What is the Ansoff Matrix?

The Ansoff Matrix, which is designed by Igor Ansoff, classifies and explains different growth strategies for a company. This matrix is used by companies that have a growth target or a strategy of specialisation. This tool, which allows making a cross analysis of the products and markets of a company, facilitates decision making. The Ansoff matrix offers four strategies to achieve objectives:

- Penetration of the market;
- Extension of the market;
- New products;
- Diversification.

Golden Rules

- **Opportunity** = the matrix provides not only the opportunity to expand on an existing market but one can also explore the possibility to withdraw from the market or find new markets.
- **Risk** = each strategy will have a different risk level. This risk increases proportionally with the level of change. Diversifying is more risky than increasing the penetration of a product on an existing market.

Structure of the Ansoff Matrix

- **Penetration of the market**: The company is trying to expand its sales in the existing market. Existing products are sold to current customers. The product is not modified but the firm is seeking to increase its revenues by means of promoting or repositioning its products. One has to convince potential clients and divert competitors.

- **Extension of the market**: The company is trying to increase its sales by introducing its products on new markets. A range of existing products is introduced on new markets. Again, the product is not modified, it will just be sold to a new target (e.g. through export). By taking into account cultural differences, the products may undergo minor changes.

- **New products**: The company is increasing its sales by introducing new or modified products on the market. There will be several versions of the product (different styles, sizes, etc.). The new products are sold to the customers through existing distribution channels.

- **Diversification**: In this case the company will launch new products for new customers. There are several diversification strategies:
Horizontal Diversification: The company is developing a new product or activity capable of satisfying the same clientele, even if the new products are technologically independent of the existing products.

Vertical Diversification: The company starts to do the work of its suppliers and/or customers.

Concentric Diversification: The company develops new products/activities with a complementary technology to existing products/activities. These products may attract a new group of customers and there will be a transfer of key skills.

Diversification by conglomerate: the company has different products/activities for various markets. The firm now settles on a market.