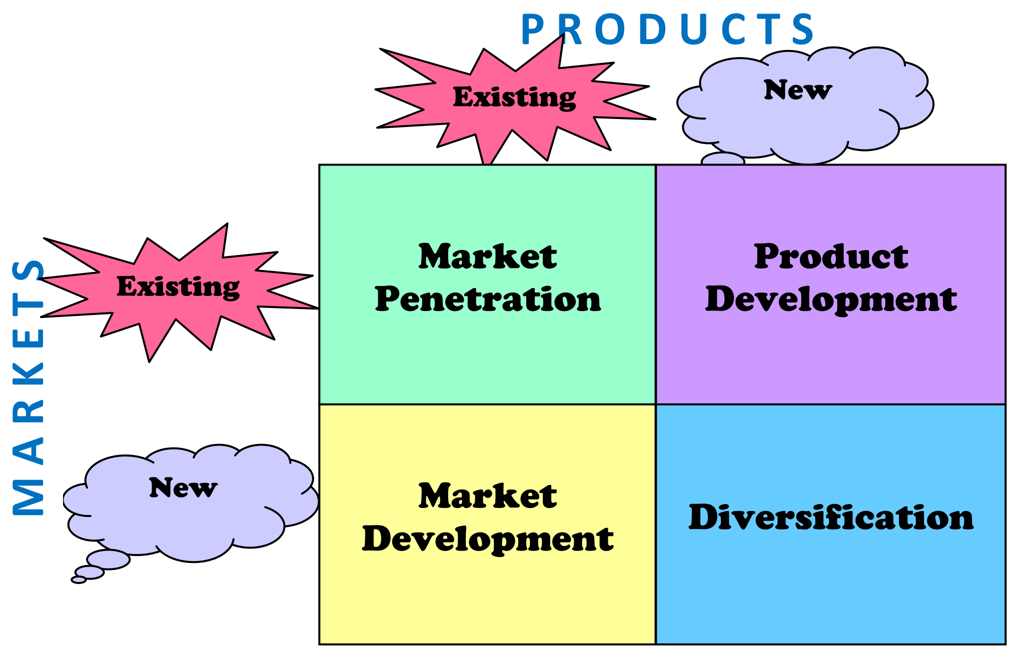
Ansoff's Matrix

H. Igor Ansoff's Growth Vector matrix helps a business to understand the business development and/or marketing strategy that it should use to enable growth. It may consider existing markets, or new markets in which to sell its products or services , or existing products or services, or new products or services to sell to customers.



There will be differing levels of risks and opportunities associated with each of the strategies. The detail below refer to products, but they could also apply to services, such as those offered for example by banks, insurance companies or utility companies.

1. Market Penetration Strategy:

This strategy seeks business growth through selling existing products in existing market(s). For this reason it is a low risk strategy, as the firm is not risking developing new products or venturing into new markets. The strategy works in a growing market, where simply maintaining market share will result in growth.

2. Market Development:

In this strategy the business targets new markets, or new areas of the market, by selling more of the same product to a new customer audience. For example,

(a) selling in different geographical areas (new countries/regions);
(b) selling through different sales channels (e.g. on-line);
(c) selling to different demographic groups (e.g. by age or gender).

Options (a), (b) and (c) may be entirely new to the company and this poses a risk. However, if the company holds a large market-share for the specific product type, or has strong brand recognition, or a strong brand-range, then this strategy could work in its favour.

3. Product Development:

Another strategy is to develop or 'acquire' a new product to sell in an existing market. The new product could be developed, or acquired through acquisition of another company.

This may be a good strategy for a company that already has a strong market share of a particular market and wishes to diversify its product range. However, it would need a strong research and development capability. This strategy relates to new products and any problems that are encountered could damage the company's reputation. Hence extensive testing and piloting is recommended.

4. Diversification:

Developing new products for new markets is the most risky strategy, as the company would be venturing into new areas for both, product and market. It is advisable to carry this strategy out as a supplement to the existing core business. Diversification may be organic or perhaps more usually results from an acquisition or merger. Diversification may be related to the industry in which the company is engaged or unrelated to it. Clearly, unrelated diversification normally carries more risk than related diversification.