

Strategic options for oil company bp



**ASSIGN
BUSTER**

Firms need to understand the environment they are operating in to develop their competences and enhance their competitive advantage and also to understand their strategic options. This paper posits to evaluate the strategic options available to the oil company BP using Ansoff Matrix.

BP Oil Company is the leading supplier and trader of energy on an international context. The company contributes to a critical role in making sure that the complex supply chain of energy operates in a manner that is efficient as well as effective over the whole world. In the recent past, the company has strived to bring together the supply, optimization of the products that flow in and also out of the assets of the company, and the activities associated with risk management in to one single function. This entails the supply as well as the trading activities that encompass the crude oil together with the oil products, the natural gas, chemicals, power, finance as well as shipping thus creating a clear distinction between the company and its competitors in consideration of the structure as well as the scale of the organization

The application of Ansoff Growth matrix in oil company BP is used for the purpose of making decisions about the products in addition to the growth strategy. It is based on the suggestion that for the growth of business at oil company BP, has to market either “ new or the existing products in new or existing markets”.

The matrix gives the output of some growth strategies that have been suggested which are responsible for setting the most appropriate direction for the strategy of the business. The strategies include the following:

Market penetration

This entails a specific type of a growth strategy in which case the company focuses on the sale of existing products in to the already existing market.

The objective of market penetration in oil company BP includes the following:

The maintenance as well as an increase in market share of the products that currently exist in the company. This objective is achieved through the combination of the competitive strategies of pricing, sales promotion, advertising as well as personal selling

Securing the growth markets dominance

Mature market restructuring through application of aggressive campaigns of promotion that are intended at eliminating competitors. This is propped up by application of strategies of pricing which are designed in a manner that the market is made to be unattractive to the competitors.

To create a high level of usage by the customers who already exist. This is achieved through the introduction of schemes of loyalty and this strategy deals with “ business as usual” concept. The focus of the business is the market together with products that are well known to the company. The knowledge of the customers together with the competitors plays a very vital role and therefore less investment in terms of market research is a requirement (Chisnall, 1995).

Market development

Market development is used to imply to a strategy of growth in which case oil company BP attempts to sell the products that already exist in new

markets. The achievement of this strategy is based on the adoption of different ways namely:

Exploration of new geographical markets such as exporting of the products of the company to new countries

Establishment of new dimensions of products

Establishment of new channels of distribution

Adoption of new policies of pricing for the purpose of attracting divergent customers in an attempt of creating new segments of the market.

The BP Company has strived to expand the capacity of production through the improvement of its rig equipments in addition to the level of technology coupled with expansions to other countries.

Product development

Product development in oil company BP is used as a growth strategy that aims at the introduction of new products into the market that already exist.

The company looks into developing new competencies coupled with the development of modified products that are appealing to the already existing markets. The oil company BP makes use of exploration together with production segment in its engagement in searching for the underdeveloped reservoirs of oil as well as gas, developing these reservoirs coupled with the productions as well as transportation of natural gas together with oil from wells that are developed. The upstream activities undertaken in oil company BP incorporate exploring as well as extracting the crude oil together with the natural gas from wells in diverse countries. To achieve the status of such

experts in the market on an international scale, the company has massively invested in two important areas aiming at improvement of their products. These include the human resource and information technology. The investment in these two important areas of the organization has greatly contributed to the efficiency of production to gain a competitive advantage in the market (Chisnall, 1995).

Diversification

Diversification in oil company BP is a growth strategy dealing with the marketing of new products in completely new markets and the company faces a lot of challenges in the process of diversification because of lack of sufficient experience in the process of achieving diversification. Oil Company BP therefore requires coming up with ideas of expectations and assessing the potential risks that are associated with the undertaking. The strategy taken in oil company BP involves the formation of joint ventures in the countries dealing with the production and marketing of oils as well as bio-fuels aiming at the improvement of the production capacity coupled with gaining an access in to the non-traditional markets dealing with energy. The company has also initiated an independent business that specifically deals with alternative renewable energy forms that are called the BP Alternative (Ansoff, 2007).

An important point to note with respect to diversification is that in case it is unrelated then it can lead to some synergy with the original company business. This is consequently associated with a risk in that the detailed knowledge of the most vital success factors may pose some important limitations to the company. It is however important to appreciate that a fast

<https://assignbuster.com/strategic-options-for-oil-company-bp/>

rate of growth in the Oil Company BP is attributed to the adoption of diversification.