Ansoff’s product market grid essay sample

[Finance](), [Market]()

The Ansoff product-market matrix helps to understand and assess marketing or business development strategy. Any business, or part of a business can choose which strategy to employ, or which mix of strategic options to use. This is one simple way of looking at strategic development options:

Each of these strategic options holds different opportunities and downsides for different organizations, so what is right for one business won't necessarily be right for another. Think about what option offers the best potential for your own business and market. Think about the strengths of your business and what type of growth strategy your strengths will enable most naturally. Generally beware of diversification – this is, by its nature, unknown territory, and carries the highest risk of failure. Here are the Ansoff strategies in summary:

market penetration – Developing your sales of existing products to your existing market(s). This is fine if there is plenty of market share to be had at the expense of your competitors, or if the market is growing fast and large enough for the growth you need. If you already have large market share you need to consider whether investing for further growth in this area would produce diminishing returns from your development activity. It could be that you will increase the profit from this activity more by reducing costs than by actively seeking more market share. Strong market share suggests there are likely to be better returns from extending the range of products/services that you can offer to the market, as in the next option. product development – Developing or finding new products to take to your existing market(s). This is an attractive strategy if you have strong market share in a particular market. Such a strategy can be a suitable reason for acquiring another company or product/service capability provided it is relevant to your market and your distribution route.

Developing new products does not mean that you have to do this yourself (which is normally very expensive and frequently results in simply re-inventing someone else’s wheel) – often there are potential manufacturing partners out there who are looking for their own distribution partner with the sort of market presence that you already have. However if you already have good market share across a wide range of products for your market, this option may be one that produces diminishing returns on your growth investment and activities, and instead you may do better to seek to develop new markets, as in the next strategic option. market development – Developing new markets for your existing products. New markets can also mean new sub-sectors within your market – it helps to stay reasonably close to the markets you know and which know you.

Moving into completely different markets, even if the product/service fit looks good, holds risks because this will be unknown territory for you, and almost certainly will involve working through new distribution channels, routes or partners. If you have good market share and good product/service range then moving into associated markets or segments is likely to be an attractive strategy. diversification – taking new products into new markets. This is high risk – not only do you not know the products, but neither do you know the new market(s), and again this strategic option is likely to entail working through new distribution channels and routes to market.

This sort of activity should generally be regarded as additional and supplementary to the core business activity, and should be rolled out carefully through rigorous testing and piloting. Consider also your existing products and services themselves in terms of their market development opportunity and profit potential. Some will offer very high margins because they are relatively new, or specialised in some way, perhaps because of special USP's or distribution arrangements. Other products and services may be more mature, with little or no competitive advantage, in which case they will produce lower margins. The Boston Matrix is a useful way to understand and assess your different existing product and service opportunities:

ANSOFF MATRIX

Ansoffs' Product – Market growth matrix is used where a company has to decide how to increase sales. The safest option is to adopt a market penetration strategy of gaining more usage from existing customers and gaining customers from competitors. A slightly higher risk may to adopt a market development strategy of gaining new channels and geographic areas. Of higher risk is a product development strategy of producing new products, or different versions or quality levels of existing products, but still selling them to existing markets. The highest risk is a diversification strategy where new products are developed for new markets. If this is to radical – the risks will be much the same as starting a new company.

Summary: This framework is useful in thinking about intensive growth opportunities. The grid has current and new products | | on one dimension and current and new markets on the other dimension. The strategies falling out of the grid are market | | penetration strategy (current market, current product), market development strategy (new markets, current products), product| | development strategy (current markets, new products), and differentiation strategy (new markets, new products). Management | | first considers whether it could gain more market share with its current products in their current markets (i. e., market | | penetration). Next, it considers whether it can find or develop new markets for its current products (i. e., market | | development). Then it considers whether it can develop new products of potential interest to its current markets (i. e., | | product development). Finally, the firm will review opportunities to develop new products for new markets.