





Group 11

# Diversification Strategies



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# Diversification Strategies

Diversification is the entry of a firm or a business, either by processes of internal business development or acquisition in a related or an unrelated market. It entails changes in administrative structure, systems and other management processes.



**Horizontal**



**Conglomerate**



**Vertical**



**Concentric**





# Horizontal Diversification

Horizontal Diversification is a growth strategy in which a company seeks to add new products to its existing lines to appeal to its existing customers.

It differs from Horizontal integration by the fact that the business tries to enter a value chain it's already not a part of, i.e., it isn't a supply chain that already exists (new product)

## **Examples**

KFC adding new food products to their menu, like a new variety of burger.

Colgate launching various flavors of toothpaste like Salt, Neem, Lemon, etc.



# Vertical Diversification

Vertical Diversification is a strategy by which a business enters the market of the previous thing or the next thing in the value chain, i.e, entering the market of its producer or consumer.

## **Examples**

Samsung creating its own LED screens for phones (entering component manufacturing market)

Amazon launching AmazonBasics, a brand that produces consumer goods and sells on Amazon



# Conglomerate Diversification

Conglomerate Diversification is a growth strategy in which a company seeks to develop by adding totally unrelated products and markets to its existing business.

A company might pursue conglomerate diversification when it wants to increase its profitability, reduce risk, or find new opportunities.

## **Examples**

Reliance branching out from textile industry to retail (Trends, Fresh, Jiomart), petrochemical, telecom (Jio) and entertainment (viacom and Jiocinema)

Mitsubishi started as a shipping firm and branched out to cars, home appliances, etc.

Alphabet and Meta are also examples of conglomerates.



# Concentric Diversification

A concentric strategy involves a company expanding its product line or services in a way that is related to its existing offerings.

This strategy leverages the company's existing capabilities, technology, and market presence to enter new markets or product areas that have a close connection to the current business.

## **Examples**

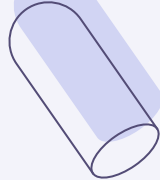
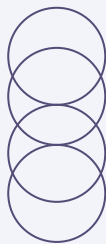
Coca-Cola primarily sells soft drinks but has diversified into related beverage categories such as bottled water (Dasani), juices (Simply Orange), and sports drinks (Powerade)

Nike began as a shoe company and has expanded into athletic apparel, equipment, and accessories, all of which are closely related to its core business in sports and fitness.



# Questions

1. Give an example of conglomerate diversification and explain the concept based on the example.
2. Provide the main difference between conglomerate and concentric diversification.
3. What is the difference between integration and diversification?
4. Give an example of horizontal diversification and explain the concept based on the example.
5. Give an example of concentric diversification and explain the concept based on the example.



# Thank You

