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WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

For the Change Makers

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Growth Strategies Dr Scott Dacko

Growth Strategies

Present Products

New Products

Present Markets

I. Growth in existing product markets

- Increase market share
- Increase product usage
 - Increase the frequency used
 - Increase the quantity used
 - Find new applications for current users

II. Product Development

- Add product features, product refinement
- Expand the product line
- Develop a new generation product
- Develop new products for same market

New Markets

III. Market Development

- Expand geographically
- Target new segments

V. Diversification involving new products and new markets

- Related
- Unrelated

Vertical Integration

IV. Vertical Integration Strategies

- Forward integration
- Backward integration

Growth Strategies

◎ Why grow?

- Shareholder, competitor, customer perspectives
- Economies of growth:
“Advantages accruing to a growing firm as a consequence of its current or earlier economic growth.” (Dacko 2008)
 - easier to retain and attract high-quality management

Growth Strategies

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Vertical Integration

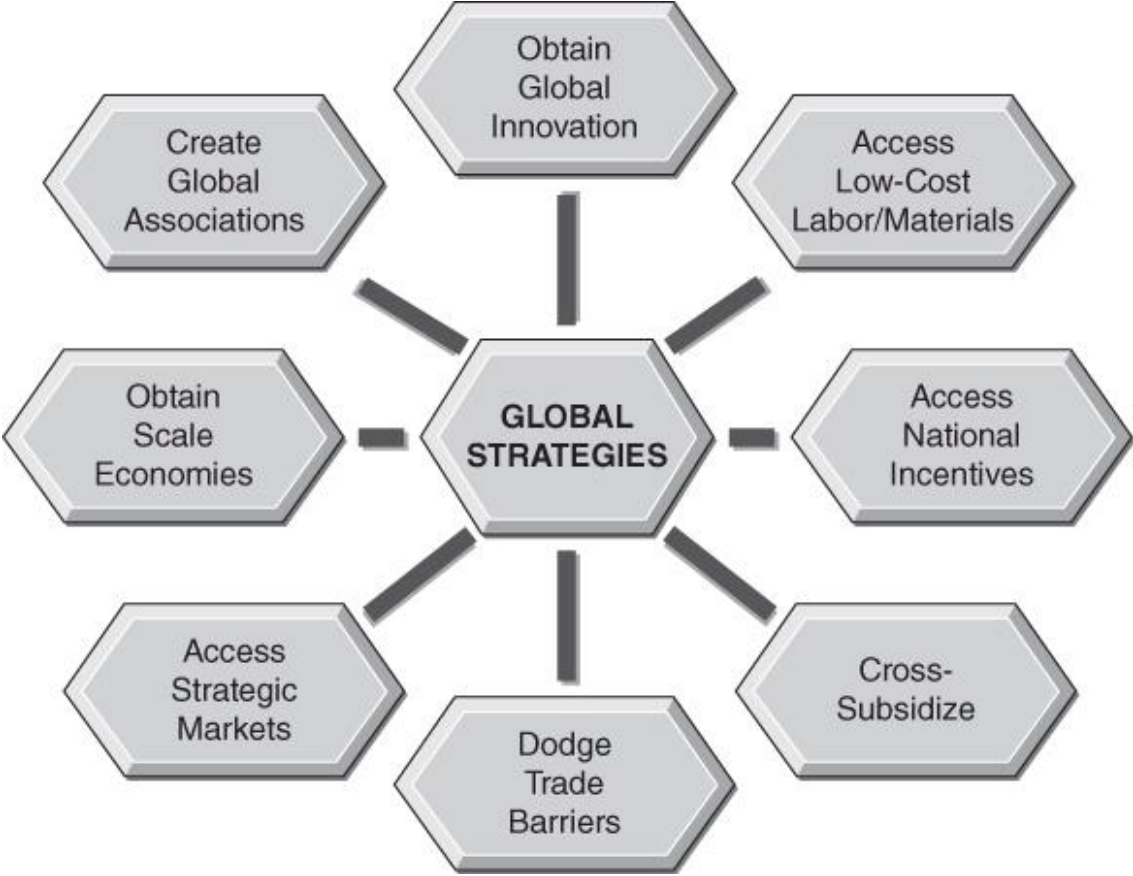
IV. Vertical Integration Strategies

- Forward integration
- Backward integration

Growth Strategies – An Overlapping Framework



Global Strategies



What's the Best Way to Grow in Existing Product Markets?

- ⌘ Increasing market share?
- ⌘ Increasing product usage?
 - ⌘ Provide reminder communications
 - ⌘ Position for frequent use
 - ⌘ Make use easier
 - ⌘ Provide incentives



Product Development for the Existing Market

- Product feature addition
- Developing new-generation products



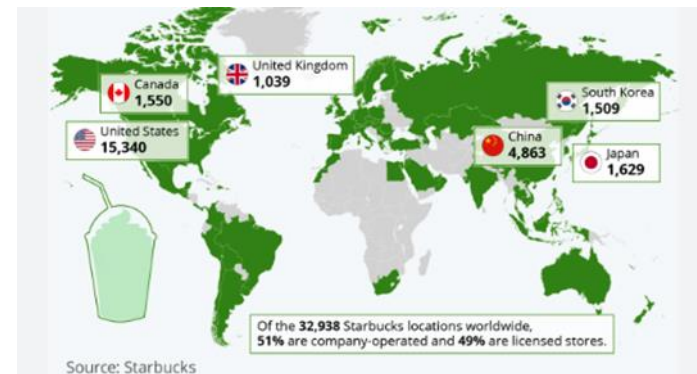
Market Development Using Existing Products

- ❑ Expanding geographically
- ❑ Expanding into new market segments
 - ❑ Reaching non-users
 - ❑ New distribution channels



Evaluating Market Expansion Alternatives

- Is the market attractive?
- Resources for commitment?
- Transferable assets and competencies?



Vertical Integration Strategies

- ▣ Access...
 - ▣ ... to supply
 - ▣ ... to demand



- ▣ Control

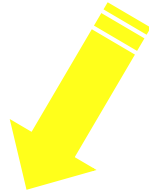
- ▣ Entry into a profitable business area

Vertical Integration's Risks

- ⊙ Risks of managing a different business
- ⊙ Reduction in strategic flexibility
- ⊙ Alternatives:
 - Licensing
 - Long-term contracts

Growing Through Diversification

Leveraging Assets and Competencies



**Assessing assets,
competencies,
and excess
capacity**

**Identifying the
plans that can
leverage assets
and competencies**

Implementation

Related Diversification

- ⌘ Exporting assets and competencies
 - ⌘ Brand name
 - ⌘ Marketing skills
 - ⌘ Distribution capacity
 - ⌘ R&D skills



Related Diversification

- ⌘ To what extent is the potential for synergy a mirage?
 - ⌘ Synergy potential is overvalued
 - ⌘ Potential for synergies exists, but implementation barriers make them unattainable

Unrelated Diversification

- ⌘ Managing cash flow
- ⌘ Entering business areas with high ROI prospects
- ⌘ Potential for refocusing the firm



Growth Strategies: A Summary

- ❑ Five generic growth strategies provide unique opportunities for the growth imperative
- ❑ The challenge: Developing and pursuing initiatives to strengthen the firm's strategic positioning and grow