamaica.

Advantage: in a head-to-head battle such as Nike vs Adidas, neither side can afford to allow the other to gain an advantage.

Disadvantage: short-term marketing tactics can be demeaning and therefore risk undermining a brand's quality image. You won't see Chanel using tactics — it sticks to strategy.

7 Tactics can backfire

When trying to do something clever in the short term, it's possible to generate a social media storm of negativity rather than positivity.

Example: model railway and toy manufacturer Hornby produced a range of products for the 2012 Olympics. They sold poorly, forcing the company to take big losses on unsold stock. Profit went from £3,900,000 in 2011 to -£541,000 in 2012.

Advantage: although Hornby suffered badly, the phrase 'there's no such thing as bad publicity' holds in other cases, i.e. even when tactics backfire, the brand name of the business may become a little better known.

Disadvantage: social media can quickly turn a backfire into a public relations disaster.

8 Tactical at the top

The fundamental role of a board of directors is long-term strategy, but when times are tough, the board can get caught up in day-to-day, tactical matters.

Example: Dave Lewis taking on the role of UK operations director pre-Christmas 2014, when he should have been focusing on strategy.

Advantages: in his day, Alan Sugar was a boss with the mind of a trader. His skill lay not in strategy but in tactics. Understandably, he focused on what he was best at

Disadvantage: Sugar's main business (Amstrad) withered away over time, as it lacked the long-term understanding and belief in customers shown by companies such as Samsung and Apple.

9 Underhand tactics

Short-term, calculated ways to manipulate a situation to your own advantage.

Example: when two people have their eye on the same management job, one may start being indiscreet about 'little known facts' about the rival.

Advantage: being underhand means you are unlikely to be caught.

Disadvantage: being underhand will eventually tell on your reputation (though in the meantime you may go far — see President Richard Nixon's career).

10 Finance tactics

Ideally, a business should have a financial strategy that has no need for tactics, but if cash flows are weaker than expected, short-term tactical fixes may be required.

Example: in 2014 Morrisons was just one grocery retailer to suffer from ferocious competition and a tough economy, but it was the only one with such a weak balance sheet that its liquidity position was a concern. It needed to work hard to find cash.

Advantage: tactics such as borrowing cash from suppliers are a useful way to avoid letting your bankers know how tricky things have become.

Disadvantage: short-term, hand-to-mouth financial management is not a secure way to manage a firm's finances, whether it is a small family business or a major plc.

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