

PRODUCT DIVERSIFICATION: MARKETING MANAGEMENT STRATEGY FOR BUSINESS GROWTH

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ABSTRACT

In an era of globalization and increasingly fierce competition, companies are required to continue to innovate and adapt their product portfolio to changing market needs. Product diversification has been recognized as one of the main approaches to achieving sustainable business growth. This research aims to investigate the role of product diversification strategies in increasing business growth through implementing effective marketing management. This research uses a qualitative approach with descriptive methods. The research results show that product diversification is effective as a marketing management strategy for business growth. By diversifying the product portfolio, companies can be more responsive to changing market needs, increase competitiveness, and manage risk by mitigating negative impacts on business performance. Innovation and creativity in product development are the keys to creating added value and overcoming competition. In addition, effective marketing of product diversity can increase consumer awareness, expand market share, and build a strong brand image. The research results confirm that product diversification is not only an adaptation measure, but also a proactive strategy that supports sustainable growth and sustainability of the company's business.

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1. INTRODUCTION

The business world is increasingly showing fierce competition, along with the increasing number of business people entering this arena (Slater & Narver, 2000). In this context, an increase in the number of competitors goes hand in hand with an increase in product variety, giving consumers the freedom to choose the product that best suits their expectations and needs (Madhavi & Leelavati, 2013). Thus, consumers are becoming more careful and intelligent in evaluating every product available on the market. As a result of this intense competition, marketers are required to continue to develop and improve the quality and quantity of their products in order to win the competition and capture market share (Slayoi & Speece, 2007). Apart from that, business people must be able to anticipate changes in consumer tastes and preferences, so that the products produced can provide significant added value.

In the midst of these challenges, companies are required to not only meet quality standards, but also provide added value that can differentiate their products from competitors (Lei & Slocum, 2005). This includes innovation in product design, improving sustainability and implementing effective marketing strategies to build a strong brand image. In this way, companies can not only survive in the fierce competition but also create consumer loyalty through positive experiences with the products they offer (Wong & Kwan, 2001). In facing ever-changing market dynamics, creativity, responsiveness and focus on consumer satisfaction are the keys to success. Product development is an essential process for companies to continue to innovate and respond to changing market dynamics and evolving consumer needs. The basic principle of product development is to perfect and improve existing products in order to provide significant added value to consumers (Wind & Mahajan, 1997).

Diversification strategy is an important approach in product development. Diversification not only includes improving existing products, but also involves creating new products to meet diverse market needs (Ansoff, 1957). In this context, diversification is often directed at establishing new companies in new markets. The goal is not only to achieve new growth, but also to address new opportunities that may not have been met or to create sales stability in the long term (Hitt et al., 1997).

Diversification is not just about providing product variations, but also involves a deep understanding of consumer behavior, market trends, and the potential for success in new markets (Smith, 1956). This involves careful market research, innovative product development and effective marketing

strategies to ensure that diversification brings a positive impact to business growth (Purkayastha et al., 2012). By implementing a diversification strategy wisely, companies can position themselves as market leaders who are responsive, competitive, and able to anticipate changes in consumer needs. Therefore, product development through diversification is not just a strategic step, but also an investment in building long-term sustainability and success (Sheth, 2011).

Product diversification, in essence, reflects the concept of product diversity within a company's portfolio. A main product can produce various derivative products that are able to meet various consumer needs and expectations (Nath et al., 2010). This diversification can be interpreted as a strategy to make products more durable, ready for consumption, and can be used flexibly (Sanchez, 1995). By presenting products that suit consumer tastes and needs, companies can achieve diversification goals, such as expanding markets, simplifying distribution and transportation, and absorbing the workforce (Evans et al., 2012).

The importance of product diversification is also manifested in the creation of added value. New products produced through diversification can make a significant contribution to a company's revenue, while increasing its competitiveness in the market (Porter, 1979). However, to implement this strategy, companies need to involve key elements such as creativity, innovation, in-depth market research, adequate capital, and effective marketing promotions or communications. Apart from that, support from the government and policies that support small and medium businesses are also important factors in ensuring the success of product diversification in supporting sustainable business growth (Deliaos & Beamish, 1999). Thus, product diversification is not only a tool to survive in a competitive market, but also a means to create sustainable value for companies and consumers.

Literature Review

Strategy is a plan to achieve a goal. Meanwhile, product diversification, according to Lecraw (1984), diversification strategy is a way of developing and looking for new products or markets, or both, in order to pursue growth, increase sales, profitability and flexibility.⁶ According to Palepu (1985) product diversification is an effort to achieve organizational goals through fulfilling customer needs and desires, in accordance with organizational competence and capacity as well as market purchasing power. Consumers choose a product not only because of need but also because of desire (Chang & Thomas, 1989). Apart from that, Robson et al. (1993) also revealed that product diversification is adding new or making improvements to service products in the form of type, color, model, size of existing products for maximum profit.

From these definitions it can be concluded that diversification strategy is an effort made by a company to develop its products by creating new products in order to achieve company goals in the form of profitability, company growth, company development, increasing sales. Diversification can be done in three ways, namely:

- a. Concentric Diversification. New products related to existing products.
- b. Horizontal Diversification. Addition of new products that are not related to previous products, but are sold to the same consumers.
- c. Conglomerate Diversification. The products created are different in terms of marketing and technology from existing products and are sold to different customers

2. METHOD

In this research, the author chose to use a qualitative approach (qualitative research approach). By using this approach, the author can obtain detailed information from the various parties involved, as well as reveal facts according to the circumstances or social situations that occur in the field (Yulianah, 2022). This research aims to provide an in-depth description of Product Diversification for Marketing Management Strategies for Business Growth. To support this research, the author collected primary data through an interview process, allowing the author to gain direct insight from relevant stakeholders. Apart from that, secondary data was also used, including direct observation at each relevant agency and collection of research-related documents. In analyzing data, the author applies data analysis techniques such as data condensation, presenting information, and drawing conclusions.

3. RESULTS AND DISCUSSION

Product diversification as a marketing management strategy can be the key to sustainable business growth. Through diversification, the company seeks to expand its product portfolio to accommodate diverse market needs. Following are some important aspects in understanding how product diversification can be an effective marketing management strategy for business growth:

First, adapting to market needs through product diversification is a vital strategy in responding to changing consumer dynamics. In the midst of intense competition, companies must continually adapt to changing market needs and preferences to remain competitive effectively. Diversification allows companies to be more responsive to rapidly evolving market trends and demands. Through a deep understanding of consumer behavior and careful market analysis, companies can design new products that not only meet needs, but also create significant added value.

The introduction of new products or modification of existing products is a form of strategic adjustment. By understanding consumer desires and expectations, companies can develop new features, improve quality, or even create entirely new product categories. This process involves in-depth market research, active interaction with consumers, and the ability to respond quickly to changes. In this way, companies can produce products that are more relevant, attractive, and can meet consumer expectations, opening up opportunities for sustainable business growth in the long term. Adaptation through product diversification is not only a reactive strategy to market changes, but also a proactive step to lead trends and be a pioneer in providing solutions that suit evolving market needs.

Second, market expansion through product diversification is an effective strategy to open the door to new market segments and create significant growth opportunities for the company. By understanding that each market segment has unique needs and preferences, companies can design and introduce innovative products that can attract the attention of new consumers. These new products not only create diversification in the company's portfolio, but also allow the company to penetrate previously unreachable markets.

Presenting different or innovative products is key to attracting the attention of new customers. Innovations can include new features, cutting-edge technology, or even a more sustainable approach. In this context, companies need to involve creative research and development teams to design products that not only meet market standards, but also provide added value that differentiates them from competitors. This product diversification can create a strong attraction for new customers, thereby opening up opportunities to expand market share and achieve success in newly explored market segments.

However, market expansion is not just limited to introducing new products. Companies also need to properly understand the dynamics of the new market, including regulations, consumer characteristics, and other factors that may influence product acceptance. Appropriate marketing steps are also needed to build brand awareness, introduce the product to the market, and ensure good adaptation. By combining product innovation, in-depth market understanding, and effective marketing strategies, companies can achieve success in market expansion through product diversification. This not only creates significant growth, but also increases the company's resilience amidst dynamic market changes.

Third, responding to environmental changes through product diversification shows the company's wisdom in facing ever-evolving business dynamics. The ever-changing business environment, whether in terms of technology, consumer trends, or other external factors, requires companies to be responsive and adaptive. Product diversification is the main instrument in adapting to these changes. Companies that are able to anticipate and respond quickly to changes in market trends or technological advances will have a significant competitive advantage.

Through product diversification, companies can design and introduce new products that suit environmental changes. Innovation in product development may include integrating the latest technology, meeting emerging needs, or adapting to regulatory changes. By adopting a proactive approach, companies can not only survive amidst environmental changes, but can also create new opportunities. This capability is key in creating long-term business resilience. The importance of responding to environmental changes is also reflected in a company's ability to read market signals accurately. Monitoring trends, analyzing market data, and engaging in ongoing market research provide the foundation for making sound strategic decisions. By placing response to environmental changes as a central focus in product diversification strategies, companies can achieve sustainable competitive advantage and continually adapt to the inevitable evolution of business.

Fourth, increasing competitiveness through product diversification is a strategic key for companies to build advantages in a competitive market. By having a variety of products that meet customer needs holistically, companies can create a strong and diverse portfolio. This diversity gives consumers more choices, allowing them to find the products that best suit their preferences and needs. In facing a dynamic market, having a variety of products gives companies the flexibility to respond to changes in customer demand and tastes more effectively.

In addition, product diversification creates opportunities to increase customer loyalty. Consumers tend to be more loyal to companies that provide a wide selection of products that can meet their various

needs. By providing a comprehensive experience through various products, companies can build long-term relationships with customers. Customer loyalty is not only based on product quality, but also on the company's ability to understand and respond to customer needs by providing various solutions.

The importance of product diversification as a strategy to increase competitiveness is also reflected in the creation of competitive advantage. Companies that are able to understand the market well and provide diverse solutions have the potential to become industry leaders. This advantage is based not only on the product itself, but also on the company's ability to meet consumer needs better than competitors. Thus, through a product diversification strategy, companies can achieve and maintain a strong position in ever-changing market competition.

Fifth, risk management through product diversification strategies provides significant protection for companies in facing unexpected market fluctuations. By having a variety of products in a portfolio, companies can create a form of protection against the risks associated with declining performance or instability in one particular product or market segment. If there is a decline in a product or market, this diversity allows the company to reduce the negative impact on overall business performance.

Product diversification is an effective risk management instrument because it reduces dependence on one source of income or one particular market segment. When one product experiences a decline in sales or when a market experiences stress, other products in the portfolio can cover or offset the impact. This creates a form of internal balance that can help the company to remain stable amidst economic uncertainty or changing market conditions. In addition, product diversification can also help companies deal with risks associated with product cycles. By having products in different stages of the life cycle, companies can mitigate risks that may arise as a product approaches the end of its cycle. This strategy provides flexibility and resilience to changes in market trends or technology that can affect product performance.

Sixth, innovation and creativity are the main drivers in implementing product diversification, indicating the importance of developing new ideas that can differentiate companies in a competitive market. In an effort to offer products that meet consumer needs and desires, companies must make innovation a basic principle. It involves a continuous creative process, where the company's research and development team must identify new opportunities, analyze market trends, and deeply understand consumer needs. Careful market research is the basis for innovation in product diversification. Through a deep understanding of consumer preferences and changing market trends, companies can create relevant products and keep up with developments in the business environment. The success of innovation also depends on the company's ability to respond quickly to changing consumer needs and changing market demands.

In the context of diversification, creativity is not only limited to developing physical products, but also involves innovation in processes, marketing and business strategy. The use of new technology, innovative designs, or even product offerings with new business models can be the result of continuous creativity. Companies that successfully combine innovation and creativity in a diversification strategy can create products that not only meet consumer expectations, but also create a sustainable competitive advantage in an ever-changing market. By focusing on innovation and creativity, companies can pave the way for sustainable business growth and build a dynamic and attractive brand image.

Seventh, in the context of product diversification, effective marketing strategies play a key role in communicating product diversity and the added value provided to consumers. The importance of good communication not only helps increase consumer awareness of the various products the company offers, but also builds a positive brand image. Through the right marketing campaigns, companies can highlight the uniqueness and advantages of each product in their portfolio, helping consumers to understand the benefits they provide. Effective marketing in product diversification also involves consistent and integrated brand management. Delivering a cohesive message about the added value and advantages of the product on various communication channels, such as advertising, social media and promotional campaigns, can create a greater impact. Companies need to ensure that the messages conveyed not only include product diversity, but also reflect the company's overall vision and values.

Apart from that, direct interaction with consumers is also key in marketing various products. Direct marketing through social interactions or consumer experiences can build emotional connections with audiences, create customer loyalty, and generate valuable feedback for further improvement. Companies can use data from these interactions to identify consumer trends, understand their preferences, and optimize marketing strategies to better respond to market needs.

4. CONCLUSION

Product diversification opens up opportunities for companies for sustainable business growth and increased competitiveness in a dynamic market. This strategy involves diversifying the product portfolio, giving the company an edge in adapting to market changes, managing risk, and increasing responsiveness to consumer needs. Through innovation and creativity, companies can produce unique and attractive products, while risk management is implemented by diversifying the product portfolio to maintain business stability. Effective marketing is the key to communicating product diversity, added value, and competitive advantages to consumers, building a strong brand image, and expanding market share. By bringing these elements together, companies can achieve sustainable growth, build business resilience, and remain relevant in the face of inevitable changes in the global business environment. Overall, product diversification is a strategic step that supports adaptation, innovation and company growth in an era of increasingly complex business competition.

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