ANSOFF MATRIX

The Ansoff Matrix is another marketing planning tool that helps a business determine its market growth strategy. This matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. A suggested growth strategy that depicts the business' strategy can be devised from this matrix.

Ansoff Matrix

	Existing Products	New Products
Existing Markets	**Market Penetration**	**Product Development**
New Markets	**Market Development**	**Diversification**

Ansoff's matrix provides four different growth strategies:

Market Penetration	The firm seeks to achieve growth with existing products in their current market segments, aiming to increase its market share. This strategy is the least risky because it uses the firm's existing resources and capabilities. However, this strategy has its limits and once the market approaches saturation another strategy must be pursued if the company wishes to keep growing.
Market Development	The company seeks growth by targeting its existing products to new market segments.
Product Development	the company develops new products targeted to its existing market segments
Diversification	The company grows by diversifying into new businesses by developing new products for new markets.

Setting a Product-Market Growth Strategy

The **market penetration** strategy is the least risky since it leverages many of the company's existing resources and capabilities. In a growing market, simply maintaining market share will result in growth, and there may exist opportunities to increase market share if competitors reach capacity limits. However, market penetration has limits and once the market approaches saturation another strategy must be pursued if the firm is to continue to grow.

Market development options include the pursuit of additional market segments or geographical regions. The development of new markets for the product may be a good strategy if the firm's core competencies are related more to the specific product than to its experience with a specific market segment. Because the firm is expanding into a new market, a market development strategy typically has more risk than a market penetration strategy.

A **product development** strategy may be appropriate if the company's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. Similar to the case of new market development, new product development carries more risk than simply attempting to increase market share.

Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the company. In fact, this quadrant of the matrix has been referred to by some as the "suicide cell". However, diversification may be a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk.