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Published First Online: 30.06.2023

Pages: 103-117

DOI:

[https://doi.org/10.37075/JOMSA.  
2023.1.0](https://doi.org/10.37075/JOMSA.2023.1.0)

# STRATEGIC BUSINESS PLANNING – THEORETICAL ANALYSIS OF BUSINESS STRATEGIES

## ABSTRACT

The aim of current article to provide a view of the role of business planning in strategic development of the business model of modern enterprise. Strategic business planning is one of the most reliable tools for achieving competitive advantage in the current market conditions. It must be kept in mind that strategic business planning is becoming futile and cannot be accurate in a highly turbulent business environment. The main characteristics of this type of environment the rapid variability of the influence of factors, their complex influence, and the direction of influence. All these characteristics of the business environment must be subject to constant monitoring by the management of the business enterprise.

**KEY WORDS:** Strategy, business planning, business tactics, strategic orientation, business enterprise

**JEL:** R15, R54, H6

## INTRODUCTION

In a market economy and a significantly intensified competitive environment, business organizations often turn to the use of strategic planning as a key tool for penetrating new markets and establishing a sustainable market presence.

The aim of current article to provide a view of the role of business planning in strategic development of the business model of modern enterprise.

The process of business planning follows the logic of development of the business itself. The goal of any business is to create customers. Business objectives are achieved through the exchange process. Every business aims to offer, deliver value to the consumer in order to make a profit. In this sense, the business enterprise produces products that have value for consumers, as this production continues until it is profitable, i.e. brings profit from the activity in the long term. Every business enterprise develops two main functions: **marketing and innovation**. (Borisov, Behluli, 2020). These two functions bring results, the rest of the enterprise's activity generates only costs.

## DISCUSSION AND RESULTS

**Marketing** is a concept, a view of how the operations of a business enterprise should be managed (Nikolov, Boevsky, Borisov and Radev, 2020). It is an activity aimed at satisfying human needs through the process of exchange (Nikolov, Boevsky, Borisov, Radev and Mihnea, 2017). Marketing organizes and directs all economic activities to convert the purchasing power

of consumers into an effective demand for a material product or service, so that the set goal is achieved. Marketing as a management concept is placed at the beginning of the planning of the activity of the business enterprise (Borisov and Garabedian, 2020). This means that before organizing a production, the management of the business organization must study and establish the need of the users of this production. The business planning process takes place in the following phases:

First phase: selection of product to be produced by the enterprise. Any product is a carrier of value if it satisfies a specific need of the customer. The marketing department must make the selection of the products to be produced. For this purpose, market segmentation, selection of market segments and positioning of the company's products are carried out during this phase.

Second phase: determination of prices, quantity and quality of manufactured products and methods of distribution.

Third phase: advertising the product. Choice of ways to advertise the product. During this phase, management plans what means of advertising they will use in order to most effectively reach information about the product's novelty to potential customers (target market segments).

**Innovation** is a new product or change that is purposefully introduced into the production of a business enterprise by management (Borisov, 2013). Most often, the concept of innovation refers to the introduction of new products in the company's production list or an innovation in the technique and technology of production. According to P. Drucker innovations are:

- New product: it is a product with significant changes in form, content, packaging, which are important for the user;
- Real innovation: products that create new consumer needs or satisfy existing ones in a more efficient way than those traded on the market.

**Strategic business planning.** Strategic planning is a management process for developing and maintaining a viable compatibility between goals and resources and its modification according to market opportunities (Borisov and Popova, 2021). The purpose of strategic planning is to shape, model and change the model of the business enterprise and its products so that it can realize satisfactory profits and growth. The specific characteristics of this type of planning are defined by three key ideas: profit centers, profit potential, and strategy.

- Profit centers are the products of the enterprise that have or will have the greatest contribution to the final result of the activity;
- Profit potential - this is the potential of the company's products to satisfy more and more consumer needs;
- Strategy - a way of realizing the potential of the business enterprise's products in market conditions.

Strategic planning of a business enterprise can be done by following the following principles (PLATO):

**P(progress)**: the planning process must be extensive and comprehensive ie. to plan all elements of the business enterprise.

**L(linkage)**: the link between strategic, tactical and operational planning must be close. This means that operational and tactical plans need to be tied into the company's strategic

development plan. There should be no contradiction in these three types of business plans. Otherwise, failure to observe this principle renders the strategic planning process meaningless.

**A(administrator):** the owner of the enterprise (entrepreneur) and the manager must play an active role in strategic planning. Very often in small and medium-sized enterprises, these two characters are combined in one person. This, in most cases, determines better conditions for achieving successful strategic planning.

**T(timing):** planning is a continuous process. As a management function, it represents a set of activities that include the development of the main activities for the development of the business enterprise and determining the need for resources necessary for the realization of its main activity. Production resources are objectively limited, which implies that we spend more and more on their inclusion in the production and trade of goods and services. The needs of today's society are objectively unlimited, which determines a discrepancy between available resources and the availability of unsatisfied needs. Under this condition, continuity in the process of planning the resources and the results of the activity of the business enterprise is a mandatory principle.

**O(output):** the result of the planning process should be a complete statement of the business company's strategy and how it intends to achieve a sustainable competitive advantage over its competitors. The result of strategic planning are the strategies, on the basis of which the strategic plan itself is developed.

***Object of strategic business planning.*** The object of strategic business planning is the business enterprise. It is an economic-organizational form of concentration of means of production that the labor force uses for production (Borisov and Miladinovski, 2022). The enterprise can be characterized as an independent, legal, economic, organizational-technological and territorial organizational-economic form, in which the elements of the production process are combined in a certain way, depending on the goals and tasks that stand before it.

According to the Commercial Law, the enterprise is defined as a set of rights, obligations and factual relations of a merchant [Art. 15 (1.)] for the performance of one or more activities. The process of creating socially useful goods takes place in the business enterprise. It is the main economic unit of any economy.

Drucker P. examines the business enterprise, placing the human personality at the center of its essence. According to him, every enterprise consists of people with various skills and knowledge who perform various activities. It must be built on the connections (communication) between them and on their personal responsibility.

Using the systems approach, the business enterprise can be considered as a complex system composed of production, economic, social and legal subsystems.

*The production subsystem* represents a set of production resources. Depending on the objects and tools of labor used, the applied technology, the qualification of the employed workforce and the type of final product, the production subsystem can be structured into separate industries. The production subsystem determines the technological parameters at which production processes are carried out, i.e. forms the production-technological framework in the business enterprise and the results that depend to a large extent on it. Depending on the needs of the market, the size of this subsystem is determined and the type, quantity and quality of products, and production specialization are determined.

*The economic subsystem* reflects the amount of expenses, the value of the resources invested in production - an expression of the input of the system and the income, the value of the realized production, which forms the output of the system. The amount of the received profit depends on the "output/input" ratio. Costs are defined as efforts invested in value and/or kind expression, withdrawals, which are made with a view to ensuring any process taking place in the business enterprise. The cost subsystem includes all types of expenses for the maintenance of the business enterprise. There is a classification of costs according to multiple criteria, which supports their planning, analysis and control.

From a performance perspective, costs can be defined as losses or sources of revenue. Costs are defined as losses when they have contributed to the deterioration of the result of the business enterprise. As sources of revenue, expenses are determined when they contribute to the achievement of the objectives of the business enterprise. The result of the functioning of the production cost subsystem is the cost cash flow, which determines the costs incurred in value expression to ensure the functioning of the production subsystem.

The subsystem of received income consists of all the income that the enterprise realizes from its activity. Income can be defined as received goods, benefits, in terms of value or in kind. As with expenses and income, there is a classification based on a number of criteria. Revenues are essentially expenditures by consumers to purchase the products produced by the business enterprise. The result of the functioning of the revenue subsystem is the revenue cash flow, representing all the revenue received in value expression from the activity of the business enterprise.

In the interaction of the subsystem of production costs and received income, a result is obtained, which depends both on the reaction of the management of the business enterprise and on the reaction of its customers. The latter are the ones that evaluate the efforts of the business enterprise.

There is a positive and negative relationship between the production and economic subsystems. The expansion of the production capacity depends on the received income and incurred expenses. The degree of satisfaction of needs, the amount of income and social benefits for the characters in the social subsystem of the enterprise depends on the state of the economic subsystem. There are also some contradictions between the economic and production subsystems. While the first, under the influence of the business environment, requires rapid changes in the production characteristics, i.e. it is distinguished by its dynamism, the second is characterized by a certain conservatism. It is a consequence of the limited possibilities of change, of the immobility and functional characteristics of part of the production resources,

*The social subsystem* includes the elements: owners of the factors of production of the business enterprise, managers and workers. The elements of the social subsystem are an expression of the participation of the human factor with its functional qualities in the activity of the business enterprise.

*Legal subsystem* of the business enterprise is an expression of its legal-organizational (legal) form, representing its "legal clothing". It identifies the enterprise as a business entity. The legal subsystem regulates the internal rules for the management of the enterprise, based on the current legislation in the country, the number and type of management bodies and the relations between them. The rights, obligations and responsibilities of the owners, managers and staff of the enterprise depend on the legal subsystem. The type of this subsystem depends on the possibilities for financing and the confidence of financial institutions in lending, as well as tax obligations.

A business enterprise has the following characteristics:

- Production - means that the enterprise is the place where the production of consumer goods and services is organized;
- Technical-technological - in the enterprise, a variety of equipment is used and different technologies are applied, the result of research and development activity;
- Labor-organizational - the enterprise is the place where productive labor is mainly applied;
- Organizational-management - separate parts, units on a technological and economic basis are identified and organized in the enterprise, which are combined and interact through management bodies and functions;
- Economic - means that economic processes take place in the enterprise, consistent with its goals and objectives, as well as with the external economic environment;
- Social - the enterprise is a public environment where people with different economic and social interests gather. In it, they satisfy part of their social needs, such as communications, education, health care, physical culture and sports, housing and communal services, etc.
- Political - the enterprise is that main entity which, according to its goals and tasks, forms its product, market, price, personnel, management and other policies.

***Purpose of the business.*** Before we can build an effective business strategy, we need to have a goal. What is the purpose of the business? To realize maximum return on invested funds; To realize maximum profit; To realize the largest market share; To realize the highest income from the activity? All these are just criteria for how effective the particular business is. The answers to these questions do not actually represent the specific goals of the business. The initial, genesis of any kind of business is to create new customers, or more precisely, to create new customer needs. This is done through innovation and marketing.

***Essence of business strategy.*** The term strategy has ancient Greek origins and means the ability to organize military actions in such a way that the war is won. It is a system of scientific knowledge about the phenomena and regularities of war as a struggle. It appears as the main constituent part of the military art and covers the theory and practice of ensuring the military safety of the state.

The modern interpretation of the word is borrowed from game theory, where it is defined as a plan of action in a specific situation, depending on the action of the opponent. In any game in which competitors are directly opposed to each other, victory usually goes to the one who can think, plan and play better than his opponent. Therefore, strategy is a way of thinking and planning leading to a better game than one's opponent in order to achieve victory (Boriosov, Stoeva and Dirimanova, 2021).

If we start from the etymology of the word business, which means - to do something, to be busy with work, then the concept of business strategy means a way of thinking when planning and managing an activity (work) better than others who do the same. Analogously to the conduct of war, where the main key elements are the two warring parties and the terrain of development of the military action, in business the elements are the customers, competitors and the company. In other words, in business, the "battle" is fought between two "adversary" parties - competitors for the winning of a third "independent" party - the customers. Therefore, the ability of a



business to organize its activity in such a way as to attract as many customers as possible can be distinguished as a definition of business strategy.

Depending on the battlefield (situation), the strategist must determine and choose the most effective strategy. It is this strategy that is based on its competitive advantage - the thing that makes it stronger in the particular situation than its opponent (competitor). In business, competitive advantage can be defined as the potential of resources, knowledge, experience and motivation to use them in a certain market situation, giving superiority over competitors (Borisov, Radev and Dimitrova, 2014). Competitive advantages reflect the business enterprise's ability to satisfy the needs of its personnel and the consumers of the goods and services it produces better than its competitors. Porter M. classifies in detail the sources of competitive advantage of a business enterprise. He divides them into four groups:

- Factor conditions: workforce, natural resources, knowledge base, capital, infrastructure;
- Demand-related conditions: the amount and quality of demand for the company's products in the market. Demand puts pressure on the enterprise to develop and quickly implement innovations that allow maintaining sustainable competitive advantages;
- Factors considering related and supporting industries: for an enterprise to be competitive, it must have sustainable relationships with the suppliers of the resources it needs. The suppliers themselves should be highly competitive;
- Factors related to the enterprise's strategies, its structure and competition: of great importance for achieving competitive advantages of the business enterprise are the correct formulation of its goals, the development and implementation of the most appropriate strategies.

Using the competitive advantage of the business enterprise as a basis, we can say that the business strategy represents a way of realizing the competitive advantage with a view to creating significant barriers for competitors to enter the market.

***Essence of business tactics.*** Unlike business strategy, which uses competitive advantage to achieve success and dominance over competitors, business tactics are a way of creating competitive advantage. How can competitive advantage be achieved? Using the three key elements of strategy – the strategist, one's adversary, and the terrain of warfare, we can make the following summary of what tactics are. This is a way of realizing superiority over the enemy by using our strengths and weaknesses, or by using his strengths and weaknesses, or by using the opportunities offered by the terrain of conducting military operations, or by using a combinative approach.

***Types of business strategies.*** To achieve its main goal, a business enterprise can choose from a wide variety of different business strategies. Success goes to only one of the two parties – the business enterprise or its competitors. There is no universal way to achieve success in business ie. there is no one proven strategy leading to success. Achieving success depends on choosing a strategy for action in a certain market situation. The market situation is determined by the following factors: demand, supply and competition. These are market drivers. They determine who will survive the market conditions and who will have to cease their participation in the market. Depending on the state of these three main market forces, the different groups of business strategies that the enterprise can use to achieve success are distinguished.

According to Drucker P. There are four types of business strategies:

- To be the first and the most (leadership strategy): In this strategy, the business enterprise seeks to lead, if not dominate, a new market in a new industry. It is the business unit that is the market leader – having the largest market share, determining the largest market power. This strategy does not necessarily mean trying to create a big business right away, although that is the goal. The goal from the very beginning is for the business enterprise to gain a lasting leadership position in the market. In fact, when can a company be a market leader? The biggest chances for this are when you introduce a new product - a real innovation, the market of which has not yet been developed by the competition. With this strategy, the risk of failure is the greatest, but if it succeeds, the results will be great.
- Hit them where they don't expect (creative imitation): this means that the business enterprise imposes a new product - a modification of an analogous product that is traded in the market. In essence, the business enterprise imitates the competition, with its product meeting the needs of consumers more effectively than the competition. Copycatting is a strategy aimed at market or industry leadership, if not market or industry dominance, just like the "first and most" strategy, but it is less risky. When the imitator appears, the market already exists, the innovation is accepted. And there is usually more demand than the original inventor could easily satisfy. Market segmentation is known or at least can be established. Market research is able to reveal what the consumer buys and how, what is valuable to him, etc. The strategy has its risks, and significant ones at that. The creative imitator is easily tempted to squander his efforts in trying to protect his market positions. Another danger is misjudging the trend and emulating something that will not turn out to be profitable in the market.
- To find and occupy a specialized "ecological niche" (barrier strategy): this strategy is aimed at control and aims at building a monopoly in a small part of the market. It focuses on providing immunity against competitors, to protect the business from external challenges. This is the skill in this case to remain so inconspicuous, even though your product is important to a given process, that no one would think of competing with you. The establishment of a monopoly in a particular market can be established by building a barrier to competition. What makes a monopolistic business enterprise? This may be the specialized knowledge of the production of a specific product, high initial costs, the production of an innovative product, an original way of distributing a product, diversification of production, patenting a new technology, obtaining an exclusive license to manufacture and market a product, owning unique production resources, a new way of positioning the business enterprise's product, a new way of applying an already established product, etc. All these techniques can lead to success, namely the construction of defensible market positions of the products of the business enterprise. Each of them has its advantages and disadvantages. What makes you strong at one moment can be your "Achilles heel" the next. Complete dominance over a market niche does not guarantee that it may not disappear in the future, and the business itself will fail with it. With this in mind, we should note that occupying a niche market,
- To change the economic parameters of a given product, market or industrial branch (commodity usability strategy). The goal of any business is to create customers, ie. to awaken new consumer needs. The product or service may have been in the market for quite some time. A business enterprise can implement a new product usability strategy by turning an old, long-established product into an innovation. This can be done by changing the use, value and economic parameters of the product. And although there is no change in the physical sense of the company's product, from an economic point of view it is already something different, i.e. satisfies a new consumer need. The

commodity usability strategy can be implemented in several ways: by creating a benefit; through pricing; by adapting to the user's social and economic realities; by delivering what represents real value to the consumer.

The types of business strategies can be conditionally classified depending on: *the phase of the life cycle of the business enterprise; the product life cycle phase of the business enterprise; the way of countering the competitors.*

The life cycle of a business enterprise generally characterizes: the period of time during which the enterprise exists and functions as a separate production system; the dynamics of the main types of organizational changes implemented at each stage of its development; the degree of resilience of the business enterprise to changes in the business environment.

Five phases are distinguished in the life cycle of a business enterprise: *construction, growth, differentiation, consolidation, liquidation or reorganization.* There is a dependence between the phases of the enterprise's life cycle and its degree of resistance to changes in the business environment (Borisov, 2015). During the construction phase, the production factors are combined, the production and organizational-management structure of the enterprise is formed. This phase is characterized by the insufficient functioning of some of the elements of the production system, which determines the great dependence of a business enterprise on the influence of the business environment. During the growth phase, mainly technological and structural changes are observed, aimed at increasing the size and increasing the sustainability of the business enterprise. The differentiation phase is associated with a certain calming of dynamic development through the choice of permanent specialization and combination of industries. The consolidation phase is characterized by a relatively more difficult response to the changing conditions of the business environment, regardless of the various structural, technological and behavioral changes. The phase of liquidation or reorganization is related to the creation of a new business enterprise by regrouping its activities. This phase creates prerequisites for the transition to a new life cycle. The phase of liquidation or reorganization is related to the creation of a new business enterprise by regrouping its activities. This phase creates prerequisites for the transition to a new life cycle. The phase of liquidation or reorganization is related to the creation of a new business enterprise by regrouping its activities. This phase creates prerequisites for the transition to a new life cycle.

The product life cycle of a business enterprise represents the time during which it is on the market (ie it is traded). The product life cycle is composed of the following phases (stages):

*Introducing the product to the market:* during this phase, the sales revenue is low and not satisfactory, due to the lack of consumer awareness about the existence of the business enterprise's product. The product is in the loss zone, i.e. its production costs are higher than its sales revenue. This is because the production capacity of the enterprise cannot be condensed and production costs can be minimized. No lasting relationship has yet been established with counterparties and transaction costs are extremely high at this stage. This also determines the higher amount of economic costs. In order to be able to shorten this phase, the product must be truly an innovation, i.e. to lead to the satisfaction of existing needs in a more efficient way or to awaken new needs in consumers. During this phase, trial sales of the product are launched in order to acquaint customers with its novelties. It is characteristic that at this stage the product is advertised diligently. Advertising costs are high, advertising is informative, i.e. it highlights the benefits of the product. It is important to emphasize the competitive advantage of the product and to choose effective advertising channels.



*Sales growth:* in this phase, sales revenue gradually increases and more and more expenses are covered. More and more customers start buying the product of the business enterprise. Due to the greater load on the production capacity, production costs are minimized. Transaction costs in this phase are significantly lower due to the already established loyal relationship of the business enterprise with its counterparties (customers and suppliers).

*Market Saturation:* during this phase, sales revenue reaches its maximum. Maximum market share of the enterprise is also achieved. In this phase, the competition is fiercest. More and more products similar to those produced by the business enterprise are appearing. At this stage, the competition attacks using price as a success factor.

*Product Abbreviation:* due to strong competition, revenues will significantly decrease and fall below the level of expenses. The costs of realizing the product begin to grow at a faster rate than the sales revenue. If defensible barriers are not built for competitors to enter the market segment, this phase can very quickly occur. It should be known that sooner or later any monopoly influence over a certain market segment can be lost. There comes a point when costs significantly outpace the revenue generated by the company's product. This necessitates the cessation of production and sale of the product and the redirection of production factors into the production of other products that have the potential to become profit centers for the business enterprise.

#### **TYPES OF BUSINESS STRATEGIES DEPENDING ON THE LIFE CYCLE PHASE OF THE BUSINESS ENTERPRISE:**

**Growth strategy:** with this strategy, the main goals are deepening the specialization and intensification of production, as well as breaking into new domestic and foreign markets. The goal of these strategies is to quickly capture a specific market niche that is not subject to a strong attack by the competition. The faster filling of the market niche, guarantees security in the construction of defensible barriers and for the confirmation of the competitive advantage. The choice of this strategy implies the availability of capital, resources and availability of free market niches. This strategy applies in the phase - growth and differentiation of the business enterprise. Its characteristic is that it invests in imposing on the market the profit centers - the products that have the highest contribution to the business enterprise's activity. The production structure of the enterprise is optimized. In the differentiation phase, emphasis is placed on loading the production facilities with a view to realizing economies of scale. The limit of the production capacities and the distribution of the products is reached. The efficiency of the investments made increases rapidly and the profit centers begin to generate revenues higher than the costs incurred for their establishment on the market.

**Stabilization strategy** of the enterprise is carried out by applying specific measures to reduce activities, a regime of savings and identifying specific measures to stabilize the income from the activity. Simultaneously with the liquidation of the production of a given product, there is a transition to the redirection of production factors to profitable productions and the use of resource-saving technologies. This strategy is used when entering the phase - consolidation of the business enterprise.

**The survival strategy** is required during restructuring processes and optimization of the business enterprise's activity or during the creation of a new activity. The formation of a survival strategy implies the successful satisfaction of production goals, ensuring the maximum use of available production factors. This strategy is applied in the phase - liquidation or reorganization of the activity.

Of course, the application of the above strategies in the precisely defined phases of the life cycle of the business enterprise is conditional. The use of each of these strategies depends on what the managers' goals are.

#### **TYPES OF BUSINESS STRATEGIES DEPENDING ON THE PHASE OF THE PRODUCT LIFE CYCLE:**

**Cost Leadership Strategy:** this one strategy implies achieving a competitive advantage in costs through their possible minimum. It is perceived by a business enterprise that is able to minimize all costs. Such a business unit has internal strengths in some of the following components: cheap resources and reliable suppliers; higher capacity utilization rate; perfect technology; highly qualified staff; rational organization of production; developed markets and distribution network. Of course, having these conditions is not a guarantee of lowering production costs. In order to minimize the production and transaction costs of a business enterprise, several actions need to be taken. Production costs can only be minimized when production capacities are compacted, i.e., when all the machines and equipment of the enterprise are put into production. Of course, before we organize the production activity, it is necessary to ensure a market for the production of the enterprise. If we have not correctly estimated the absorbability of the market segment, we may increase the costs of distribution and storage of the manufactured products. Achieving large-scale production also requires commanding a larger market share to justify the production effort. Market share and production capacity, these are directly related factors and achieving a balance between them guarantees the success of the cost leadership strategy. If we have not correctly estimated the absorbability of the market segment, we may increase the costs of distribution and storage of the manufactured products. Achieving large-scale production also requires commanding a larger market share to justify the production effort. Market share and production capacity, these are directly related factors and achieving a balance between them guarantees the success of the cost leadership strategy. If we have not correctly estimated the absorbability of the market segment, we may increase the costs of distribution and storage of the manufactured products. Achieving large-scale production also requires commanding a larger market share to justify the production effort. Market share and production capacity, these are directly related factors and achieving a balance between them guarantees the success of the cost leadership strategy. With a large production capacity, the enterprise has the potential to win a larger market share by taking advantage of all the advantages of large-scale production and vice versa. Why should production costs decrease with higher production volume of the business enterprise? For management purposes, production costs can be divided into two main groups - fixed and variable costs. Fixed costs are: the costs of depreciation, interest, maintenance, rent, lease, insurance, fines, taxes, fees, etc. They exist regardless of whether or not the enterprise produces output. With a larger volume of production, the fixed costs, the size of which is fixed and not subject to optimization in the short term, are distributed over more produced units of production. Thus, fixed costs per unit of product decrease as production increases. This leads to a reduction in the cost of production of each subsequent unit of production. Therefore, a key factor in achieving the goal of the enterprise being a cost leader is providing conditions for greater production than those of competitors. The success of this strategy relies on maintaining a low price for the end product for the consumer. The strategy rests on the understanding that the main factor determining the demand for the company's product is the price, and more precisely the price-quality relationship, in the mind of the consumer. To achieve success, a business enterprise that pursues a cost leadership strategy must lower the price of its products or services and maintain and even in some cases increase its quality. bets on maintaining a low price for the end product for the consumer. The strategy rests on the understanding that the main factor determining the demand for the company's product is the price, and more precisely the price-quality relationship, in the

mind of the consumer. To achieve success, a business enterprise that pursues a cost leadership strategy must lower the price of its products or services and maintain and even in some cases increase its quality. bets on maintaining a low price for the end product for the consumer. The strategy rests on the understanding that the main factor determining the demand for the company's product is the price, and more precisely the price-quality relationship, in the mind of the consumer. To achieve success, a business enterprise that pursues a cost leadership strategy must lower the price of its products or services and maintain and even in some cases increase its quality.

Before adopting this strategy, the management of the business enterprise must be fully aware of the cost structure and how stable it is; what are the most significant costs and can they be reduced without affecting product quality; is the enterprise able not only to form lower prices than those of competitors, but also to maintain them for a long time (Kolay, Borisov, Radev, and Osmani, 2019).

A cost leadership strategy is particularly successful when:

- These are standardized products/services;
- Buyers do not pay much attention to product variety or products are used for the same purposes;
- It is possible to choose between several competing offers;
- Price is a decisive competitive force;
- The large market share also allows for large quantities to be realized by each of the sellers.

**Differentiation Strategy:** this strategy relies on distinguishing the business enterprise from its competitors. The enterprise selects one or two elements of the product offering (one that most consumers find important) and meets consumer demands for that element in a unique way. Being unique in a certain product group and maintaining that distinction from competitors is a quality that is noticed by consumers (Behluli, Qerimi, Borisov and Hajdari, 2020).

A differentiation strategy only makes sense when customer needs are so different that they cannot be satisfied with a single standardized product. A prerequisite for success is to study the wishes of potential customers as precisely as possible and to match the offered products as precisely as possible to these requirements. Differentiation can be done on the basis of:

- Active promotion and advertising;
- The geographical areas of concentration or dispersion of customers;
- The specific needs of different categories of buyers in terms of their quality requirements.

**Table 1.** Characteristics of competitive strategies – adaptive model. Source: Petrov and Borisov, 2021

Characteristic	Cost leadership	Differentiation	Segmentation
Target	Lower costs than competitors	Offering products that stand out from the competition	Satisfying special needs of part of the market (niche)
Product offering	Limited quantity with few variants	Variety of variants of the manufactured product	Designed products for a group of customers
Production	Large quantities of one product variant	Small production runs	One-off or small-batch production of products
Cost/price	Low costs due to economies of scale	High costs due to the wide range of products, which determines a higher price	High costs due to the non-use of the entire complex of machines
Research and development activity	A focus on rapid innovation	Product innovation comes first	Joint development with the needs of the client
Quality of staff	Small staff, highly qualified	Creative professionalism	Communicative professionalism
Staff motivation	Incentive system	Creativity is rewarded	Incentive system
Advantages	Economies of scale, lower costs, greater market share	Distinguishing the company product, easily recognized	The product satisfies specific needs, which makes it in demand

**Segmentation strategy /dividing the market into parts/:** with this strategy, the enterprise seeks to take a position not in the entire market, but only in a certain part of it. In doing so, his entire policy adjusts to the predetermined and known differences in customer demand. A business enterprise that implements this strategy segments its product market and identifies one or more market segments to attack.

Even the highest profits, accelerated growth rates or high wages still do not mean success if they are not the result of a clear competitive position. If this position is not maintained over time, it means that the strategy is not real. Therefore, as a rule, the goal of the strategy is to occupy and preserve a leading competitive position. In the market, the business enterprise does not operate alone, it is subject to competition from other enterprises. In order to be able to build an effective business strategy, it is necessary for the management to determine the way of counteraction of the business enterprise in relation to competitors.

According to the reaction of the business enterprise to its competitors, it can build the following types of business strategies:

**Offensive Strategy:** a whole series of actions aimed at competitors in the market is developed - a frontal attack on the strongest points of the competitor, an assault on the weakest place, simultaneous pressure on several fronts. Through this strategy, the enterprise takes the initiative and forces competitors to retreat. Of course it should be clear that the frontal assault requires

more resources and knowledge to use them than those of the competitors. The goal is to weaken the competition and take its market share.

**Defensive Strategy:** it is based on the ability of the business enterprise to quickly adapt the assortment to the requirements of the offered products in terms of innovation progress. The goal is to build the most effective barriers for entry into the enterprise's market share by its biggest competitors.

**Traditional strategy:** through small improvements, the enterprise adapts to the new requirements of the market. Of course, this strategy can be applied in cases where the product can be modified without making significant investments in production. The goal is to emulate the competition and thus attract its customers.

**Opportunistic Strategy:** sales activation using prices. Using price in the competitive struggle is a powerful tool that wins customers. The price, as the main factor determining the demand for a particular product, can be used as a basis for the development of a comprehensive strategy for establishing a business enterprise in a certain market. Cunning in the pricing of the products of the various business enterprises, in many cases leads to delusion and lack of orientation, which product is better ie. the purchase of which product is the best combination of price and quality for the consumer. This strategy is most often required when the market is oligopoly. The aim is to attract the maximum number of customers through a complex pricing system.

**Specialization Strategy:** it is the concentration of the activity of the business enterprise in the production of a possible minimum number of products or the performance of services. The aim of these strategies is to increase the quality of production and minimize production costs by seeking narrow specialization. These are productions using single-batch or small-batch production technologies, which most often produce products with high added value.

Advantages of specialization: through it, opportunities are created for a more rational use of the limited resources of the business enterprise; allows the production of large batches of high-quality output; economies of scale are realized as a result of the reduction of capital investments for the purchase of the necessary technological complex of machines; the management of the business enterprise is facilitated; conditions are created to increase the qualification of the staff.

Disadvantages of the narrow specialization of the business enterprise are the following: the production of a minimum number of products increases the market risk when they are realized on the market; narrow specialization leads to inefficient use of machinery, equipment and labor resources.

**Diversification Strategy:** it is a concentration of the enterprise's activity in the production of the maximum possible number of products. The goal is to take a larger market share (ie attract more customers) by producing more types of products. The understanding is that a larger market share will lead to higher sales revenue, which will reflect on the amount of profit from the business enterprise. Production diversification can proceed in three directions: production of interrelated products, production of substitute products, or production of unrelated products from one technological group.

If the diversification takes place in the direction of production of interrelated products, the goal is, with the help of one product, to impose the second one on the market and turn it into a profit center for the enterprise. If the business enterprise diversifies its activity in the direction of production of substitute products, it can build effective barriers for the entry of foreign competitors in its market niche. In the production of unrelated products, the enterprise can



minimize the market risk for its activity. The different directions of production diversification can be used depending on the market position and the reaction of the competition.

Advantages of these strategies: diversification allows growth of market share; market risk is minimized, sources of income are diversified, which leads to better financial management of the business enterprise compared to other types of strategies. The main disadvantage is that complicates the management of the enterprise. Complicating management can lead to losses.

**Production concentration strategy “on absorption”:** very often a more effective way to fight the competition is not to attack it, but to ally with it. The concentration strategy aims to consolidate the market share of the business enterprise by merging it with the market share of its biggest competitor. The strategy of taking over one enterprise with another is possible only when it does not contradict the legislation guaranteeing the rights of free competition in the market. The concentration of production represents the concentration of large capitals in the production and distribution of products or services near large consumer centers. The process of concentration is tied to the processes of specialization and intensification of production. To achieve a high concentration of production, a business enterprise needs to attract a large number of specialists and use a wide range of machines,

The strategy can be carried out in several ways: a business enterprise that is the market leader merges with its biggest competitor in order to monopolize a certain market niche; merger of an enterprise that has a large market share with an enterprise that owns the technology to produce the product; merger of two business enterprises, with a view to becoming major competitors of an already established market leader. In which direction the concentration of production will proceed depends on the market structure and the legislation of the country where the particular business is developed.

The advantages of the strategy is that the business enterprise can establish a monopoly over a certain market niche ie. to become a market leader that would be hard to beat by the competition.

Disadvantages of these strategies are the following: due to the high specialization, intensification and concentration of production, determined by the significant amount of financial capital, the business enterprise does not have a high adaptability to changes in the environment, like other smaller business structures; the large size of the enterprise complicates its management. High specialization and concentration of capital limit the elasticity of production (Nikolov, Borisov and Radev, 2014). The elasticity of production is greater, the higher the relative share of variable costs from the total production costs, which are the costs that can be optimized, and respectively, the smaller the share of fixed costs. As the intensification of production in the enterprise increases, there is a shift in the ratio from variable to fixed costs, since higher capital saturation is associated with a higher level of fixed costs, and narrower specialization - with a lower level of variables expenses. Therefore, the higher intensification and concentration of production and its narrower specialization lead to a decrease in the elasticity of production.

## CONCLUSION

Strategic business planning is one of the most reliable tools for achieving competitive advantage in the current market conditions. It must be kept in mind that strategic business planning is becoming futile and cannot be accurate in a highly turbulent business environment. The main characteristics of this type of environment the rapid variability of the influence of factors, their complex influence, and the direction of influence. All these characteristics of the business environment must be subject to constant monitoring by the management of the business enterprise.

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