

MODERN TRENDS IN BUSINESS DIVERSIFICATION

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This article is devoted to the identification of modern trends of business diversification and their analysis. In the first part, it examines the definition of the term business diversification and outlines its main advantages. Then the author emphasizes and reviews in detail three current trends in business diversification. Each trend is supported by several illustrative examples of well-known companies. Special attention is paid to diversification in the oil and gas industry because in today's world, where governments and consumers are more concerned about the environment than ever before, the activities of this sector have a rather controversial reputation. In conclusion, the author makes a rather promising forecast of the renewable sources market activity and stresses the importance of the considered diversification trends in the further development of the business strategy.

Key words: business diversification; digital transformation; information technology; inclusive products; oil and gas industry; renewable energy market.

The functioning of any, even the most successful business in the same form cannot last indefinitely. To maintain and develop it, more and more companies are resorting to the diversification of their activities.

Diversification in business is a corporate strategy entering into a new market or industry in which the business doesn't currently operate, while also creating a new product for that market. Usually, companies diversify in two ways: by acquiring other firms or by creating their own production facilities. A famous example of diversification is The Walt Disney Co that is more than just Mickey Mouse. It has its own theme parks and resorts, movies and toy store chain.

There are some advantages of diversification that companies see as reasons to expand their activity. The main ones are risk reduction, increase profit, overcoming increasing competition, gaining more technological capability, reaching economies of scale. [1]

Currently, it is possible to identify three main trends related to diversification in business.

The first one is a digital transformation. Last year, Walmart acquired e-commerce companies – Jet.com and Flipkart. Porsche has launched the “Car Connect” app, which handles everything from navigation services to selecting music while you are in a car. We can observe that today the business activities are significantly influenced by the latest information technologies. At the same time companies specializing in digital technologies such as Google, Apple, Microsoft are diversifying into the field of offline. For example, Amazon acquired control over the retail network called Whole Foods. [2]

The second trend is the so-called Diversity and Inclusion. Today companies pay more attention to the creation of more inclusive products. In 2018, Microsoft launched the Xbox Adaptive Controller, which is a specific controller designed for individuals with disabilities. Fenty Beauty, a cosmetic company, launched 40 different shades of foundation, designed for costumers with a huge variety of skin tones including individuals who have albinism. Then other brands such as Maybelline and Dior have followed Fenty Beauty's strategy. Thus, we can expect to see more inclusive diversification this year. [3]

The third trend is that today major oil, gas, and chemicals companies are diversifying in renewable, low-carbon energy.

A striking example of this trend is British multinational oil and gas company BP (British Petroleum), which has operations in more than 70 countries worldwide. Last year BP declared that \$0.5 billion of its capital investment fund would be dedicated to clean energy. Besides, BP sees opportunities to create additional value by integrating solar energy with BP's other businesses. It recently bought a 43% stake in Europe's largest solar producer Lightsource Renewable Energy (now Lightsource BP). [4]

Another example is ExxonMobil, an American multinational oil and gas corporation. The company is collaborating with Clariant, an expert in extracting sugars from agriculture residue, and Renewable Energy Group. Together they are looking into advanced biofuels from a pretty unusual source: plant waste products like grass clippings and corn stalks. Exxon Mobil believes that it will be capable of producing 10,000 barrels of biofuel per day by 2025. This is an essential step forward in the foundation of entirely sustainable and renewable biofuel industry. [5]

A British-Dutch oil and gas giant Royal Dutch Shell, the European largest company, is seen as the leader in diversifying into "green" activity. In 2016 Shell acquired global Liquefied Natural Gas company British Gas-BG and that was the first step in company transformation.

Recently Shell bought First Utility, one of Britain's biggest energy suppliers. First Utility supplies 100% renewable energy, as well as broadband smart home technology, which also gives Shell access to over 800,000 homes in the U.K. [4]

Tesla forced the auto industry to rapidly change. As a result, established automakers such as Ford and Fiat Chrysler now are focused on bringing partially-electric or fully-electric vehicles to market in the coming years. Volkswagen intends to invest \$40 billion into electric car tech by 2022 and plans to be producing 50 fully electric models by 2025. [6; 7]

Tesla didn't invent the electric car, but it was Tesla who popularized and promoted it. The company revolutionized car market and huge oil

corporations saw pretty big potential there. Thus, Shell bought a Dutch car-charging network, partnered with the electric car charging firm Ionity.

The contribution of oil and gas corporations to research and development of green energy can be measured even is sometimes greater than that of companies from other industries. For example, one of the most eye-catching energy innovations of the last year – the deployment of the world’s first floating wind farm – was undertaken not by a renewables developer but Norway’s oil company, Statoil. [4]

All of the above cases indicated that the oil giants began to take baby steps into the world of renewables, and take greater notice of the rapid growth of electric cars. Despite the fact that the rate of change is still rather slow, it is believed that Big Oil might really be serious about moving beyond petroleum.

Renewable energy sources are growing quickly. Renewables provide almost 24% of power demand. Demand for wind- and solar-generated power is increasing while prices are declining. Global renewable energy employment reached 10.3 million jobs in 2017 and that is 2.2 million more than in 2016. [8; 9] Based on these data it can be assumed that in 15 years the green energy sector may become as popular and profitable as the oil and gas industry. This so-called sustainable diversification combined with other mentioned trends may lead us to a new era of doing business.

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