

Case Study

Mary Ardapple, owner of Apple's Bakery in Peoria, Illinois, has moved her business three times since she opened it in 1989. Her menu has expanded and now has three times its original offerings. She even makes her baked goods available to those outside the Peoria area through an online store. Mary is not content to conduct business as usual and is always looking for new opportunities. Currently, she is planning to add a low-fat line of baked goods to her offerings. Throughout all the moves and expansions, Mary and her team have not forgotten the company's original motto, "Where smiles are made from scratch!"

1. What type of growth strategy was Mary using in each of the examples listed below.
 - A. Menu expansions:
 - B. Selling baked goods online:
 - C. Low-fat line of baked goods:

2. Do you think it is important for Mary and her team to always remember their original motto?

True or False

- ____ 1. Market penetration is deciding to market a product or service in another town, city, or state.
- ____ 2. Because increasing market share costs money, you may have smaller profits in the future even though you have a larger market share.
- ____ 3. A prototype is a full-scale model of a new product.
- ____ 4. One way to expand your business is to sell new products or services in addition to what you already offer.

Multiple Choice

- ____ 1. Increasing market share for a product or service within a given market in a given area is (a) geographic expansion, (b) market penetration, (c) market development, (d) product development.
 - ____ 2. You can increase your market share by (a) offering special deals to customers, (b) buying new equipment, (c) adding managers to your staff, (d) reducing your variable costs.
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Problem Solving

1. Briefly describe three broad categories of growth strategies.
2. Name the three most common types of intensive growth strategies.
3. What are the two goals of market penetration?
4. Describe the difference between market development and product development.
5. List the two types of integrative growth strategies.
6. What are the negative consequences, if any, of not allowing your business to grow?

what went wrong?

MAKEUP TEST

Sarah-Jane Stevens founded Charisma Cosmetics. Her company targeted professional cosmetics dealers serving makeup artists in the film, TV, and theater industries. Charisma Cosmetics had an excellent reputation as a high-quality manufacturer, a loyal customer base, and a major share of the market. However, competitors were slowly chipping away at Charisma's customer base. To remain competitive, Sarah-Jane rolled out a new brand, Picture-Perfect by Charisma. This brand was specifically designed to be sold in department stores.



Consider the risks when growing your business.

The new strategy angered the professional cosmetics dealers who were the core customers of Charisma Cosmetics. Their competitive advantage had been to provide better products that were not available elsewhere. With Charisma's Picture-Perfect brand on the market, they no longer had the same competitive edge.

"We were determined to grow, and we strayed from our root value of 'don't be bigger, be better,'" Sarah-Jane said. Just eight months after getting into the department store market, Sarah-Jane got out. The company ended up losing hundreds of thousands of dollars in developing and marketing the Picture-Perfect brand.

THINK CRITICALLY

1. What problems were created by the "Picture-Perfect by Charisma" brand?
2. How might Sarah-Jane have expanded without angering her dealers?