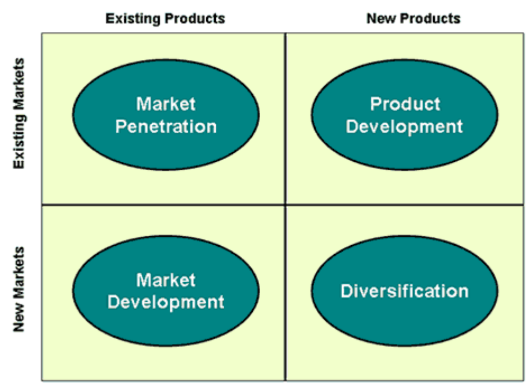
Georgia Tech | Georgia Manufacturing Extension Partnership
A unit of the Enterprise Innovation Institute

A Visual Tool to Identify Growth and Innovation Strategy

The Ansoff Matrix was developed by Igor Ansoff in the 1950's as a way to use a simple visual form to demonstrate how companies can grow their business. Although it's been around a long time, it is still a useful tool to look at growth strategy, review risk potential, and devise a plan of action. The matrix identifies the relationship between products and markets, both new and existing.



Breakdown & Explanation of the Matrix

Market Penetration

Market penetration falls in the upper left quadrant and historically speaking is the **easiest to grow from a risk perspective**. This quadrant represents your existing products or services that are being sold to existing customers/markets. To grow sales using this approach, you will need to increase your market share by selling more products to customers within your existing target markets. You can do this through conventional marketing approaches (e.g. advertising, awareness campaigns, investing more in your sales effort).

Product Development

The upper right quadrant is used as a strategy for developing new products for existing customers/markets. Often this quadrant includes product extensions or additional features in newer versions of an existing product. Many times the voice of your customer tends to guide the development. Somewhat more risky, this quadrant is still focused on existing markets which the company tends to know very well. In order to stay competitive, product differentiation should be your goal.

For more information on how GaMEP can help you develop an innovation model, contact:

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Market Development
The lower left quadrant strategy focuses on taking your existing product offerings and expanding them into new or adjacent markets that your company hasn't been a strong player in. Different markets may include additional segmentation into new geographical territories, new marketing channels (e.g. internet, retail, B2B, B2C), or totally new customer segments.

Diversification
The lower right quadrant is considered the riskiest strategy because of the unknowns involved in serving a new market with a new product. Company acquisitions, partnerships, and technology licensing are example strategies in this quadrant that could help your company minimize risk. This quadrant is potentially the most disruptive to the organization but can have some of the biggest rewards.

How to Use the Matrix

A simple exercise would be to visualize your current strategy by plotting where existing development efforts are focused. Of the products or services developed within the last 3 years, which quadrant did they most likely fall into? Quadrants with no activity can be seen as potential future growth opportunities. Visually showing where development has occurred can easily show the gaps in your strategy, whether by design or accident.

An Additional Growth Strategy

The model is not perfect and doesn't address strategy opportunities due to changes in a company's business model (how the company provides and captures value). Changes to your business model may not alter the current market or product but it can be highly disruptive and profitable, as it changes the way the product or service is delivered and how value is captured by the organization. A great example is the taxicab service. Traditionally, a taxi service has company-owned vehicles, takes incoming calls through a centralized dispatcher, who then assigns rides to drivers in the area. Uber is a similar service, matching up drivers with passengers needing a ride. The business model though is totally upended by using private car drivers to provide the service through riders requesting transportation on a smartphone application. Uber does not own the vehicles nor directly employ the drivers or a centralized dispatcher, which eliminates cost. Uber uses the smartphone application to connect the driver and passenger and collects the fee by direct billing a credit card based on the time and distance traveled as determined by the application. Uber keeps 20% of the fare, while the driver receives 80%. The use of smart phones, their applications and better Internet connectivity around the world enabled Uber to enter into a marketspace with an existing product, but a new application, disrupting the market share of the traditional taxicab service business model.

The business model in addition to the product/market matrix analysis are great ways to investigate growth opportunities. The benefit of looking at growth in a matrix format is that it provides both a systematic approach and visual method. When looking for new growth ideas, it is important to explore existing and new products, as well as market segments. The matrix provides a visual tool to show gaps in strategy or overlooked growth opportunities in products and markets. Additionally, the quadrant analysis provides a format to look at both incremental and breakthrough ideas because each quadrant is associated with a level of risk involved to implement that strategy.

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