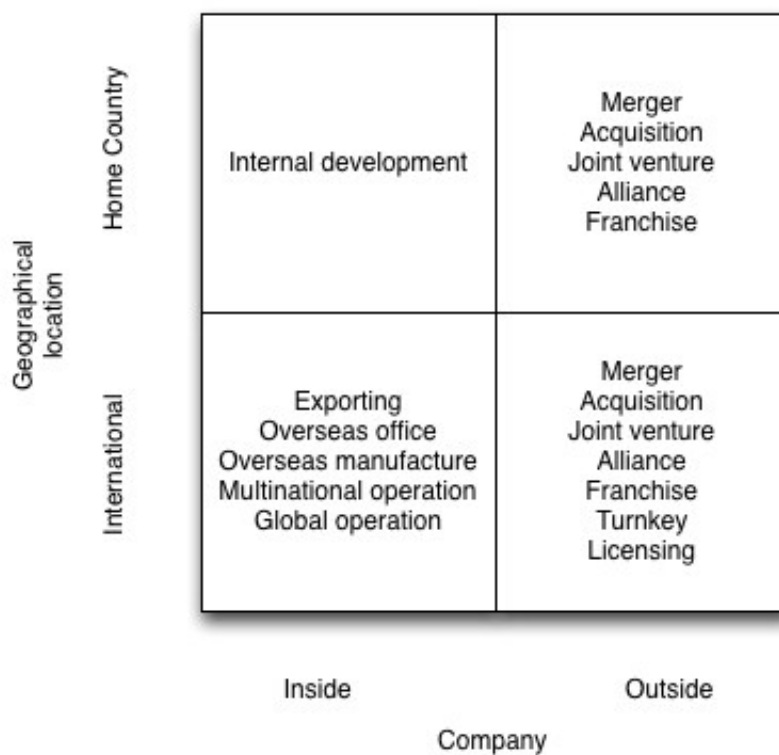


## The Expansion Method Matrix

This post briefly outlines the principal methods of expansion and reviews the advantages and disadvantages of the main ones. The expansion method matrix explores in a structured way the methods by which the market opportunities associated with strategy options might be achieved. To do this, it is necessary to examine the organisation’s internal and external expansion opportunities and its geographical spread of activity. It goes without saying that any of the methods shown must add value to the company if they are to justify their costs.



This post will not consider these different options, but will briefly set out the advantages and disadvantages of each.



Advantages	Disadvantages
<p><b>Acquisition</b></p> <p>Can be relatively fast            May reduce competition from a rival, although such a move usually has to be sanctioned by government competition authorities            Cost savings from economies of scale or savings in shared overheads            Maintenance of company exclusivity in technical expertise            Extend to new geographical area            Buy market size and share            Financial reasons associated with purchase of undervalued assets that may then be resold</p>	<p><b>Acquisition</b></p> <p>Premium paid: expensive            High risk if wrong company targeted            Best targets may have already been acquired            Not always easy to dispose of unwanted parts of company            Human relations problems that can arise after the acquisition: probably the cause of more failures than any other            Problems of clash of national cultures, particularly where target 'foreign'</p>
<p><b>Joint venture</b></p> <p>Builds scale quickly            Obtains special expertise quickly            Cheaper than acquisition            Can be used where outright acquisition not feasible            Can be used where similar product available]</p>	<p><b>Joint venture</b></p> <p>Control lost to some extent            Works best where both parties contribute something different to the mix            Can be difficult to manage because of need to share            Share profits with partner</p>
<p><b>Alliance</b></p> <p>Can build close contacts with partner            Uses joint expertise and commitment            Allows potential partners to learn about each other            Locks out other competitors</p>	<p><b>Alliance</b></p> <p>Slow and plodding approach            Needs constant work to keep relationship sound            Partners may only have a limited joint commitment to make alliance a success            Unlikely to build economies of scale</p>
<p><b>Franchise</b></p> <p>Lower investment than outright purchase            Some of basic testing of business proposition undertaken by franchise holder: lower risk            Exclusive territory usually granted</p>	<p><b>Franchise</b></p> <p>Depends on quality of franchise            Part of profits paid over to franchise holder            Risk that business built and franchise withdrawn</p>