

The impact of organic growth in enterprise marketing essay



**ASSIGN
BUSTER**

Development of enterprises have a lot of ways to achieve. The basic two ways are internal growth and external growth. Internal growth is know as organic, generic, internal base, or even core growth. With organic growth, the entrepreneur brings new resources together in an innovative combination to create new value. (Nieman and Pretorius 2007, p. 110). So it means the company growing by a natural way like growth of revenue, market share, products, service and more the company own resources, without acquisition, merger or cooperation with another company. (Garbade 2009, p. 3). And internal growth is kind of widely used strategy in business. ‘The internal expansion and growth strategies can take one or more of the following forms’ (Nieman, 2003).

The below is the definition from a book named .

The external growth strategies all stand outside the micro and market business environment of existing business. external growth strategies must position the firm in relation to its position in the industry value chain. (Nieman and Pretorius 2007, p. 111).

In my understanding the external growth refers to use outside resources to achieve the development of business. In the simply way the external growth strategy is the company through acquiring, merging or cooperating with another company. (Schwenker and Spremann 2008, p. 226). So i will talk about why the organizational preferred use organic growth in their business in the next article.

In fact organic growth is a necessary and a smart long-term strategy for any business. Because when the company just set up, the company do not even
<https://assignbuster.com/the-impact-of-organic-growth-in-enterprise-marketing-essay/>

have the power to merger or acquisition any other companies. They must use themselves resources and energy to ensure the business growth. The reason why the business should choose organic growth during their development, because organic growth relatively other growth strategy, it has low risk to business. In other words the market is instability, but develop self resources it could not be wrong. Repeat my earlier write, the organic growth is through growth of the company own resources. I will going to detail about how to growth those ' own resources'. (Hess 2007, p. 1).

Through increasing market share

If expand the market share is almost like increase the turnover, volume, income or profit, but have some different more like expand the brand and to gaining and maintaining customer and consumer confidence, because you must let more people know you, at the same time the sales volume is increase. In addition, it need to expand the products range, let your products suit for more people rather than limit in a part of people. (Nieman and Pretorius 2007, p. 110).

Expansion into new markets

It is a number of ways to expand the market. Like through expand geographic areas, industries, target markets, branding of a product or even exporting. At the same times in a highly competitive sector the requirement is to broaden the appeal. Can through the products, price or service. (Nieman and Pretorius 2007, p. 111). And i think it a kind like increasing market share, but they are have a little bit different.

Case study I: Muji Life-style Store

Muji is a Japanese company. At first, it just sell limited products, like soy sauce, coffee, washing powder and toothbrushes, comprised 40 items only. They are totally use organic growth to develop their company. Just like the ways i talk about above. First they was build a image for their brand, that is ‘ Minimalism’ to market. Then they started to develop their products and outlets. Muji has following 32 years since, its establishment made dramatic progress by increasing its product line, which originally consisted of only 40 items to more than 7, 000. In other words, it means market share was increasing at that time, because they have a lot of types of products now, like stationery, health and beauty, food, clothing, kitchen/tableware, furniture and home appliances. Those stuffs is include a lot of industries and it is a huge market, can take care different groups of consumers. And they also open store overseas by themself. In 1991, they opened a first overseas store in London, then continuing open about 17 stores in British. Followed by those in France, Italy, Germany, Spain, Hong Kong, Tai Wan, South Korea, China and elsewhere, resulting in a total of around 51 stores in 13 countries. (Hiro 2007, p. p. 108-125).

Muji overseas expansion 1991 – 2008

Source: Table by Chew Hui Min (2010)

This table shows Muji status of expansion, as we can see stores opened increase every year. So it can prove Muji have success through by organic growth strategy.

Developing new products

Expand new products is one of the critical factor in the company. And creativity and innovation is a basic element in process of new product development. ' Product development covers a range of activities from minor modifications of existing products to the development of entirely new product concepts'. (Nieman and Pretorius 2007, p. 111). The product development is a way to increase market share and customer groups. It kind like attempt to extend or prolong the product life-cycle. (Thompson 2001, p. 491). To my point of view the developing new products are very important to business, during a company growth, you can not sale one stuff forever, you must create in the volatile markets and to get more customers.

Innovation

Innovation is a change not a modification. It means a new product life-cycle, not only launch a product, it represent a company become different. In car industry, such as the Ford Escort or Ford Fiesta, every few years they have different new forms to appear, the changes for each new model were definitely different rather than essentially cosmetic. And each new model was very different from the existing model, simply the name was the same, so it called innovation.

Similarly it is important to consider about the how to extending product life-cycle. For example: the Sony Walkman and similar personal cassette players have enjoyed their own successful life-cycle. At the same time they have extended the product life-cycle of cassette players in general. Innovation can be behind the invention of a new way of doing business.

Maybe innovate can be risky in currently industry because it is a barrier against competition. The innovatory companies launch the new product ahead of their competitor to establish and consolidate a strong market position.

Innovatory companies can stay ahead by introducing new products ahead by introducing new products ahead of their rivals and concentrating on production and marketing to establish and consolidate a strong market position. (Thompson 2001, p. 491). ' Constant innovation is likely to prove expensive and will require other products and strategies to be successful in order to provide the funding'. (Thompson 2001, p. 492).

Case study II: Lego Company

Lego is a company to make plastic building bricks for children, was launched in 1949. And always proved popular in the industry renowned for changing tastes and preferences and for innovation. And the basic strategy they used is product development, and Lego create a lot of types on its basic product theme. By the mid-1990s some 300 different kits (at a wide range of prices) were available worldwide. There were 1, 700 different parts including bricks, shapes and miniature people. And children could use those to make almost anything from cars to large, complex, working space stations with battery-operated space trains. And the colours of bricks can be selected to appeal to both boys and girls. They even launched more complex Lego Technic sets to attract young teenage market. At the same times, it is times of a changing tastes and by the growing popularity of computer games. Lego was choose a new range extension, a new kit especially for girls in 1997. It was a doll's house series complete with miniature dolls and furniture. One year later, <https://assignbuster.com/the-impact-of-organic-growth-in-enterprise-marketing-essay/>

Lego began to market construction kits with microchips and instructions on CD-ROMS. They introduced a new mind-storms range, to built around a brick powered by AA batteries, which could be incorporated into a variety of different models and also could then be instructed to move with the aid of an infra-red transmitter. More recently, lego has ventured into the computer games market with CD-based products, the users can ‘ build’ train sets, vehicles, etc., on screen. Some years ago, Lego was build theme park, featuring rides and displays built with Lego bricks in Denmark, followed by in San Diego, USA. In the late 1990s the UK park was attracting 1. 5 million visitors every year. (Thompson 2001, p. p. 483-484).

It’s hard to believe a company just sell bricks when they start, now is a huge toy kingdom, and they even enter the tourist industry. It’s just because they know how to use product development and innovation to grow their company. They create a variety of ways to expand their business. Therefore use product development and innovation strategy are good ways to develop company and growing company in all respects.

After so many strategies, we should be talk about how the company know that those strategies is work in the business. We can through in several metrics, like financial, operational and behavioral. The company to understand which areas of their are not performing as efficiently as possible by those metrics, then they take action to shore up those numbers. And financial metrics is through understand your company’s profit, revenue and cost. (Hess 2007, p. 97). For example: This is how Wal-Mart to measure.

Sam Walton was a stickler for numbers, when he started Wal-Mart. He required managers to be in the field Monday through Thursday. Friday was retail merchandising review day, and Saturday morning was financial metric review day. In his autobiography, Walton wrote that he awakened very early every Saturday morning to go over numbers on every store so that he could discuss them at the Saturday morning manager meeting. Financial metrics helped him to manage the company by identifying opportunities for improvement. (Hess 2007, p. 98).

Of course every company need to report financial results. In organic growth companies do much more than this. They measure every part of their value chain.

The operational metrics include measure about human resources. A good company must engage their employees have high tenure. Because if you have high employment turnover, it is hard to build a be-better organizational culture. Because you need constant to training, communicate with them, to build 'loyalty'. Opposite, they already have the 'loyalty' and it is an engaged employees take responsibility for and ownership of their jobs. It means the company must have high employee satisfaction, high employee loyalty and productivity, and employee turnover substantially below industry averages. For example: Best Buy have more than 167 thousand employees and the employee turnover is 20 percent below the industry average. (Hess 2007, p. 117). So it not only prove a company's capability but also show how strong is the company.

Actually organic growth is a slow strategy, and financed by asking shareholders to contribute more capital or by ploughing back profits into the business. The company must step by step to achieve growth. (The Times 100 Business Case Studies 2012). First of all you must have a detailed plans, like which way you want to expand, then give a plan in that direction. For example you want through development product to achieve growth, so you must know what kind of product you want to create. And set a goal for every quarter of year. Still need check yourself during the developing.

Except growth by organic, the another to achieve growth is external growth. Compare with organic growth, the growth by internal is less risks than external. In fact, the organic growth have disadvantages, but the main disadvantage of such an approach is that it takes time and in the meantime rivals may be expanding and gaining competitive advantage. I have mentioned above the external growth is through acquiring, merging or cooperating with another company. It is a fast strategy but have a lot of risks, like growing too fast, losing existing customers and lack of control during expansion and numerous challenges in communication and cohesion. (Maughan 2012). In addition external growth is seek external finance or by merger and acquisition. These way tend to rely on bringing external finance into the business in order to fund expansion, and therefore can lead to a deteriorating gearing position. But organic growth can keep a healthy gearing position. Because it is not building up external debts (requiring interest repayments) and it is better keep solvent growth. In addition ownership and control of the business is more likely to be retained by the existing shareholders. (The Times 100 Business Case Studies 2012). The

another disadvantage of external growth is that where two companies come together, the cultures may be quite different and difficult to match up. In organic growth side no crashes in culture, because organic growth do not through external business to achieve success therefore there are no cultural crash. (BASE Blog 2012). Moreover may be have some disagreements between managers who are used to working with different practices and systems. (The Times 100 Business Case Studies 2012).

We talk a lot of about organic growth strategy, now we going to a basic question, why the company preferred to choose organic growth as their strategy. In my view, first, it is a necessary process of business, if company without organic growth unless the owner is a very very rich man, then you can merger or acquisition other. Otherwise you need develop by yourself ability.

Second, external growth is a high risk strategy relatively to organic growth, so why a company prefer high risk rather than lower risk?

Last, as above said organic growth is very slow process strategy but it is a long-term strategy to growth companies. And when the company use this strategy to achieve success, it means this company have excellent capability in the industry.

Generally in my opinion if i start a business will choose the organic growth. Because it is a basic strategy to a business, though it is a low strategy but it very safe to business. And it can show and prove the capability of business.

We you achieve success by organic growth strategy the company will be

independent. May be when the company on later stage have capability to
<https://assignbuster.com/the-impact-of-organic-growth-in-enterprise-marketing-essay/>

use external growth to more improve the development but i still respect organic growth. It is a long-term way to keep business growth, and we can use a combination of internal and external growth, but can not abandon organic growth.