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Product market grid

If you run a business, you know that taking a product to market is one of the most challenging aspects of the job. Because it can feel like such a formless, challenging process, people have been fighting to bring some structure to it for years. And one of the most effective methods is the product market expansion grid. Used by companies to plan for expanding product range, entering new markets, or boosting the sale of existing products, this grid provides a tried-and-true roadmap that can help you succeed. Here's what you need to know. What is the Product Market Expansion Grid? Also known as the Ansoff Matrix (named after Russian business manager and applied mathematician Igor Ansoff), the Product Market Expansion Grid is a tool designed to help companies grow (1). It does this by examining the link between existing products and new offerings, new and existing markets, and the risk associated with the relationships between these various elements. The matrix aids growth plans by introducing new or existing products in new or existing markets. While this doesn't exactly sound revolutionary, the matrix works uniquely: it's designed to allow companies to plot their new and existing products according to the markets they will be launched in. The matrix also considers the level of risk associated with a given strategy and provides it a corresponding spot on the grid. For example, developing a strategy that relies on existing products in existing markets is considered low-risk, while launching a new product in a new market is a high-risk venture. When eCommerce Companies Should Consider Product Market Expansion The beautiful thing about the product market expansion grid is that it's flexible. It can apply to many different companies in many different ecommerce settings, depending on the circumstances. As a general rule, these are good times to consider product market expansion: Your company wants to grow or increase the market share of your current products via promotions, pricing strategies, increased sales efforts, and new advertising. You're interested in securing or maintaining the dominance of growth markets and identifying the markets and channels that provide the best prospects for your current products. You want to gain market dominance and drive competitors out via promotional campaigns and aggressive pricing. You're interested in increasing the usage of a product with your existing customers by providing them with loyalty programs and special offers. You have a niche product, and you've reached a limit on your market's sales. You need to expand your market! If you're experiencing any of the above, product market expansion could be a good fit. The Product Market Expansion Grid The Product Market Expansion Grid is simple yet powerful. It works by offering four suggested strategies: Market Penetration, Market Development, Product Development, and Diversification (2). Here's a breakdown of each: Market Penetration Strategy This strategy is considered low-risk, as it involves existing products and existing markets. This strategy generates growth by focusing on leveraging a company's current products within its existing markets. In these instances, customers are generally aware of a product but are not purchasing it due to a flaw in the company's marketing strategy (3). Thus, the market penetration strategy focuses on the following: Using promotions, advertising, and pricing structures to increase or grow the market share for current products. Researching markets to identify which provide the best prospects and sales potential for existing products. Using competitive pricing and promotional/sales campaigns to push competitors out of existing markets. Providing loyalty programs and special offers to encourage existing customers to interact with a product more. Market Development Strategy This strategy involves some risk, as it leverages existing products in new markets. This strategy is ideal for companies that have identified previously overlooked markets or who want to significantly expand their market reach (4). The market development strategy utilizes the following tactics to drive results: Focusing on markets in new, unexplored geographical areas. Attracting new audiences through new pricing structures. Using new distribution channels to deliver products to customers. Leveraging advertising and content marketing to reach new audience segments. Product Development Strategy Like the market development strategy, product development strategy involves some risk. This one leverages new products in existing markets. This tactic is ideal for companies who want to launch a new product in an existing market. It's great for times when products that used to be popular aren't selling any longer. Companies must approach this strategy with caution, though, since it tends to be more expensive and time-consuming than market-focused tactics. To work, companies must collect detailed market analysis, including data on customer needs. This early research helps ensure products are useful and will stimulate growth. The product development strategy uses the following methods: Taking existing products and adding new features or elements to them. Improving existing products through innovation. Diversification Strategy The Diversification Strategy is the highest risk strategy in the product market expansion universe. Used when companies want to introduce new products to new markets, diversification requires a significant commitment of both time and resources. Don't let that stop you, though: while diversification is likely to be the most expensive approach, it's also one of the most productive. By leveraging diversification strategy, a company basically "hedges its bets." In other words, the company ensures that should its products suffer in one sector, it will be able to rely on another, less affected sector. Additionally, this strategy helps brands grow their skills, utilize new technology, and master data and advertising in a more functional way (5). As it stands now, there are three separate, unique diversification strategies: concentric diversification, horizontal diversification, and conglomerate diversification. Horizontal Diversification Horizontal diversification is the introduction of new products. These products are unrelated to the company's primary product offerings and its current markets. Concentric Diversification Concentric diversification leverages a company's technical skill and experience to bring existing products to new markets. Conglomerate Diversification Conglomerate diversification happens when a company buys another company to diversify offerings. How to Bring it all Together While the four arms of the product market expansion grid are useful, there's a time and a place for each, and understanding how (and when) to use them is critical to their success. To ensure this, you need a professional that can move fluidly through the different phases and considerations of the product market expansion grid. As a general rule, full-stack marketing experts are best suited for this role (6). Because they're "multi-lingual" when it comes to the technology and marketing strategies used by high-performing businesses, they're the ideal team members to help you leverage different tactics (including advertising, content marketing, and market research) to expand your product's market and increase sales (7). Ready to learn more about full-stack marketing or how hiring a diverse full-stack expert can help your company grow? Contact Blacksmith Digital today. The Ansoff Matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth.[1][2] It is named after Russian American Igor Ansoff, an applied mathematician and business manager, who created the concept. Diagram showing the Ansoff Matrix Growth strategies Ansoff, in his 1957 paper, provided a definition for product-market strategy as "a joint statement of a product line and the corresponding set of missions which the products are designed to fulfil".[3] He describes four growth alternatives for growing an organization in existing or new markets, with existing or new products. Each alternative poses differing levels of risk for an organization: Market penetration In market penetration strategy, the organization tries to grow using its existing offerings (products and services) in existing markets. In other words, it tries to increase its market share in current market scenario. This involves increasing market share within existing market segments. This can be achieved by selling more products or services to established customers or by finding new customers within existing markets. Here, the company seeks increased sales for its present products in its present markets through more aggressive promotion and distribution.[citation needed] This can be accomplished by: Price decrease Increase in promotion and distribution support Acquisition of a rival in the same market Modest product refinements This is the least risky growth option. Market development In market development strategy, a firm tries to expand into new markets (geographies, countries etc.) using its existing offerings and also, with minimal products/services development. This can be accomplished by: Different customer segments Industrial buyers for a good that was previously sold only to the households; New areas or regions of the country Foreign markets. This strategy is more likely to be successful where: The firm has a unique product technology it can leverage in the new market It benefits from economies of scale if it increases output The new market is not too different from the one it has experience of The buyers in the market are intrinsically profitable. This additional quadrant move increases uncertainty and thus increases the risk further. Product development In product development strategy, a company tries to create new products and services targeted at its existing markets to achieve growth. This involves extending the product range available to the firm's existing markets. These products may be obtained by: Investment in research and development of additional products; Acquisition of rights to produce someone else's product; Buying in the product and "badging" it as one's own brand; Joint development with ownership of another company who need access to the firm's distribution channels or brands. This also consists of one quadrant move so is riskier than Market penetration and a similar risk as Market development. Diversification In diversification an organization tries to grow its market share by introducing new offerings in new markets. It is the most risky strategy because both product and market development is required. Related Diversification—there is relationship and, therefore, potential synergy, between the firms in existing business and the new product/market space. Concentric diversification, and (b) Vertical integration.[clarification needed] Unrelated Diversification: This is otherwise termed conglomerate growth because the resulting corporation is a conglomerate, i.e. a collection of businesses without any relationship to one another. A strategy for company growth by starting up or acquiring businesses outside the company's current products and markets. Diversification consists of two quadrant moves so is deemed the riskiest growth option. Uses The Ansoff Matrix is a useful tool for organizations wanting to identify and explore their growth options. Although the risk varies between quadrants, with Diversification being the riskiest, it can be argued that if an organization diversifies its offering successfully into multiple unrelated markets then, in fact, its overall risk portfolio is lowered. Criticisms Isolation challenges Used by itself, the Ansoff matrix could be misleading. It does not take into account the activities of competitors and the ability for competitors to counter moves into other industries. It also fails to consider the challenges and risks of changes to business-as-usual activities. An organization hoping to move into new markets or create new products (or both) must consider whether they possess transferable skills, flexible structures, and agreeable stakeholders. Logical consistency challenges The logic of the Ansoff matrix has been questioned. The logical issues pertain to interpretations about newness. If one assumes a new product really is new to the firm, in many cases a new product will simultaneously take the firm into a new, unfamiliar market. In that case, one of the Ansoff quadrants, diversification, is redundant. Alternatively, if a new product does not necessarily take the firm into a new market, then the combination of new products into new markets does not always equate to diversification, in the sense of venturing into a completely unknown business.[4] See also Business model Business triage First-mover advantage Marketing Market segmentation Strategic planning References ^ "Quick MBA: Ansoff Matrix". quickmba.com. Retrieved 27 June 2014. ^ "MBAskool: Ansoff Matrix". mbaskool.com. Retrieved 27 June 2014. ^ Ansoff, I. Strategies for Diversification, Harvard Business Review, Vol. 35 Issue 5, Sep-Oct 1957, pp. 113-124 ^ Dawes, John (2018). "The Ansoff Matrix: a legendary tool, but with two logical problems". 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(2003) 'The impact of market orientation on product innovativeness and business performance', International Journal of Research in Marketing, Vol. 20, No. 4, pp. 355-376.Article Google Scholar Page 2 From: The contemporary product-market strategy grid and the link to market orientation and profitability Market orientation Product-market growth strategy Low High Total number of firms Penetration and saturation 30 21 51 Market development 3 2 5 Intensive market development 2 2 4 Product development 4 4 8 Related diversification 1 5 6 Product and intensive market development 1 0 1 Intensive product development 7 5 12 Market and intensive product development 1 1 2 Intensive growth 3 17 20 Total number of

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