

EXPANDING MARKETS

SUBJECT : (ENTREPRENEURSHIP)
CHAPTER NUMBER: 5
CHAPTER NAME : CONCEPT OF MARKET

CHANGING YOUR TOMORROW

INTRODUCTION

- In order to survive in the changed and changing environment, a business enterprise needs to be strong enough to cope with the challenges before it. Normally, any company has only two options either—
 - (a) Withdraw or
 - (b) Fight
- There is no fun in surrendering before a war. Therefore, it is better to plan:
 - (a) Sharper, focused, competitive strategies to face the new competition.
 - (b) Tone up the existing strength and leverage the first mover advantage.
 - (c) Realize the need for growth of business enterprises.

STRATEGIC ALTERNATIVES BEFORE AN ENTERPRISE

- As Entrepreneurial Strategy represents the set of decisions, actions and reactions that first generates and then exploit over time, a new entry in a way that maximizes the benefits of newness with minimizing its cost. But whether associated with a new product, a new market and/or a new organization, "Newness" is like a double-edged sword – to be used carefully and tactfully.
- The corporate strategies a firm can adopt, have been classified into four grand categories:
 - (i) Stability maintain strategies
 - (ii) Expansion – growth strategies
 - (iii) Retrenchment/Divestment strategies
 - (iv) Combination strategies

STABILITY MAINTAIN STRATEGIES

- Stability means not changing the present level of operations either in form or in character.
- Entrepreneurs follow this strategy in the beginning because this strategy is:
 - Less risky
 - Easier and comfortable
 - Unconsciously pursued
 - Defensive and satisfactory
 - Enhances functional efficiencies

EXPANSION GROWTH STRATEGY

- Expansion is one of the forms of internal growth of business. Mostly, it means enlargement or increase in the same line of activity. Expansion of an enterprise can be both domestic as well as international.
- Growth/expansion strategies are the most popular and commonly used strategies by all organizations because:
 - (a) A Healthy firm normally has a natural desire for growth.
 - (b) Growth is essential for survival because if a firm does not grow when competitors are growing, it might lose its competitiveness.
 - (c) A company needs growth to increase its market share.
 - (d) Market leadership is an objective of growth for several companies.
 - (e) A company needs to diversify its business to minimize risks.

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MARKET EXPANSION GRID

- It is also referred as; —Ansoffs Product Grid|| is very useful framework for detecting new intensive growth opportunities. It's believed that basically there are three expansion options:
 - A) Intensification
 - B) Integration
 - C) Diversification

INTENSIVE EXPANSION

- Intensive expansion means the enterprise increase the sales of its existing product by enlarging the existing markets.
- **Penetration Strategies:**
- A strategy to grow by encouraging existing customers to buy more of the firm's current product is said to be penetrating strategy. Here, the enterprise strives to increase the sale of the current products in the current markets by following approaches:
 - Encourage frequency of use
 - Attract new clientele
 - Attract Competitors Customers

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➤ **Market Development Strategy:**

- Market development strategies involve selling the firm's existing products to new groups of customers. It implies exploring new markets for the existing product – both nationally, internationally. The new groups of customers can be searched in terms of:
 - New demographic market
 - New product use
 - New geographical market

GLOBAL MARKET

- One of the way to find new geographic market for your product is to go 'global'.
- Major decisions in international marketing:
- Strategically, logically whether to go abroad or not
- Which markets to enter
- How to enter the foreign market
- The marketing program
- Marketing organization.

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METHODS TO ENTER GLOBAL MARKET

- Indirect export
- Direct export
- Licensing
- Contract manufacturing
- Joint ventures
- Direct investment

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PRODUCT DEVELOPMENT STRATEGIES

- It implies developing or modifying the existing product to meet the requirement of the customers. Product development strategies for growth involve developing and selling new products to people who are already purchasing the firm's existing products, i.e., management can consider new product possibilities in the same existing markets by:
 - Adding new features
 - Different quality levels
 - Alternative technology

INTEGRATIVE EXPANSION

- **VERTICAL INTEGRATIVE EXPANSION:** It means that activities or functions previously being outsourced by the business will now be undertaken by itself.
 - This is further classified as:
 - **Backward Integration:** It refers to taking a step back (up) on the value-added chain towards the raw materials, which means, that the producer also becomes a raw materials wholesaler. In essence the firm becomes its own supplier.
 - **Forward Integration:** Forward, is taking a step forward (down) on the value added chain towards the customers which in this case means that the firm also becomes a finished goods wholesaler In essence, the firm becomes its own buyer.

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➤ **HORIZONTAL INTEGRATIVE EXPANSION:**

- Horizontal integration occurs at the same level of the value added chain but simply involves a different, but complementary, value added chain. It may involve acquisition of one or more competitors at the same level of business.

DIVERSIFICATION STRATEGY

- Diversification' means adding new lines of business. The new lines of business may be related to the current business or may be quite unrelated. If the new lines added, make use of the firm's existing technology, production facilities or distribution channels or it amounts to backward or forward integration, it may be regarded as related diversification.

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