Ansoff Matrix

2880 Strategy Yr 13

Background

- Long-term business strategy is dependant on planning for their introduction
- Ansoff Matrix represents the different options open to a marketing manager when considering new opportunities for sales growth

Variables in the matrix

Two variables in Strategic marketing Decisions:

- The market in which the firm was going to operate
- The product intended for sale

In terms of the market, managers had two options:

- Remain in the existing market
- Enter new ones

In terms of the product, the two options are:

- selling existing products
- developing new ones

Existing **PRODUCTS** New

INCREASING RISK

Existing

MARKETS

New

	MARKET PENETRATION Sell more in existing Markets	**PRODUCT DEVELOPMENT** Sell new products in existing markets
	MARKET EXTENSION Achieve higher sales/market share of existing products in new markets	**DIVERSIFICATION** Sell new products in new markets

INCREASING RISK

PRODUCTS

Existing

New

INCREASING RISK

MARKETS

Existing

New

INCREASING RISK

MARKET PENETRATION

Sell more in existing Markets

MARKET PENETRATION

- This is the objective of higher market share in existing markets
  - E.g. in 2000, Mitsubishi announced a 10% reduction in prices in the UK in order to encourage purchases

Existing **PRODUCTS** New

INCREASING RISK

Existing

MARKET PENETRATION

Sell more in existing Markets

MARKETS

MARKET EXTENSION

New

Achieve higher sales/market share of existing products in new markets

INCREASING RISK

MARKET EXTENSION

- This is the strategy of selling an existing product to new markets. This could involve selling to an overseas market, or a new market segment
  - Nintendo are making hand held games consoles (e.g. DS) appeal to the adult/grey market by introducing games such as Brain Train

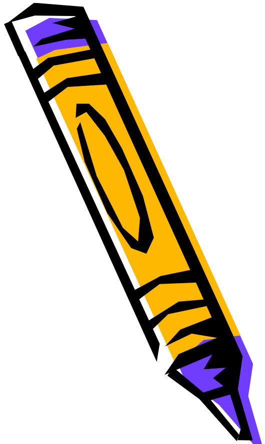
Existing **PRODUCTS** New

INCREASING RISK

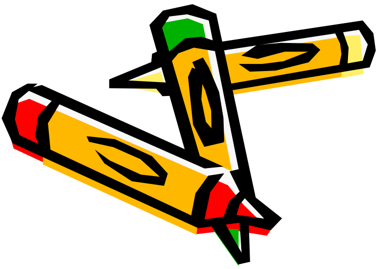
Existing **MARKETS** New		
Existing	**MARKET PENETRATION** Sell more in existing Markets	**PRODUCT DEVELOPMENT** Sell new products in existing markets
New	**MARKET EXTENSION** Achieve higher sales/market share of existing products in new markets	

INCREASING RISK

PRODUCT DEVELOPMENT



- Least risky of all four strategies
- This involves taking an existing product and developing it in existing markets
  - E.g. Coca-Cola. This has been developed to have vanilla, lime, cherry and diet varieties (amongst others) in the SOFT DRINKS market



Existing **PRODUCTS** New

INCREASING RISK

MARKETS	Existing products	New products
Existing	**MARKET PENETRATION** Sell more in existing Markets	**PRODUCT DEVELOPMENT** Sell new products in existing markets
New	**MARKET EXTENSION** Achieve higher sales/market share of existing products in new markets	**DIVERSIFICATION** Sell new products in new markets

INCREASING RISK

DIVERSIFICATION

- This is the process of selling different, unrelated goods or services in unrelated markets
- This is the most risky of all four strategies

  - E.g. the Virgin group

Summary

- Risks involved differ substantially
- The matrix identifies different strategic areas in which a business COULD expand
- Managers need to then asses the costs, potential gains and risks associated with the other options