Ansoff Matrix

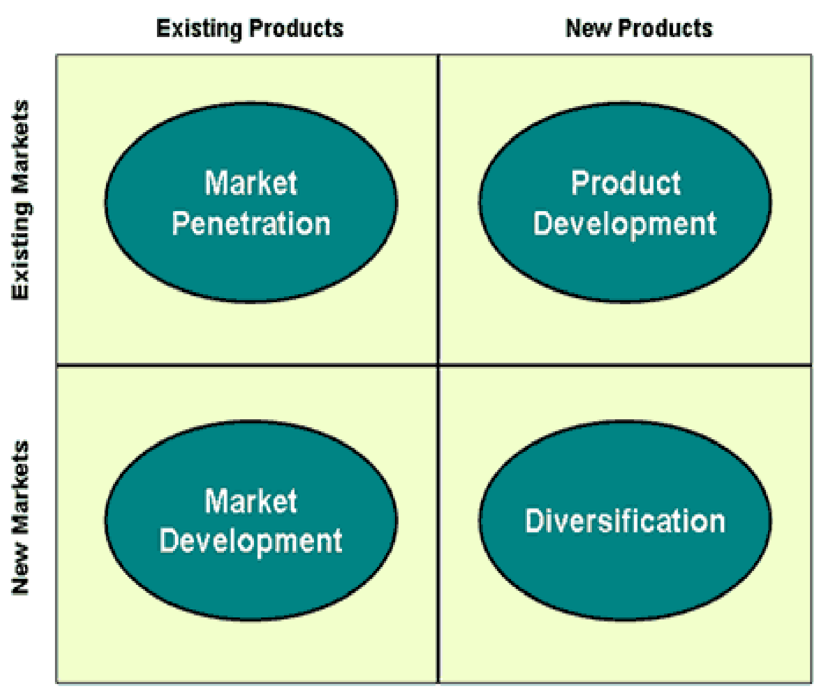
For a whole variety of reasons, there are times when as an individual or in business you want or need to expand or change your field or market. In business, you might need to achieve economies of scale, make more money for investors, or gain national or even global recognition of their brand. As an individual, you may want to change company, or even career.

Having decided that you want to grow your business or career, you'll have hundreds of ideas about things you could do. For your business, this means new products, new markets, new channels, or new marketing campaigns. For your career, it means new skills, new roles, and even new industries.

That's great! But which ones should you choose? And why?
Using a strategic approach, such as the Ansoff Model or Matrix, helps you evaluate your options and choose the one that suits your situation best, and gives you the best return on the potentially considerable investment that you'll need to make.

Understanding the Tool

The Ansoff Matrix was first published in the Harvard Business Review in 1957, and has given generations of marketers and small business leaders a quick and simple way to develop a strategic approach to growth.



1. Market Penetration (Existing Markets, Existing Products)

Here we market our existing products to our existing customers. With this approach, you're trying to sell more of the same things to the same people **.** This means increasing our revenue by, for example, promoting the product, repositioning the brand, and so on. However, the product is not altered and we do not seek any new customers.

Market penetration seeks to achieve four main objectives:

- Maintain or increase the market share of current products - this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling
- Secure dominance of growth markets
- Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors
- Increase usage by existing customers. For example by introducing loyalty schemes.

A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research

2. Market Development (New Markets, Existing Products)

Here we market our existing product range in a new market. This means that the product remains the same, but it is marketed to a new audience. Exporting the product or marketing it in a new region are examples of market development.

Market development is the name given toa growth strategy where the business seeks to sell its existing products into new markets.

There are many possible ways of approaching this strategy, including:

- New geographical markets; for example exporting the product to a new country
- New product dimensions or packaging: for example
  - New distribution channels
  - Different pricing policies to attract different customers.
- Target different groups of people, perhaps different age groups, genders or demographic profiles from your normal customers.

3. Product Development (Existing markets, New Products)

This is a new product to be marketed to our existing customers. Here we develop and innovate new product offerings to replace existing ones or extend our product by producing different variants or packaging existing products in new ways. Such products are then marketed to our existing customers. This often happens with the auto markets where existing models are updated or replaced and then marketed to existing customers.

4. Diversification (New Markets, New Products)

This is where we market completely new products to new customers. There are two types of diversification, namely related and unrelated diversification. Related diversification means that we remain in a market or industry with which we are familiar.

The diversification can be divided again into horizontal, vertical and lateral diversification.

- The horizontal diversification is the extension of the production programme.
- The vertical diversification is the sales stage stored by products pre order.
- The lateral diversification is the sales of completely new products, which within the range of the technology and marketing in no connection.

Diversification is an inherently higher risk strategy because the business is moving into markets in which it has little or no experience.

Its main advantage is that, should one business suffer from adverse circumstances, the other is unlikely to be affected.

For a business to adopt a diversification strategy, it must have a clear idea about what it expects to gain from the strategy and a transparent and honest assessment of the risks.

Limitation

While Ansoff analysis helps in mapping the strategic options for companies, it is important to note that like all models, it has some limitations. By itself, the matrix can tell one part of the strategy story but it is imperative to look at other strategic models like SWOT analysis and PESTLE in order to view how the strategy of an organisation is formulating and might change in the course of its future. While conducting a strategic analysis of an organization, SWOT analysis, PESTEL and Ansoff matrix as fundamental models of analyses should be used in conjunction and not in isolation, to view the complete strategic scenario.

Lastly, the use of the Ansoff matrix as a marketing tool may not be really useful as the matrix is critical for analyzing the stragetic path that the brand may be following, and does not essentially identify marketing options.