



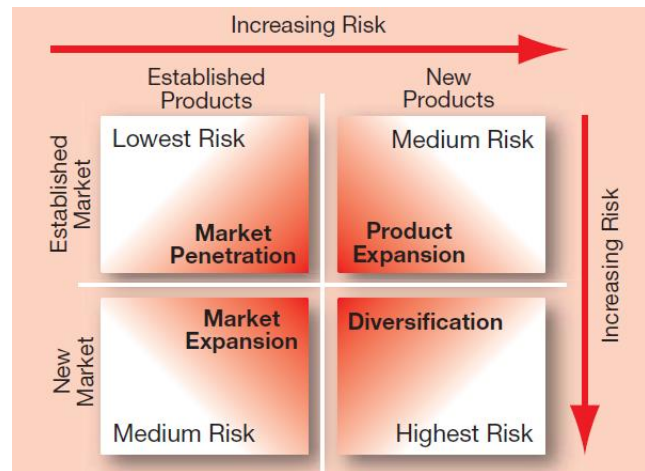
THE TIMES 100

BUSINESS CASE STUDIES

Ansoff's Matrix – Portakabin

Portakabin provides its customers with modular buildings. These are buildings which are manufactured in one place and then transported to another to provide unique solutions to the accommodation needs of its customers. Examples include additional buildings for schools and hospitals. To closely meet the needs of its customers *Portakabin* hires or sells a range of products that are not simply buildings. For example, *Portakabin* now supplies air conditioning units for the buildings that it constructs. It provides products and services that complement the buildings and **add value** for each customer in order to serve their **total product** effectively.

Igor Ansoff was a Russian/American mathematician who applied his work to the world of business. His most famous work is the Ansoff Matrix. The purpose of this matrix is to help managers consider how to grow their business. In this way he was helping managers to assess the differing degrees of risk associated with moving their organisation forward. Ansoff's matrix suggests four alternative marketing strategies which hinge on whether products are new or existing. They also focus on whether a market is new or existing. Within each strategy there is a differing level of risk.



The four strategies are:

- Market penetration**. This involves increasing market share within existing **market segments**. This can be achieved by selling more products/services to established customers or by finding new customers within existing markets.
- Product development**. This involves developing new products for existing markets. Product development involves thinking about how new products can meet customer needs more closely and outperform the products of competitors.
- Market development**. This strategy entails finding new markets for existing products. Market research and further segmentation of markets helps identify new groups of customers.
- Diversification**. This involves moving new products into new markets at the same time. It is the most risky strategy. The more an organisation moves away from what it has done in the past, the more uncertainties are created. However, if existing activities are threatened, diversification helps to spread risk.

Portakabin focuses on its **core activities**. These are the activities that it has the most experience of and has a reputation for producing. For *Portakabin* this is factory-manufactured buildings as this is what its reputation has been built around. To increase sales *Portakabin* decided that product development was the best marketing strategy to use. This strategy would allow *Portakabin* to provide more choices for its customers in order to meet their needs more closely. This strategy allowed *Portakabin* to improve its products with a medium level of risk. It has therefore developed a range of new products called Essential Business Solutions (EBS). The purpose of EBS was to develop products that more closely meet the needs of its customers. *Portakabin* used market research, technological developments and feedback from customers to produce a product development strategy. Through product development *Portakabin* aims to meet the changing needs of its customers and increase the total spend per customer. Through offering more products and services it hopes to increase profits.

Questions

1. What is Ansoff's Matrix?

2. List the four strategies in the matrix?

3. Explain why firms like Portakabin might be reluctant to grow through diversification.

4. Analyse the factors that might affect the level of risk companies are prepared to take when deciding on a growth strategy using Ansoff's Matrix.

Task

Scenario: You are the Marketing Director for a large soft drinks manufacturer in the UK. The business currently sells a range of fruit-flavoured fizzy drinks in both cans and 1-litre plastic bottles. The products are distributed around most of England, Scotland and Wales.

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 drinks 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 mind map of your learning about Ansoff's Matrix. This can be done by hand, on computer or using an appropriate mobile device app.