

### MARKET PENETRATION STRATEGY

- Selling more of the company's existing products or services to its existing customers
- Can be done through price discounts, more aggressive promotion, distribution of efforts, and modest product improvements



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### MARKET DEVELOPMENT STRATEGY

- Selling the company's existing products to new markets
- Can be done through targeting new geographical markets, adapting to new demographic profiles, or selling to industrial buyers

#### NEW GEOGRAPHICAL MARKET

- Selling existing products to customers in new locations

#### NEW DEMOGRAPHIC MARKET

- Offering the same products to a segment of the market which has different characteristics

#### EXPANDING TO INDUSTRIAL BUYERS

- Small businesses start selling their products to individuals, but later graduate to providing services to industrial buyers or big vendors

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### PRODUCT DEVELOPMENT STRATEGY

- Developing new products or modifying existing new products so that they appear new
- A logical strategy for companies that understand the needs of customers

Example: Selecta Ice Cream

In using product development strategy:

- Companies can expand their product range
- Acquire rights to produce someone else's product
- Buying in a product and "branding" it

Example: Suyen Corporation

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### DIVERSIFICATION STRATEGY

- Introducing new products in new markets
- The "capital-intensive" yet the "riskiest" strategy
- Can be done through vertical and horizontal integration

Example: Universal Group of Companies

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## Thecasesolutions.com IMPLICATIONS OF GROWTH FOR THE FIRM AND THE ENTREPRENEUR

- It derives cost advantages due to economies of scale.
- A bigger firm gains bargaining power.
- The entrepreneur gains more power and access to resources as the business grows bigger.

### CHALLENGES IN A GROWING BUSINESS

- The pursuit of growth is bound to increase the pressure on the company's existing set of employees to produce or sell more.
- Growth means having to deal with greater number of concerns.
- Rapid growth could result into the company's resources being stretched too thinly.

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## CHAPTER 12

### SUCCESSION IN A FAMILY-OWNED BUSINESS

- 1) Start business succession planning early.



- 2) Involve your family in business succession planning discussions.



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- 3) Look at your family realistically and plan accordingly.



- 4) Get over the idea that everyone has to have an equal share.



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- 5) Train your successor(s) and work with them.



- 6) Get outside help with your business succession planning.



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## EXIT STRATEGIES

### SELLING THE BUSINESS

#### Management buyout

- Leveraged buyout
- Employee stock ownership plan (ESOP)
- Employee Stock Ownership Trust (ESOT)
- Leveraged plan
- Sale to outsiders

#### Ways to raise the value of the business:

- Concentrate on keeping costs under control
- Focus on getting healthy margins
- Ensure that the capital equipment are up-to-date and properly maintained
- Maintain good management team
- Get all financial statements in order
- Business broker
- Investment banker

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#### Signs of bankruptcy:

- Sudden departure of top people
- Supplies and materials needed to meet orders are lacking
- Large and increasing discounts to customers
- Payroll taxes are not promptly paid
- Demands from the creditors that payments be made in cash
- Growing complaints from customers about poor service and product quality
- Reorganization

SOLLANO

# Organic Growth at Sonnentor

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2) Involve your family in business succession planning discussions.



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3) Look at your family's needs and act accordingly.



4) Get over the idea of family members having an equal say in the business.



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