

Global decisions in a Global Market place

In an ever shrinking world tough decisions need to be made in order for organisations to maintain their market position and compete against emerging markets

Recent decades have seen rapid growth of the world economy. This growth has been driven in part by the even faster rise in international trade. The growth in trade is in turn the result of both technological developments and concerted efforts to reduce trade barriers. Some developing countries have opened their own economies to take full advantage of the opportunities for economic development through trade, but many have not.

Over the past 20 years, the growth of world trade has averaged 6 percent per year, twice as fast as world output. This has enabled consumers to access a wider choice of products from across the world. For organisations this poses both opportunities for marketing their products in new countries, but they are also exposed to increased competition. Organisations are faced with major dilemmas in order to thrive and survive; tools such as the Ansoff matrix demonstrate the choices available.

		Products	
		Present	New
Markets	Present	Market Penetration	Product Development
	New	Market Development	Diversification

The Ansoff **Product-Market Growth Matrix** marketing tool was created by Igor Ansoff, it was first published in the Harvard Business Review (1957) in an article called 'Strategies for Diversification'. The matrix enables marketers to consider ways to expand and or maintain an organisation's market position by reviewing both markets and products. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

- **Market penetration** occurs when a company enters or penetrates a market with existing products. The best way to achieve this is by gaining competitors' customers (increasing their market share). Other ways include attracting current customers to use more of your product/service, with advertising or other promotions. Organisations that implement this strategy invest in relationship marketing with new and existing customers. Nationwide have adopted this approach in their marketing campaign by stating that their preferential mortgage rates are not just available to 'Brand new customers only'. They are promoting existing products to both new and existing customers here.
- **Product development** refers to significant new product developments and not minor changes in an existing product of the firm. The reasons that justify the use of this strategy include one or more of the following: to utilise of excess production capacity, counter competitive entry, maintain the company's reputation as a product innovator, exploit new technology, and to protect overall market share (Lynch, 2003). Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive. Flash (owned by Proctor and Gamble) developed cleaning wipes to complement their

existing spray, cream and foam cleaners. These new products were attractive to young professionals and young families where time is at a premium and bacteria and the spread of infection is important. Flash found that instead of replacing existing products, about 70 per cent of those who buy cleaning wipes also brought liquids and sprays.

- **Market development.** An established product in the marketplace can be adapted or marketed to a different customer segment. Examples of this can include new markets in the organisation's existing country or new markets in new countries. Lucozade was first marketed for sick children and then rebranded to target athletes. Tesco have opened stores in over 12 countries and are now seen as a truly global organisation.
- **Diversification** is when a company moves out of its current products and markets into new areas; therefore, diversification is a high-risk strategy as it involves taking a step into a territory where the parameters are unknown to the company. The risks of diversification can be minimised by moving into related markets. The Virgin group, Tesco, Amazon and the Easy Group are all modern examples of how diversification works. Virgin Cola, Virgin Megastores, Virgin Airlines, Virgin Telecommunications are examples of new products created by the Virgin Group of UK, to leverage the Virgin brand. This resulted in the company entering new markets where it had no presence before. Tesco and Amazon have leveraged their e-commerce capability by introducing new product lines to new markets through the same sales channel. The internet has enabled firms to easily access new customers and market new products at existing customers. The risks of diversification is minimised by forming joint ventures to tap into the product and market information. Tesco have successfully implemented this with their pay-as-you-go mobile contracts in partnership with O2.

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For every successful example of these strategies follows a myriad of failures. Coca-Cola launched new recipe Coke back in the 80's only for it to be withdrawn and original recipe Coke relaunched. The historical recipe is now a unique selling point for Coca-Cola. When McDonalds entered new markets they soon realised that their products did not have universal appeal; many Indians for example are vegetarian and do not eat beef so the menu includes items such as McAloo Tikka and Chicken Maharaja Mac. Equally in France you can enjoy a Croque McDo, in Hong Kong a Grilled Curry Pork Burger and the McArabia Chicken in Kuwait as new products were developed or tweaked in order to cater for different tastes.

Summary

In order to assess these risks the Ansoff model should not be used in isolation. Combining it with SWOT and PESTLE tools will help identify the risks and opportunities associated with each strategy. Recommendations made on the basis of only one of the models are not concrete and lack in depth, it is therefore sensible to consult cross functional teams with a variety of marketing and strategy models to make more informed decisions.

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