Implementing Product Diversification Strategies: A Construction Industry Perspective

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Introduction

In order to sustain their long-term competitiveness, construction companies are under constant pressure to strategically realign their businesses to adapt to changes in market dynamics. Risk is endemic to construction industry and product diversification has been found effective in achieving economic stability in construction companies [1]. Construction chemicals play a major role in the construction industry and hence, their diversification is crucial to the success of operations. Construction companies are also known to demonstrate strong interest to specialty chemicals that are used in construction industry to provide high quality performance and durability to structures. This study details a real-life example of

• How product diversification can be initiated,
• How fast and efficiently organizations can respond to changing market and capital needs while growing this new product line.

Objectives

The objective of this research is to evaluate product diversification methods for an international paint manufacturing company to increase efficiency in operations while meeting the increasing market demand.

The study focuses on an international company based in Algeria, ALG. ALG, a leading paint manufacturer, is anticipating increasing demand in construction materials due to the upswing construction industry in the nation.

Market Analysis

i. Global Industry Growth Data

The results of the analyses indicate that the best strategy ALG can follow is the targeting the concentric market. This is conservative and one of the safest product diversification strategies that would efficiently mitigate risk.

ii. National Construction Data

Although in slow pace, construction business is backed up by large scale ventures by the government.

Recently, Algerian government invested $215 billion to various infrastructures to boost the construction industry in the nation [4].

iii. Organizational Data

The ALG team was challenged with the four key questions.

Is it compliant? In coordination with Safety Engineer, all regulatory hazards and potential profit is expected on 12,000 bags production of 3 construction chemical products.

In order to move forward, ALG team was challenged with the four key questions.

Is it real? The product and market are real, and it is the right opportunity for the company to step up.

Is it worth it? Certainly, the goal of finding customer’s problem can be addressed, and profit is promising. Can we win? Product price is competitive and being a market leader in paint, they can be a key player.

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After careful and calibrated approach, it is recommended that ALG company should venture into construction chemicals production in response to increasing construction business, new technology trends, and customers’ needs. Being a paint market leader, this opportunity will strengthen ALG’s presence in the market. With the economic downturn due to recent pandemic, product diversification can help increase efficiency of ALG. As the situation continues to unfold, supply chain disruption is a potential, especially for multinational companies (who are the major player in construction chemical) with facilities in regional sites. ALG can offer business continuity to this changing demand pattern.

Problem Design

Problem design includes multiple steps involving financial outlook, economic analysis, diversification selection, source identification, and risk assessment to ensure the success of the implementation.

Methodology

The study focuses on an international company based in Algeria, ALG. ALG, a leading paint manufacturer, is anticipating increasing demand in construction materials due to the upswing construction industry in the nation.

Results

Problem Statement

The product diversification strategy developed for ALG will offer the company various opportunities for growth by increasing its revenues to its existing customer base since the nature of the product and the distribution networks are parallel.

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References