The Ansoff Model

- The Ansoff Matrix is also called the ‘Product Market Expansion Grid’.
- The Ansoff Matrix was introduced by H. Igor Ansoff through a Harvard Business Review article in 1937.
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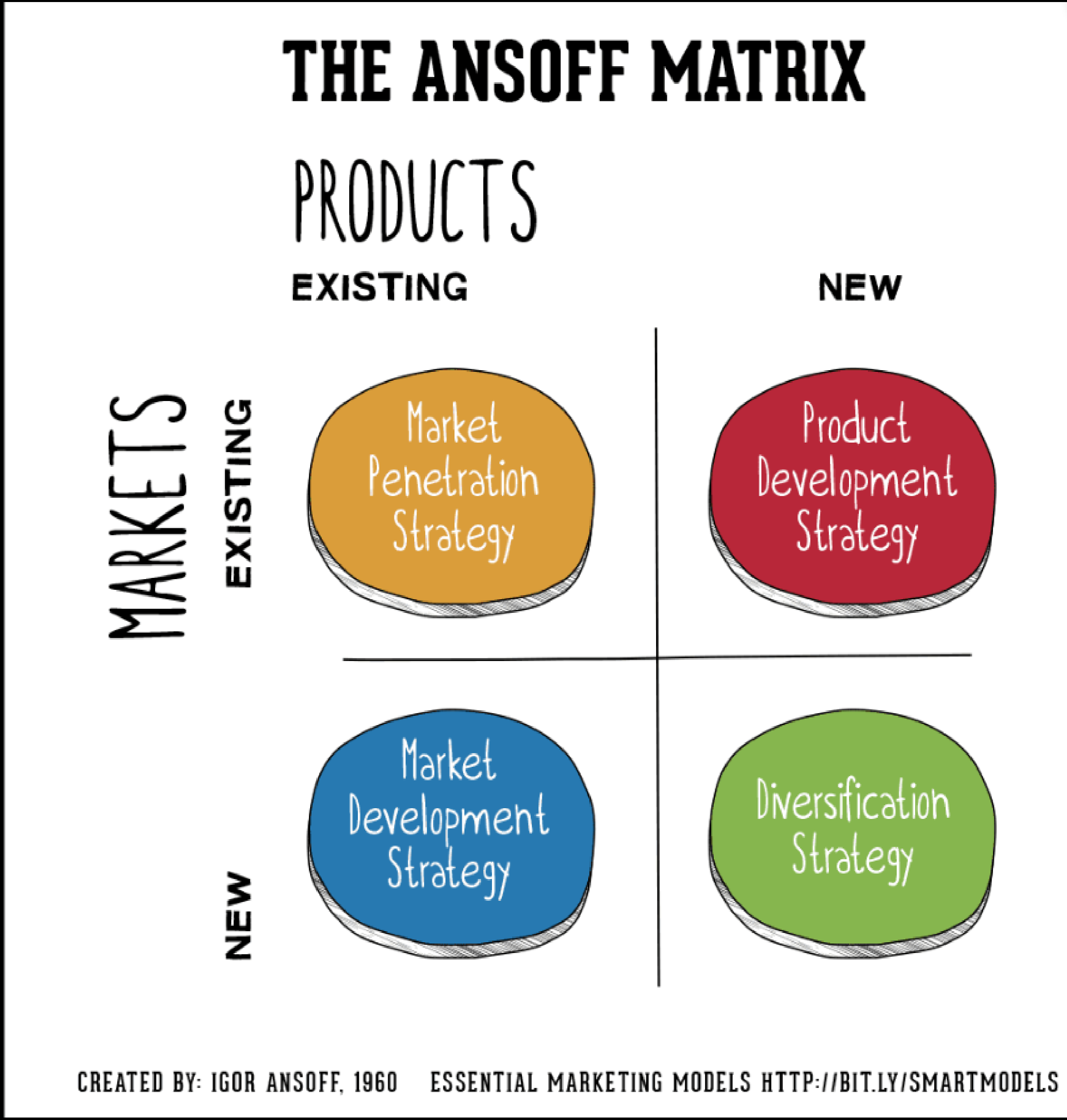
- Helps marketers identify opportunities to grow revenue for a business through developing new products and services or "tapping into" new markets.
- It is used to evaluate opportunities for companies to increase their sales through showing alternative combinations for new markets (i.e. customer segments and geographical locations) against products and services offering four strategies as shown.



Strategic questions that can be answered using the matrix include:

- **Market Penetration:** How to sell more of your existing products or services to your existing customer base?
- **Market Development:** How to enter new markets?
- **Product and Development:** How to develop existing products or services.
- **Diversification:** How to move into new markets with new products or services, increase your sales with your existing customer base as well as acquisition.


PRODUCTS
EXISTING
NEW
MARKETS
EXISTING
NEW
MARKET PENETRATION
1
PRODUCT DEVELOPMENT
3
MARKET DEVELOPMENT
2
DIVERSIFICATION
4
INCREASING RISK
INCREASING RISK
* = Relative risk
1 = Low
4 = High

Market Penetration

- The least risky, in relative terms, is market penetration.
- Management seeks to sell more of its **existing products into markets** that they're familiar with and where they have existing relationships.
- Typical execution strategies include:
  - Increasing marketing efforts or streamlining distribution processes
  - Decreasing prices to attract new customers within the market segment
  - Acquiring a competitor in the same market

Market Penetration - Example

Consider a consumer packaged goods business that sells into grocery chains.

Management may seek greater penetration by amending pricing for a large chain in order to secure incremental shelf space not just for packaged food products but also for several lines of its pet food products, too.

Market Development

- A market development strategy is the next least risky because it does not require significant investment in R&D or product development.
- Rather, it allows a management team to leverage existing products and take them to a different market.
- Approaches include:
  - Catering to a different customer segment or target demographic
  - Entering a new domestic market (regional expansion)
  - Entering into a foreign market (international expansion)

Product Development

- **A business that firmly has the ears of a particular market or target audience may look to expand its share of wallet from that customer base.**
- **Think of it as a play on brand loyalty, which may be achieved in a variety of ways, including**
  - Investing in R&D to develop an altogether new product(s).
  - Acquiring the rights to produce and sell another firm’s product(s).
  - Creating a new offering by branding a white-label product that’s actually produced by a third party.

Product Development - Example

- An example might be a beauty brand that produces and sells hair care products that are popular among women aged 28-35.
- In an effort to capitalize on the brand's popularity and loyalty with this demographic, they in**vest heavily in the production of a new line of hair care products, hoping that the existing target market will adopt it.**

Diversification

- In relative terms, a diversification strategy is generally the highest risk endeavor; after all, both product development *and* market development are required.

- While it is the highest risk strategy, it can reap huge rewards – either by achieving altogether new revenue opportunities or by reducing a firm's reliance on a single product/market fit (for whatever reason).

Two types of diversification strategies

- **Related Diversification** – Where there are potential synergies that can be realized between the existing business and the new product/market.

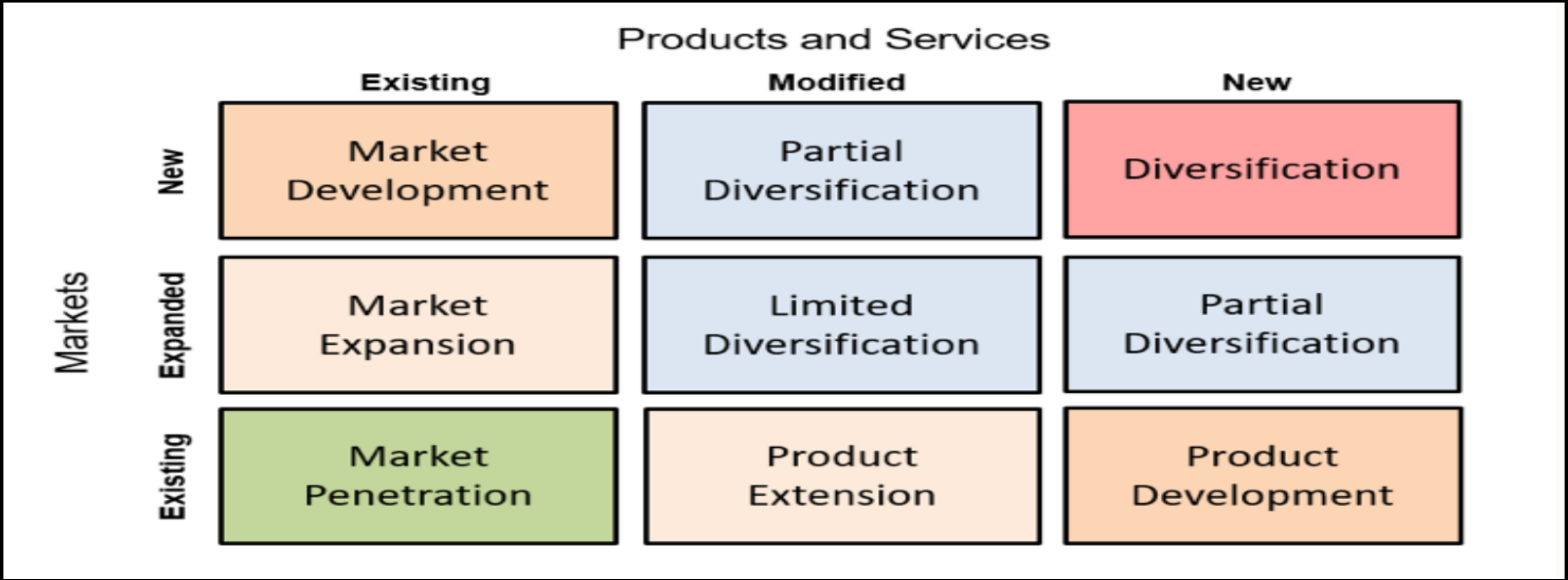
  An example is a producer of leather shoes that decides to produce leather car seats. There are almost certainly synergies to be had in sourcing raw materials, although the product itself and the production process will require considerable investment in R&D and production.

- **Unrelated Diversification** – Where it's unlikely that any real synergies will be realized between the existing business and the new product/market.

  Example: Consider if management wanted to reduce its overall reliance on the (highly cyclical) consumer discretionary high-end shoe business, they might invest heavily in a consumer packaged goods product in order to diversify.

Increasing the granularity for more options

- The Ansoff Matrix is sometimes used in a 3 x 3 format.



Ansoff Matrix in a 3 x 3 format

- **Market Expansion**: Look at an adjacent geographical region, or into an adjacent customer segment with the same product.
- **Product Extension:** This does not involve a change in the product, but minor modifications.
- **Limited and Partial Diversification:** This provides growth options which are not as drastic as complete diversification.

Assigning Resources to SBUs

- The purpose of identifying the company's strategic business units (SBUs) is to develop separate strategies and assign appropriate funding to the entire business portfolio.
- Senior managers generally apply analytical tools to classify all of their SBUs according to profit potential.

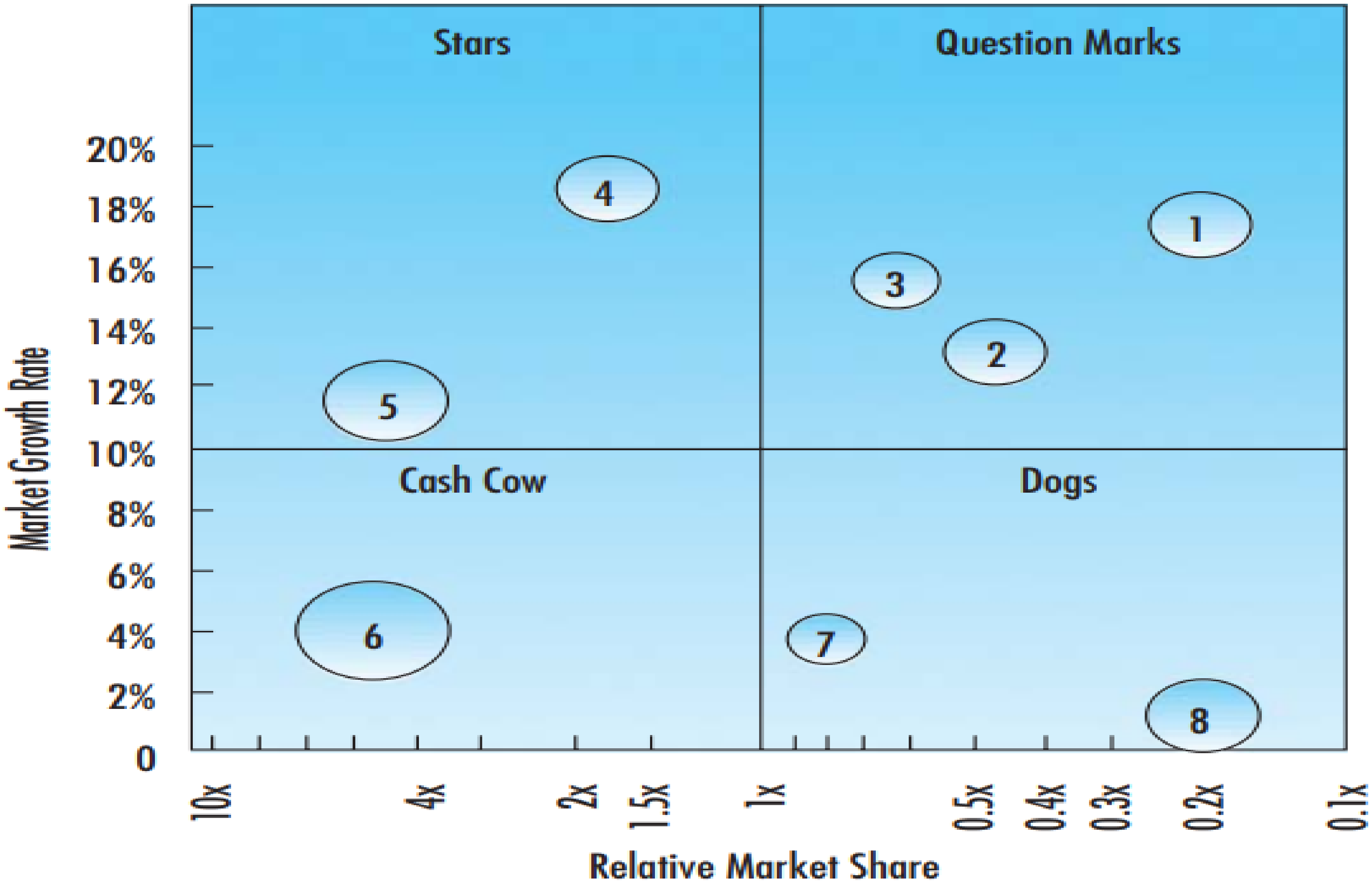


Figure 1-5 The Boston Consulting Group's Growth-Share Matrix

1. **Build**: The objective here is to increase market share, even forgoing short-term earnings to achieve this objective if necessary. Building is appropriate for question marks whose market shares must grow if they are to become stars.
2. **Hold**: The objective in a hold strategy is to preserve market share, an appropriate strategy for strong cash cows if they are to continue yielding a large positive cash flow.
3. **Harvest**: The objective here is to increase short-term cash flow regardless of long-term effect. Harvesting involves a decision to withdraw from a business by implementing a program of continuous cost retrenchment. The hope is to reduce costs faster than any potential drop in sales, thus boosting cash flow. This strategy is appropriate for weak cash cows whose future is dim and from which more cash flow is needed. Harvesting can also be used with question marks and dogs.
4. **Divest**: The objective is to sell or liquidate the business because the resources can be better used elsewhere. This is appropriate for dogs and question marks that are dragging down company profits.

Planning New Businesses, Downsizing Older Businesses

- One option is to identify opportunities to achieve further growth within the company's current businesses (intensive growth opportunities).
- A second option is to identify opportunities to build or acquire businesses that are related to the company's current businesses (integrative growth opportunities).
- A third option is to identify opportunities to add attractive businesses that are unrelated to the company's current businesses (diversification growth opportunities).

Intensive growth

- Ansoff has proposed the product–market expansion grid as a framework for detecting new intensive growth opportunities.
- Market-penetration strategy : Encouraging current customers to buy more, attracting competitors’ customers, or convincing nonusers to start buying its products.
- Market-development strategy: Find or develop new markets for its current products.
- Product-development strategy : Then it considers whether it can develop new products for its current markets.
- Diversification strategy: Review opportunities to develop new products for new markets.

Integrative growth

- Backward integration (acquiring a supplier),
- Forward integration (acquiring a distributor), or
- Horizontal integration (acquiring a competitor).

Diversification growth

- Three types of diversification are possible
  - Concentric diversification strategy
    - Seek new products that have technological or marketing synergies with existing product lines, even though the new products themselves may appeal to a different group of customers.
  - Horizontal diversification strategy
    - The company might search for new products that appeal to its current customers but are technologically unrelated to the current product line
  - Conglomerate diversification strategy
    - Company might seek new businesses that have no relationship to the company’s current technology, products, or markets

Examples of applicability of Ansoff Matrix

Ansoff Matrix of Lufthansa Airline

- **Market Penetration**
  - Recently repositioned its low-cost subsidiary, Euro wings
  - Growth in the number of passengers
  - Increase in the number of flights
- **Product Development**
  - Lufthansa is producing new product lines by utilizing parts of its old aircraft.
  - Upcycled products involve furniture, accessories, and models.

- **Market Development**
  - New Euro wings long haul routes from summer 2020.
  - Euro wing now takes passengers to the United States and India through modern and newly invented aircraft.
- **Diversification**
  - started operating its flight from various new directions/routes from Frankfurt and Munich in the future.
  - New aircrafts A350-900 will be used to provide flight services into new routes.
  - Besides this, code-sharing flights will be utilized with the subsidiary airline “Euro wings”, which operates through Airbus A330.

Successful airline marketing campaigns

These campaigns have helped these airlines establish strong brand identities and connect with their target audiences effectively.

Here are a few notable examples of successful airline marketing campaigns in India:

1. **IndiGo Airlines**:
   - **“On-Time, Every Time”**: IndiGo has built its brand around punctuality, affordability, and hassle-free service.
   - Their marketing emphasizes reliability and efficiency, which resonates well with frequent travelers[1].
2. **Air India**:
   - **The Maharajah Mascot**: Air India’s iconic Maharajah mascot has been a central figure in its advertising for decades.
   - This character has helped create a unique and recognizable brand identity.

Importance of online marketing and digital presence for airlines today

- Travelers book and search flights digitally
- Airlines must have robust, user-friendly websites, mobile apps, and engage customers on social media to attract and convert customers.
- An optimized digital presence is essential for success.

Challenges faced by budget carriers in terms of marketing

- Budget carriers have limited marketing budgets.
- Need to maximize economies of scale through promotions.
- Creative brand building through social media,
- Engaging repeat customers through loyalty programs to compete effectively with established airlines.

Leveraging customer data for personalized marketing

- Step 1:
- Analyzing
  - Travel histories,
  - Search History,
  - Purchases and
  - Engagement via apps/websites
- Step 2:
- Personalizing communications based on individual interests.
  - Offering tailored destination recommendations,
  - Reminding customers of loyalty tier benefits, and
  - Re-market to those searching but not yet booking.

Using influencer marketing in the airline industry

- Partnering with travel bloggers and vloggers and social media influencers
  - Endorse destinations products and loyalty programs
  - This creates buzz and evangelizes brands in an authentic way to younger audiences.

Role of content marketing in airlines

- Airlines use blogs, videos and other long-form content to inform travelers, drive website traffic and build their brands as thought leaders.
- Instructional trip planning guides, destination deep dives, and travel lists promote brands subliminally while helping users.

Application of AR and VR in airline marketing?

- Use AR/VR to visualize the onboard experience for different cabin classes via mobile apps and websites.
- This improves transparency and increases purchases by addressing passenger concerns like legroom virtually before booking.

What new loyalty program features do customers want?

- Customers want more rewards redemption flexibility.
- They also value downtime amenities like
  - lounge access,
  - preferred seating/baggage,
  - faster security;
  - upgrades

How does video marketing fit into airline strategies?

- Branded videos educating or entertaining travelers garner more engagement than images/text alone online.
- They serve marketing goals while demonstrating
  - an airline's personality,
  - destination offerings or
  - new amenities.
- Videos are shared socially expanding organic reach.

What role could blockchain play for airlines in the future?

- Blockchain could make bookings/ticketing instant and digital.
- It may also help trace counterfeit tickets, enhance loyalty rewards ledgers, create smart contracts for ancillary bookings, and address passengers' security/identification needs through decentralized apps.

Future of Airline Marketing

To explore seven key trends.

Trend 1: Digital Transformation

- Airlines are leveraging digital tools to enhance operations and customer interactions.
- **Impact:**
  - **Improved Customer Experience:** AI-powered chatbots, mobile apps, and personalized recommendations.
  - **Operational Efficiency:** Automation in check-in, baggage handling, and flight scheduling.
  - **Data Analytics:** Advanced analytics for predictive maintenance and dynamic pricing.

Trend 2: Sustainability Focus

- Increasing pressure from regulators, consumers, and stakeholders for sustainable practices.
- Impact:
  - Fuel Efficiency: Adoption of next-generation aircraft with lower fuel consumption.
  - Sustainable Aviation Fuels (SAF): Investments in research and development for alternative fuels.
  - Carbon Offset Programs: Initiatives for offsetting carbon emissions through reforestation and other projects.
  - Regulatory Compliance: Meeting stricter environmental regulations and carbon reduction targets.

Trend 3: Changing Customer Expectations

- Passengers are seeking more flexibility, comfort, and value from their travel experiences.
- Impact:
  - Flexible Booking Options: Enhanced policies for cancellations and changes.
  - Personalized Services: Customized in-flight experiences, including tailored entertainment and dining options.
  - Enhanced Connectivity: Availability of high-speed internet and better mobile connectivity on flights.
  - Customer Engagement: Use of data to anticipate and meet individual needs and preferences.

Trend 4: New Business Models

- Airlines are exploring innovative business models to diversify revenue streams and adapt to market changes.
- Impact:
  - Subscription Services: Introduction of all-you-can-fly and membership-based models.
  - Ancillary Revenue: Expansion of income from non-ticket sources, such as baggage fees, seat selection, and onboard purchases.
  - Hybrid Models: Combining elements of low-cost and full-service carriers to attract a broader customer base.
  - Partnerships and Alliances: Collaborations with other companies and airlines to offer bundled services and enhanced networks.

Trend 5: Market Consolidation

- Increased consolidation through mergers and acquisitions is reshaping the competitive landscape.
- Impact:
  - Economies of Scale: Cost savings through shared resources and operational efficiencies.
  - Network Expansion: Enhanced route networks and improved connectivity
  - Reduced Competition: Potential for higher prices and fewer choices for consumers.
  - Regulatory Scrutiny: Increased regulatory oversight to ensure fair competition and consumer protection.

Trend 6: Geopolitical and Economic Factors

- Global economic conditions and geopolitical events are influencing airline operations and profitability.
- Impact:
  - **Economic Fluctuations**: Variability in demand due to economic cycles and consumer confidence.
  - **Fuel Price Volatility**: Impact of global oil prices on operational costs.
  - **Travel Restrictions**: Effects of geopolitical tensions and travel bans on route availability and passenger flow.
  - **Currency Exchange Rates:** Influence on international travel costs and airline revenue

Trend 7: Health and Safety Concerns

- The COVID-19 pandemic has heightened awareness and measures around health and safety.
- Impact:
  - **Hygiene Protocols**: Enhanced cleaning procedures, air filtration systems, and contactless interactions.
  - **Health Screening**: Implementation of temperature checks, health questionnaires, and vaccination requirements.
  - **Passenger Confidence**: Efforts to reassure passengers about the safety of air travel.
  - **Flexible Health Policies:** Adaptation of policies to accommodate health-related disruptions and changing

Conclusion and Future Outlook

1. Digital Transformation: Enhances operational efficiency and customer experience through technology.
2. Sustainability Focus: Aims at reducing environmental impact with innovations in fuel efficiency and carbon offsetting.
3. Changing Customer Expectations: Drives the need for personalized services, flexible booking, and improved connectivity.
4. New Business Models: Includes subscription services, ancillary revenue, and hybrid models to diversify income.
5. Market Consolidation: Leads to economies of scale and network expansion but may reduce competition.
6. Geopolitical and Economic Factors: Impacts demand, costs, and operational stability through economic fluctuations and travel restrictions.
7. Health and Safety Concerns: Focuses on passenger health with enhanced protocols and flexible policies in response to pandemics.

Implications for Airlines:

- Adaptability: Need to remain flexible and responsive to industry changes.
- Innovation: Continuous investment in technology and sustainable practices is crucial.
- Customer-Centric Approach: Prioritizing customer needs and expectations can drive competitive advantage.

Adapting to Trends:

- Embracing Technology: Further integration of AI, big data, and automation to optimize operations and enhance the customer journey.
- Sustainable Practices: Increased focus on achieving net-zero emissions and investing in green technologies.
- Flexible Business Models: Exploration of new revenue streams and operational models to adapt to market demands and economic conditions.

Strategic Recommendations:

- Long-Term Planning: Develop strategies that anticipate future trends and potential disruptions.
- Collaboration: Engage in partnerships and alliances to enhance network capabilities and share resources.
- Customer Engagement: Leverage data analytics to better understand and meet evolving customer preferences.
- Regulatory Compliance: Stay ahead of regulatory changes by adopting proactive measures and industry best practices.

Looking Ahead

- Growth Opportunities: Identify and capitalize on emerging markets and new customer segments.
- Resilience Building: Strengthen organizational resilience to handle unexpected challenges and crises.
- Innovation Culture: Foster a culture of innovation to drive continuous improvement and competitiveness in a dynamic industry.

Thank you