

Checkpoint 18.1

1. Why would a company choose to grow organically?

Answer: Less risk in expanding your current offerings than going outside the comfort zone.

2. List three intensive growth strategies.

Answer: Market penetration, market development, product development.

3. Name two ways of penetrating the current market.

Answer: Convince your customers to use and buy your product more often, take away business from the competition, increase advertising, make promotional offers, develop relationships with customers.

4. Give an example of synergistic diversification.

Answer: If you sell bicycles, you may add a line of skateboards. These products complement each other.

5. Name three integrative growth strategies.

Answer: Backward integration, forward integration, horizontal integration.

Checkpoint 18.2

1. What are the stages of the business cycles?

Answer: The four phases of the business cycle are growth (expansion), peak, contraction (recession), and trough.

2. Why would using retained earnings be a good method for financing business expansion?

Answer: Retained earnings are profits that you save from the operation of your company. The advantage to using company-generated funds is that you already have the funds so you don't need to fill out paperwork, pay interest, or make monthly payments

3. List any disadvantage to self-financing business expansion.

Answer: The disadvantage of self-financing is that if it does not work you may not have any personal reserves to carry you after the business closes.

4. What is the advantage of using trade credit?

Answer: The advantage to trade credit is that if you order correctly, you will sell your products before you have to pay for them.

5. List two disadvantages of borrowing money from a bank.

Answer: Two disadvantages of borrowing from a bank are the interest rates and that you must make your monthly payment on time or you may lose your business.