

Chapter 23 Ansoff Matrix

The Ansoff Matrix is an analytical tool used to assist a company in developing its product and market growth strategies. The matrix was first published in the Harvard Business Review in 1957, and is sometimes called the Product/Market Expansion Grid.

The matrix can be used to categorize an existing strategy, determine the risk associated with a new or proposed strategy, or to develop new strategies. For our purposes, we will focus on using the matrix as a strategy development tool. The matrix considers products or services in comparison to the markets the company proposes to serve. The matrix compares these on the basis of whether each is new or existing. Markets are placed on the vertical axis and the product or service offering is placed on the horizontal axis. The intersection of these axes creates four possible blocks.

<u>Markets</u>	New	Market Development (Risk=Moderate)	Diversification (Risk=High)
	Existing	Market Penetration (Risk= low)	Product Development (Risk=Moderate)
		Existing	New
		<u>Products & Services</u>	

The bottom left box represents strategies that aim to provide existing products to existing markets. This is called “market penetration” since it involves driving existing products deeper into existing markets. This may involve obtaining new

customers, but they are still within the same overall market. This is the least risky box because a company already knows its products and customers.

The Top left box represents strategies that strive to provide existing products to new markets. This is called "market development" since it involves driving existing products into markets that are currently un-served by the company. As a hypothetical example, consider a company that makes metal shelves for grocery stores. If they were to repackage and remarket the same shelves and target them towards general consumers for use in organizing garages and creating workbenches, that would be market development. The company is developing a new market for its product. This is a moderate risk proposition because a company knows its product well, but is entering an unknown market.

The bottom right box is developing new products for existing markets. A company typically knows its market and customers well, and may have insights as to what the market's unmet needs are. The company then creates products or services to meet these needs. Following the above example of the shelving company, the company may attempt to provide refrigerated display units to its grocery store market. Entering refrigeration is a completely different product from steel shelves, but could serve the same market which needs to merchandise perishable products. The company is developing a new product for its current market. This is a moderate risk proposition because a company knows its customers well, but is developing an unknown product.

The top right box is the highest risk box. Here, a company is creating new products for new markets. It is almost a double unknown. Maybe our shelving company decides to create mobile toolboxes for automotive technicians. These are new customers and a completely new product, although the company has experience with metal forming, stamping, and welding which it intends to leverage. Nonetheless, this is a high risk strategy.

USING THE MATRIX

First, lay out the four box matrix format.

Second, brainstorm specific strategies that correspond to each box. For example, begin with new products for existing customers. What are the needs of your existing market and customers? Try to identify at least five unmet needs and five potential approaches to address these needs.

Finally, repeat this process for the remaining three boxes.

If you successfully brainstorm many ideas, pick the top five for inclusion in the matrix.

Create an Ansoff matrix for your project company

Ansoff Matrix for _____

Markets	New	Market Development <i>(Risk=Moderate)</i> 1 2 3 4 5	Diversification <i>(Risk=High)</i> 1 2 3 4 5
	Existing	Market Penetration <i>(Risk= Low)</i> 1 2 3 4 5	Product Development <i>(Risk=Moderate)</i> 1 2 3 4 5
		Existing	New
		<u>Products & Services</u>	