



THE TIMES 100

BUSINESS CASE STUDIES

Ansoff's Matrix – Enterprise Rent-A-Car

In 1957, Enterprise was founded by Jack Taylor, an entrepreneur, in Missouri, USA. Starting with just seven cars he invested his money and ideas into Executive Leasing, which later became Enterprise. Since then the company has become the largest car rental company in North America, and arguably the world. One way of analysing the various strategies that an organisation may use to grow the business is with Igor Ansoff's (1965) matrix. This considers the opportunities of offering existing and new products within existing and/or new markets and the levels of risk associated with each. This matrix suggests four alternative marketing strategies:



a) Market penetration - involves selling more established products into existing markets, often by increased promotion or price reductions or better routes to market, for example online.

b) Product development - involves developing new products or services and placing them into existing markets.

c) Market development - entails taking existing products or services and selling them in new markets.

d) Diversification - involves developing new products and putting them into new markets at the same time.

Increasing risk →			↑ Increasing risk
Product \ Market	Existing products	New products	
Existing markets	Market penetration	Product development	
New markets	Market development	Diversification	

Diversification is considered the most risky strategy. This is because the business is expanding into areas outside its core activities and experience as well as targeting a new audience. It also has to bear the costs of new product development. Enterprise has focused most of its growth strategies on market development, product development and diversification.

- **Market development** - Enterprise locates its branches as close as possible to its customers. The convenience of this service gives Enterprise a competitive advantage. However, in response to customer needs, Enterprise opened its first on-airport location in 1995. The demand for this service was so great that by 2005 Enterprise had over 200 on-airport branches. This meant that Enterprise kept ahead of its competitors and increased its market share.
- **Product development** - Product development strategies have helped Enterprise to develop services in a market where it was already an established and profitable business (medium risk). Examples of Enterprise's product development include its unique Pick-up service. This helped to lead the market in this product offering. Enterprise's Flex-E-Rent service (a long term vehicle rental solution designed to meet the growing needs of today's businesses) and its Business Rental Programme (offering customers a bespoke programme with special pricing) are examples of product developments.
- **Diversification** - Diversification strategies involve widening an organisation's scope across different products and market sectors. It is associated with higher risks as it requires an organisation to take on new experience and knowledge outside its existing markets and products. Car Sales was established by Enterprise in 1962. This business involves selling used cars to both the public and businesses. It is now one of the largest sellers of used cars in the USA. In 1977 Enterprise invested in Mexican Inn Chili Products. However, the company had little experience of both the packaged goods industry and the packaged food business. Poor sales and a guaranteed buy-back arrangement with retailers meant that the business did not make a profit. Therefore the company sold the business but learned a lot from the experience. This last example illustrates the risk that diversification poses. Just because a business is successful, like Enterprise, it can never guarantee success in every venture it undertakes.



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Questions

1. What is Ansoff's Matrix?

2. List the four strategies in the matrix.

3. Explain the difference between market penetration and market development.

4. Discuss whether organisations should use diversification as a growth strategy. Use examples from the case study to help.

Task

Scenario: You are on a work experience placement at a business that has so far specialised in designing and making shop front signage for organisations in the local area. The firm has enjoyed a lot of success since it first opened three years ago but the managing director is concerned that the local market is saturated. She has asked you to put together a report explaining how the firm could grow using each of the four strategies in Ansoff's Matrix.

For each strategy:

- Define it
- Explain how the signage company could use the strategy . use specific examples
- Give the level of risk associated with the strategy

At the end of the report, recommend one strategy that the firm should move forward on. Justify your recommendation.

What have you learned?

Create a Comic Strip which incorporates your learning about Ansoff's Matrix. This can be done by hand, on computer or using an appropriate mobile device app such as Strip Designer.