The diversification strategies

Business

A diversification strategy intends to open new markets with the availability of new products and services, in order to increase a company's wealth. Companies decide to diversify in order to utilize some of their resources, underutilized resources. This makes the company able to attract new markets not discovered earlier. Companies also diversify their markets to ensure the spread of risk to different markets to eliminate over reliance of a company on one product and market only. Diversification does not always work for the company, and hence, it is of the immense importance that companies realize the risk and not diversify its operations too much. This is because focus can be shifted from the core capabilities of the company.

This happens, when a company makes too many different products to be supplied to markets that are different. This may have a negative effect on the company's products and services accompanying (Frieden, 2008). Discussion Let us take a look at the Unilever Company and the Woolworths. Unilever is a company that has diversified its products, and so far it has worked exceptionally well for them. Unilever is currently a multinational company that deals in food and personal care products as its core business.

It has a sturdy global position attributed to the portfolio they have built over time is strong. In 2008 Unilever Company based in India emerged to be leading in ice cream, in the world, this exhibited leadership in the market that was clear, and a chain of supply that was extensive. This enbled to lead among their rivals, and they have continued to enjoy this over time. In 2009, we find that Unilever was able to rank top with its hair products, which earned them about $250million. Thus, able to manufacture more products and distribute them in the market, and thus leading once again.

They have acquired a large market share (Bush, 2010). Woolworth's, a leading departmental store in 1970s diversified its products in order to survive in the market (Argenti, 2009). As a result, it was able to venture into petrol; it offered a low price which pulled for itself some large number of customers, thus giving customers a bargaining power which they did have in other stores. This also gave Woolworths a competitive advantage over its rivals. Woolworth's went ahead to acquire liquor stalls belonging to Dan Murphy's.

It moved from selling clothes to fresh foods in their eateries for cheap prices. Woolworth's core business was departmental stores, where it sold items, such as house wares, games, toys among other products; the core business had led them into their expansion. Core competencies of Woolworth's were resources and its capabilities. It had led to cost leadership but, management let it down. Woolworths would have remained at the rank they had reflected on the changing times.

Woolworth's financials have crumbled down since 2008. Its more than 1000 stores have recently been shut down. Woolworth's downfall was resulted by the expansion and growth that they had experienced. It shifted the focus of its core business, which was departmental stores, and put emphasiis on stores that dealt with specialty. These specialty stores dealt with Stylco shoe stores, apparel from Northern Reflections among other specialties. This made Woolworths uncompetitive with rival companies that had taken its market share, which was extremely valuable.

To stay in business, Woolworth’s closed some stores to cut losses, while the rest became converted to bargain stores. This had led to under stocking and neglect of the stores which pushed customers away (Bush, 2010). Unilever ranks at the top three largest consumers of Good Company in the world. It has achieved this over time and has maintained it. This is due to the numerous products that it has catering for all households.

Woolworth’s, in the 1970s had grown so rapid that it entered in the Guinness book of world records as the biggest chain of departmental stores. Woolworth’s was still popular in the 1990s until it stated having financial problems, which saw it run into debts (Bush, 2010). The recession in 2008 made their downfall harder and saw the death of the chain stores. Customers shied away from buying goods at Woolworth’s, since they had become expensive. This led to closure of so many outlets in the world, and this has also led to massive unemployment. This profoundly affected them and saw Woolworth’s management taken over by Deloitte administration.

Woolworths did not reinvent itself by innovating new products to maintain their old customers. Woolworths global presence has since faded compared to Unilever whose products are extremely popular with many households in the world (Bush, 2010).