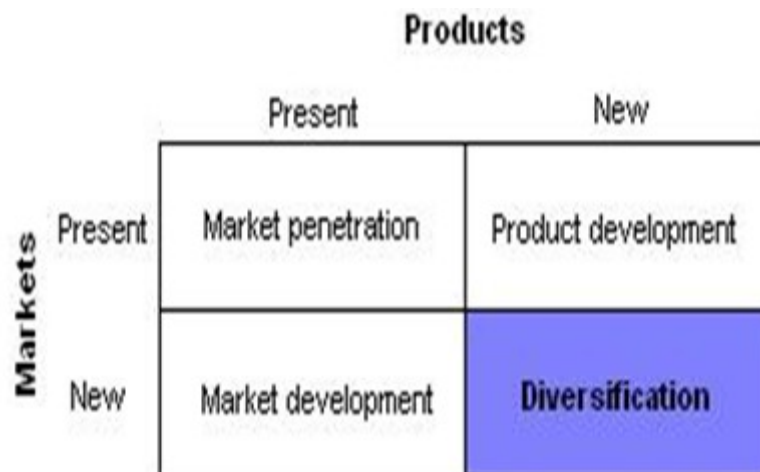


Ansoff Matrix

Introduction

The famous management expert, Igor Ansoff provided a roadmap for firms to grow depending on whether they are launching new products or entering new markets or a combination of these options. This roadmap has been presented in the form of a Matrix that has four quadrants with the axes of products and markets being the determinants of the strategies.

As can be seen from the figure accompanying this section, the combinations of the two axes provide the firms with options that they can pursue in search of market share.



The four quadrants (which are described in detail subsequently) pertain to increasing market share through **market penetration**, venturing into new markets with the existing products or **market development**, and launching new products in existing markets with **product development**, and finally, **diversification** when firms seek to enter new markets with new products.

Market Penetration

As can be seen from the figure above, market penetration happens when the existing products are marketed in a way to increase the market share of the firm. This is a minimal risk strategy as all that a firm has to do is to increase its marketing efforts and improve on its market share. In other words, the firm has to ensure that it leverages the current capabilities, resources, and gears towards a growth-oriented strategy. However, market penetration has its limitations and these manifest when the market is saturated and hence, growth diminishes for the products. Examples of market penetration would include the Television Channels and Media Houses trying to maintain their existing features in the existing markets and ensuring that they grow because of the growth in the size of the market or because they have provided a value proposition that is better than their competitors are.



Market Development

When firms seek to expand into new markets with their existing products, market development happens. This is suitable for firms that have the capabilities and the resources to enter new markets in pursuit of growth. Further, the firm's core competencies must be aligned with the products rather than the markets and wherein the firm senses an opportunity in the new markets for its existing products. Market development is more risky than market penetration as the firm is entering uncharted waters and therefore, it is in the interests of the firms to do their due diligence before entering new markets. Examples of market development would be the mobile telephony companies like Vodafone and Nokia entering African markets where these markets are yet to be tapped and where these firms can leverage their existing expertise to enter these markets.

Product Development

When firms seek to launch new products in existing markets, product development happens. This strategy can be successful when the firms have already established themselves in the existing markets and all that they need to do is to launch new products, which leverage the brand image and the brand value and meet the expectations of the customers in the existing markets. For instance, whenever consumer giants like Unilever and Procter and Gamble (P&G) launch new products in existing markets, they have the advantage of a strong brand value and top of the mind recall among the customers about them, which would help them to garner market share. When compared to the previous two strategies, this strategy is more risky as it is not sure whether the transfer of customers from the existing products to the new products would happen as seamlessly as the firms strategists believe.

Diversification

When firms launch new products in new markets, diversification happens which entails both new products to be developed and new markets to be tapped. This is the most risky of the four quadrant strategies in the Ansoff Matrix as essentially the firms are not only testing the waters in uncharted territory but they are also launching new products that may or may not be well received by the customers. Indeed, diversification is a high-risk strategy and is only justified when there are chances of high returns for the firms. Examples of diversification would include companies like Reliance venturing into mobile telephony and retail segments where they not only have to move away from their core competencies but also have to launch new products targeted at the new customer segment. Management experts recommend diversification only when the firms are sitting on enough cash and other resources, as the firms need to have deep pockets to stay the course until the time profits are realized. Further, they also recommend firms with existing customer loyalty and customer base as the cross migration from one segment to the other happens only when the customers are assured of receiving value for their money. For instance, the TATA group in India is perceived as delivering good value and this helped them to garner market share when they diversified into new markets and new products.

Conclusion

As can be seen from the preceding discussion, it is imperative for firms to grow as otherwise their resources would not generate the returns needed for the firms to make profits as well as deliver value to their shareholders. Moreover, firms need to continually look for ways and means to increase their market share, which would help them create value for their stakeholders. This is the reason why the Ansoff Matrix has become so popular because it charts the strategies that the firms must follow in each option, which again is a combination of the firms' current capabilities, and the possibility of new market led growth. In conclusion, the Ansoff Matrix is very relevant in these recessionary times as it can be applied by any firm wishing to either expand into newer markets or leverage its existing capabilities

GAUTAM SINGH, HOSPITALITY TRAINER, www.educatererindia.com, info.gautam94@gmail.com



Gautam Singh , Hospitality Trainer , 07830294949

