Exercise walk-through

Marketing strategy ▪ 8.2

eXercise

You must be able to

- describe Ansoff's four growth strategies and their risk
- explain product portfolio analysis and the ways to enter a foreign market
- analyse and evaluate a marketing strategy for growth

Method — Ansoff's matrix

- **Market penetration** (existing product, existing market) — safest.
- **Product development** (new product, existing market) and **market development** (existing product, new market).
- **Diversification** (new product, new market) — riskiest (both are new).
- **International entry:** exporting (least risk/control) → joint venture → own branch (most). **Localisation** adapts the mix to local tastes and laws.

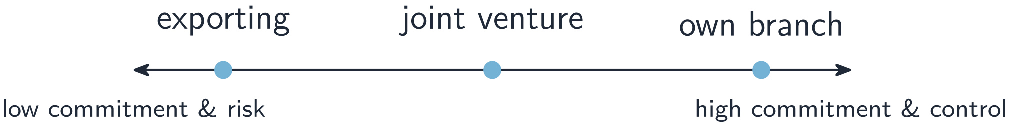
Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

Method — Ansoff's matrix

	Existing products	New products
Existing markets	**Market penetration** sell more to the same market	**Product development** new product, same market
New markets	**Market development** same product, new market	**Diversification** new product, new market (riskiest)

Ansoff's four growth strategies — risk rises towards diversification

Method — Ansoff's matrix



Practice 2.1 ▪ 2 marks

State what **market penetration** means in Ansoff's matrix.

Solution 2.1

Method: Ansoff's matrix

Worked steps

selling more of an existing product to its existing market (2 for a clear idea; 1 for a partial idea).

Practice 2.2 ▪ 2 marks

State why **diversification** is the riskiest growth strategy.

Solution 2.2

Method: Ansoff's matrix

Worked steps

because both the product and the market are new, so the firm has no experience of either, giving the highest chance of failure (2 for a clear reason; 1 for a partial idea).

Practice 2.3 ▪ 2 marks

Define the term *localisation*.

Solution 2.3

Worked steps

adapting the marketing mix (product, price, promotion, place) to suit a local market's tastes, language, laws or incomes (2 for a clear definition; 1 for a partial idea).

Exam-style 3.1 ▪ 3 marks

Explain one reason a business might choose **market development** to grow.

Solution 3.1

Method: Ansoff's matrix

Worked steps

[3] **AO1** 1 — give a reason (the home market is saturated; to use spare capacity; a new region wants the product). **AO2** up to 2 — develop it, e.g. selling the existing product in a new country reaches more buyers $\rightarrow$ higher sales $\rightarrow$ without the cost of developing a new product (2 developed / 1 limited).

Exam-style 3.2 ▪ 8 marks

Analyse two ways a business could enter a foreign market.

Solution 3.2

Method: Ansoff's matrix

Worked steps

[8] For **each** of two ways: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *exporting*: sell from the home base → low cost and risk → but less control over how it is sold. *Joint venture*: partner with a local firm → local knowledge and shared risk → faster entry, but profit and control are shared. Maximum 4 per way, 8 total.

Exam-style 3.3 ▪ 12 marks

A successful firm wants to grow. Evaluate whether it should use **market penetration** or **diversification**.

Solution 3.3

Method: Ansoff's matrix

Worked steps

[12] **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Market penetration:** low risk, uses what the firm knows — but limited growth if the market is saturated. **Diversification:** large growth and spreads risk — but the highest chance of failure, needing new skills and finance. Judgement: a cautious firm should grow first by penetration or development, turning to diversification only when it has the resources and the core market is exhausted — the choice depends on its finances and the state of its current market.