

The Ansoff matrix is a framework which helps determine the future direction which the business should undertake considering the risks and benefits associated with these each of these strategies - Market Penetration, Product Development, Market Development, Diversification. Ansoff matrix basically provides a business with these 4 strategies to explore. Based on market & products scenarios, Ansoff matrix gives strategies which companies can use for business growth and future scope of the company.

Importance of Ansoff Matrix

Ansoff Matrix is an important marketing strategy which helps companies decide what action can be taken based on the market scenario and the product scenarios currently present. Ansoff matrix highlights 4 strategies based new & existing markets versus new & existing products. Based on these marketing parameters, Ansoff matrix helps companies evaluate and formulate a strategy for the future business growth.

Ansoff Matrix Strategy



1. Market Penetration

As per Ansoff matrix for an existing product and an existing market, companies should focus on market penetration. Under this strategy, the business sells existing products in the existing markets trying to increase

a. Either the number of consumers using the product that is bringing in new consumers

a. Consumption levels of the existing consumers.

It mainly aims at 4 objectives-

i. Enhancing market share of the existing products

ii. Securing market share of dominant markets

iii. Restructure the existing market by thrashing out competition by aggressively promoting the product.

iv. Increasing consumption levels of existing consumers

2. Market Development

Market development strategy as per Ansoff matrix is required when companies want to enter new markets with existing products. Under this, the firm sells existing products in new markets which can be done through-

a. Exploring new geographical markets

b. Changing the packaging for the new markets

c. Developing new distribution channels

d. Differentiated pricing in different markets.

3. Product development

As per Ansoff matrix, product development strategy is to be used when new products are introduced in already existing markets. Here, firm introduces new products into the existing markets. This is mainly done to adapt to the changing demands and accordingly modifying the products to create business.

4. Diversification

Diversification strategy in Ansoff matrix is a scenario where an absolutely new product concept is being launched for a new market. Under this, the firm ventures with new products into new markets. This is most risky strategy out of all the ones described above.

Advantages of Ansoff Matrix

Some advantages of Ansoff Matrix strategy for any business are:

1. It helps marketers to analyze the risk involved while moving in a particular direction
2. Ansoff matrix provides possible strategies for growth
3. It gives an assessment of all possible alternatives and opportunity costs
4. Gives the level of risk
5. Easy to construct and analyze

Disadvantages of Ansoff Matrix

Certain cons of this strategy are:

1. Product market growth matrix doesn't take Porters five forces into account
2. Accurate predictions are difficult
3. More of a theoretical model

Example of Ansoff Matrix

Let's take the example of Coca-Cola.

- Market Penetration: Coca-Cola penetrating the market with diet coke with zero sugar and low calories. It has been very successful product and gained a wide customer base.
- Coca-Cola is increasing their promotion by printing different relations on the coke can like Friend, Bhai, Dad, Mom, etc. with the aim of spreading happiness by gifting your relations a coke.
- Product development: Coca-Cola developing different flavoured drinks for example Fanta which was a new product but selling it in existing market.
- Market development: Coca-Cola expanding the vanilla flavoured coke in UK market after getting success in the US market.
- Diversification: Related diversification- Coca-Cola diversifying into health drinks as it anticipated that the drinks market is going towards less sugary future.
- Unrelated diversification- Coca-Cola offering official merchandise like pens.