

**TABLE 5-4** Alternative Strategies Defined and Exemplified

Strategy	Definition	2009 Examples
Forward Integration	Gaining ownership or increased control over distributors or retailers	PepsiCo launched a hostile takeover of Pepsi Bottling Group after its \$4.2 billion offer was rejected
Backward Integration	Seeking ownership or increased control of a firm's suppliers	Chinese carmaker Geely Automobile Holdings Ltd. purchased Australian car-parts maker Drivetrain Systems International Pty. Ltd.
Horizontal Integration	Seeking ownership or increased control over competitors	Pfizer acquires Wyeth; both are huge drug companies
Market Penetration	Seeking increased market share for present products or services in present markets through greater marketing efforts	Coke spending millions on its new slogan "Open Happiness"
Market Development	Introducing present products or services into new geographic area	Time Warner purchased 31 percent of Central European Media Enterprises Ltd. in order to expand into Romania, Czech Republic, Ukraine, and Bulgaria
Product Development	Seeking increased sales by improving present products or services or developing new ones	News Corp.'s book publisher HarperCollins began producing audio books for download, such as Jeff Jarvis's "What Would Google Do?"
Related Diversification	Adding new but related products or services	Sprint Nextel Corp. diversified from the cell phone business by partnering with Garmin Ltd. to deliver wireless Internet services into GPS machines
Unrelated Diversification	Adding new, unrelated products or services	Cisco Systems Inc. entered the camcorder business by acquiring Pure Digital Technology
Retrenchment	Regrouping through cost and asset reduction to reverse declining sales and profit	The world's largest steelmaker, ArcelorMittal, shut down half of its plants and laid off thousands of employees even amid worker protests worldwide
Divestiture	Selling a division or part of an organization	The British airport firm BAA Ltd. divested three UK airports
Liquidation	Selling all of a company's assets, in parts, for their tangible worth	Michigan newspapers such as the <i>Ann Arbor News</i> , <i>Detroit Free Press</i> , and <i>Detroit News</i> liquidated hard-copy operations

integration, horizontal integration, market penetration, market development, product development, related diversification, unrelated diversification, retrenchment, divestiture, and liquidation. Each alternative strategy has countless variations. For example, market penetration can include adding salespersons, increasing advertising expenditures, couponing, and using similar actions to increase market share in a given geographic area.

Many, if not most, organizations simultaneously pursue a combination of two or more strategies, but a *combination strategy* can be exceptionally risky if carried too far. No organization can afford to pursue all the strategies that might benefit the firm. Difficult decisions must be made. Priority must be established. Organizations, like individuals, have limited resources. Both organizations and individuals must choose among alternative strategies and avoid excessive indebtedness.

Hansen and Smith explain that strategic planning involves "choices that risk resources" and "trade-offs that sacrifice opportunity." In other words, if you have a strategy to go north, then you must buy snowshoes and warm jackets (spend resources) and forgo the opportunity of "faster population growth in southern states." You cannot have a