

If you're looking for  
a Big Idea...  
**you've got four  
choices**



#### Articles

This article shows you how to use Ansoff's Matrix to decide where to focus your fundraising for maximum return

1.2.3.4.

## Ansoff's Matrix

### The Big Idea

Defining strategic direction can be a major challenge for any organisation. Igor Ansoff, US strategy guru, developed a matrix which helps to focus your attention and resources. This matrix, commonly used in commercial settings, has been adapted by =mc to make it relevant to a wide range of not-for-profit organisations.

For fundraisers it's especially useful to identify how we balance the benefits and payoffs of current versus future fundraising developments – essentially where should we invest most time and resources to be most effective?

Ansoff argues that you basically have two main issues to consider when planning strategy. In the commercial setting he calls them markets/customers and products/services. For the purpose of this download, which is specific to fundraisers, we'll talk about donors and offerings:

- **Donors:** this covers a range of stakeholders. It could literally be customers as in people who buy from your charity shop. But more widely it could be individual donors, service 'commissioners', or grant-aid funders etc.
- **Offerings:** this could encompass the different techniques you use like DM, online, corporate, special events etc. Or it could cover the attractiveness of different services to donors – e.g. childcare versus sexual health programmes.

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Ansoff then goes on to say each of these issues can only exist in one of two states:

- **Existing:** this could be a current customer/donor/commissioner/funder who is supporting you – or a current offering/product/approach that you use.
- **New:** this can involve a new donor cluster that you're considering approaching. Or a new approach/technique etc. – you're developing.

This combination of Customer/Offering/Existing/New means that you only have four strategic options when planning new directions. And the power of this approach is its ability to simplify and focus your thinking and action.

## Origins

Igor Ansoff is a Russian-born pioneer of strategic management and corporate planning. He was born in Vladivostok and lived there until he was 16 when he moved to New York. He studied mechanical engineering and a doctorate in applied mathematics.

After joining the Lockheed aerospace company, he gained management experience that helped him to write his seminal book 'Corporate Strategy' in 1965. This book involves what Mintzberg calls "the most elaborate model of strategic planning in the literature" and it is indeed very complex. But Ansoff made up for this – at least in part – by developing tools like the matrix, which forces you to make simple choices.

## Uses

**Ansoff's Matrix** is a complement to the **Boston Matrix** explored in another of these **Big Idea** downloads. While the Boston Matrix is very useful for assessing how well your current fundraising offerings or donor clusters are doing, Ansoff is most useful for:

- assessing how and where you should innovate
- deciding where you should focus resources for maximum return
- assessing your competencies to move into any other quadrant

Note also that **Ansoff's Matrix**, like the **Boston Matrix**, is a useful 'top table' tool – that is it can be used in the formulation of strategic plans for service-led parts of the organisation.

For example, in a theatre it can be used to decide whether to concentrate on:

- getting the existing audience to come to more of the same shows
- seeking to bring new audiences in for your existing shows
- developing new kinds of activities – like concerts – for the existing audience
- coming up with brand new activities for brand new audiences – say renting the auditorium out to conference organisers for business seminars.

These are really policy decisions, but Ansoff helps us with those too.

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## Turning the dimensions into the matrix

As indicated above, Ansoff really developed the model for commercial settings. In these, he says, there are two key dimensions to consider:

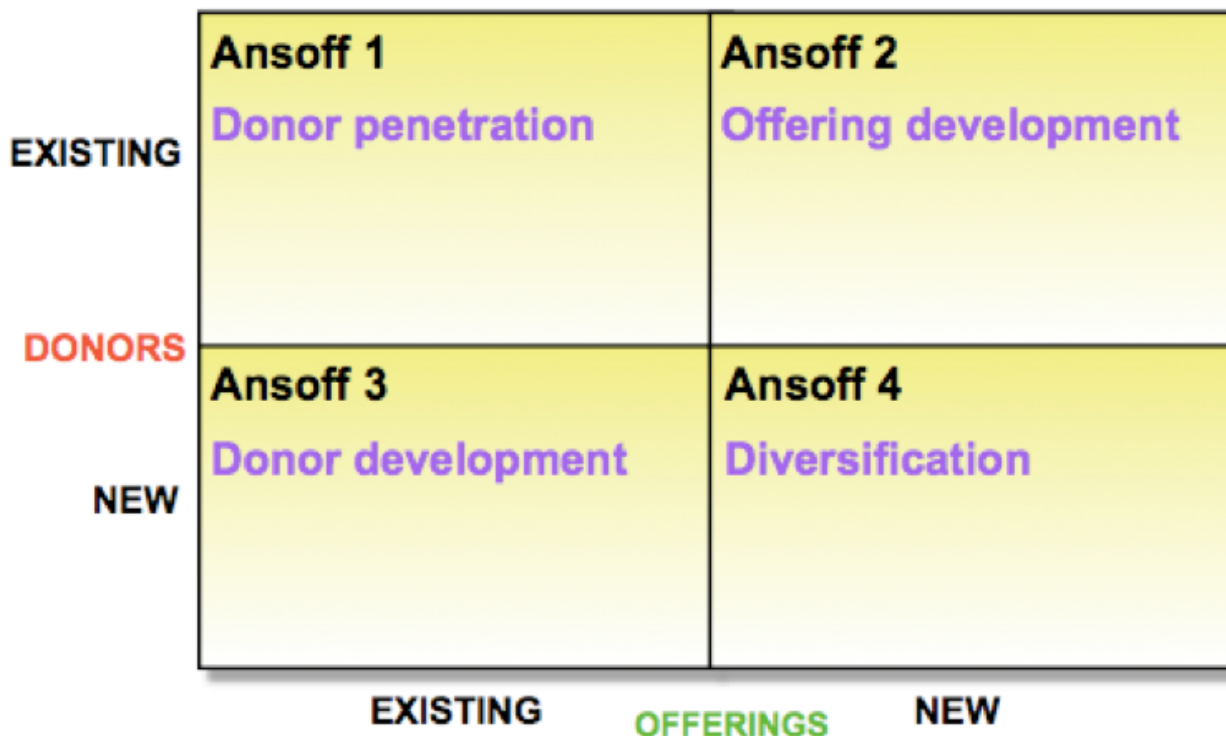
- **Markets or customers:** the people who buy or use
- **Products or services:** the things you make or sell

In a charity fundraising setting we can substitute parallel ideas:

- **Donors:** customers, donors, funders, commissioners
- **Offerings:** fundraising activities and tactics or products

The matrix is below. Notice that by placing these dimensions on a matrix we essentially come up with four choices. Each of these choices has a specific name — explained more fully below — to describe the strategic approach within the matrix.

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The matrix's four choices could more accurately be called 'emphases' since we may well do a number of these at the same time but to different degrees.

The choices are:

**Quadrant 1: Existing Offerings for Existing Donors** i.e. persuading current donors to give us more using our current fundraising techniques — so an example might be persuading our corporate supporters to increase the value of their CSR contribution.

**Quadrant 2: New Offerings for Existing Donors** i.e. developing new fundraising strategies for our existing donors — an example here might be persuading the staff of our corporate donor to take part in payroll giving or a corporate 'fun run' - something they currently don't do.

**Quadrant 3: New Donors for Existing Offerings** i.e. persuading new donors to give using our existing techniques or offerings — so here we might ask if we can find companies who might commit to our foundation proposal or if a online giving currently targeted at a young audience could reach 50+ donors..

**Quadrant 4: New Offerings for New Donors** i.e. coming up with a new — or new to us — project with new donors — so an example here might be to target board members of a corporate for major donor initiatives. Or it might mean using a new web approach to target diaspora donors.

Obviously since the matrix might be working across a wide range of your activities you'll probably find that you have initiatives in all the quadrants. What's interesting is whether your current plans have a bias towards one or more of the quadrants. Also interesting — again see below — is whether you have the competencies to be effective in all the quadrants.

## How to use Ansoff's Matrix

Ansoff's Matrix can be used very simple or in a sophisticated way. This download highlights the simple ways to use it. There are essentially five key steps:

### **Step 1: Decide if you should focus on donor penetration to get the results you need — donor penetration (quadrant 1)**

Job one is to focus your attention on Quadrant 1 called donor penetration. It's a very attractive quadrant in many ways. You know the donors and you know all the offerings. You're probably competent and confident here. Deciding to move outside quadrant 1 at all is a key decision and you need good reasons to do it — aside from a desire for novelty. Let's explore why you might want to do that.

Let's assume, as the Director of Fundraising, your strategic plan for existing offerings to existing donors allows you to project accurately total income and expenditure. Why move?

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There are four main reasons to work outside quadrant 1:

- there may be increasing demand from the service side of the organisation for funds that is greater than the projected income. Or your organisation may have set itself a significant income target as part of a vision exercise. This limitation or cap may mean you need to begin thinking about working outside quadrant 1.

or

- your existing donor clusters may be gradually losing interest in the cause, or the technique you use. In any event projected income is less than you want or need to achieve over the planning horizon. (It may even be going down as, for example, your current donors 'older' die off.) You therefore need to look outside quadrant 1.

or

- your **Boston Matrix** — see one of the other Big Ideas — may well include getting rid of a number of offerings which have simply reached the end of their life cycle — so the market for raffles is saturated or discredited. If these are finishing they will need replacing. Prepare to move to quadrants 2, 3 and 4.

or

- you may feel that it's safer to have activities in a several quadrants which will represent a more balanced and resilient fundraising portfolio. In this case you're not strictly moving out of quadrant 1 but instead making sure you have some expertise/options in future developments

## What should Charity Co. do?

Let's consider a fundraising gap for a midsized charity, Charity Co. Charity Co. wants to grow fast. In fact, it wants to double its size in ten years. It enacts to do this by improving the contribution its thrift or charity shops make. Question one, is can it fill the income gap using the donor penetration strategy?

In donor penetration you look for ways to increase your market share of current offerings in your current markets. There are three major ways to do this.

Charity Co. could apply this discipline across all its divisions but let's assume that they plan to begin with the retail division. The retail division of Charity Co. makes its money by running a network of charity shops. These shops sell a mixture of donated and bought goods to raise funds for their mental health work in developing countries. So for Charity Co. to follow a quadrant 1 focus, it could try:

- to encourage its current customers/donors to buy goods from its shops more frequently in any given period. This would make sense if most of its customers were infrequent shoppers and could be shown the benefits of using more of the products in the shop, and if they have the cash to spend

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- to attract the customers of /donors to other charity shops to switch to its brand. This would make sense if Charity Co. noticed a lot of weaknesses in the competitors' charity shop offering that it could exploit. And would fit in with quadrant 1 if the customers were of a similar profile
- to convince current non-users of charity shops who resemble current users to start using charity shops. This would make sense if there were a lot of people who still did not use charity shops at all and would benefit from using them if only they knew the benefits

Importantly these examples show that the phrase existing donors can be used in two ways. One is to define actual current customers/donors or customers/donors in the same broad class or type. (So they can be 'existing' in the sense that they are the same type of donors.) It's not necessary to get very hung up about this kind of differentiation — you can use the matrix at different levels

## **Step 2: Identify what else your current donors might be interested in — offering development (quadrant 2)**

Next, the fundraising director and colleagues should consider some new offering development possibilities for the shops. Again there are a number of ways to do this.

For example if it already sold ethically-sourced coffee in its shops, it could develop new offerings, such as decaf, organic blends, or coffee for espresso machines. It could develop other quality levels of coffee, such as a higher-quality coffee for coffee gourmets and a lower-quality coffee for the mass market.

And there are other options — it could also consider developing a catalogue-based or online range of goods — lets say Christmas gifts — aimed at existing donors and using this as a new offering approach.

In each case Charity Co. has to be concerned that the new approaches fit with the interests of the customer/donor and that it isn't simply cannibalising its existing work i.e. that customers/donors are buying the same things online rather than going to shops. (Unless this improves margins of course.)

## **Step 3: Establish who else might be interested in your current offerings — donor development (quadrant 3)**

Our director could also look at quadrant 3 for new customer/donor markets whose needs might be met by the current offerings. So Charity Co. could:

- try to identify potential user groups in the current sales areas whose interest in charity shops might be increased. So if Charity Co. had been encouraging use only by individual donors, it might go after small business market with, for example, corporate gifts. ("Don't give naff plastic pens to your customers. Impress them with your corporate values. Try buying and giving our amazing ethically sourced coffee")
- seek additional distribution channels in its present locations. If it has been selling only through its own shops, it might try other channels that would connect to new donors (e.g. having an in-store charity counter in a supermarket or having temporary travelling pop up stores in locations that open for a day in a small town square)



- consider selling in new locations where the donors are different but they would be interested in the same kinds of offerings. So if Charity Co. had shops only in the north-eastern part of the UK, it could consider adding London or even opening stores at locations in Europe. Or selling goods targeted at high density populations of the Asian or Afro-Caribbean community.

## Step 4: Take a risk and try some new approaches with some new donors – diversification (quadrant 4)

This is the most challenging and risky of the four quadrants. Essentially our fundraising director needs to be entrepreneurial to work here. But it's also the quadrant in which really creative ideas take off. Typically fundraisers work here because:

- **They see an opportunity that arises** – for example Charity Co. has always raised money through shops for its work in mental health. But it realises that a change in lottery funds policy means that there are major sums available for mental health issues. So for them the lottery funds offer the opportunity for them to approach a foundation using a proposal. For them this is a new offering to a new donor cluster. Essentially they've changed the question.
- **They see others being successful** – for example they may decide to get into the Charity Gala market for major donors since they see how well the Red Cross does in this market. In this case they can minimise the risk by copying much of their approach from this successful model.
- **They come up with a genuinely new idea** – this might be the product of research or inspiration: they could decide to sell ethical stationery supplies to caring businesses, or open a chain of trendy cafes for young people selling fairly traded coffee. (Notice this is new to them rather than a brand new innovation.)

## How to decide if you can be effective in different quadrants

Each of the quadrants has different characteristics:

- they have degrees of difficulty and risk associated with them
- they require different competencies from you as an organisation

In general quadrant 4 is seen as the hardest and most risky quadrant to work in and quadrant 1 is the easiest and least risky. The reasoning behind this is fairly simple. In quadrant 1 you are familiar with both the donors and the ways you raise money. It's possible to work here as part of Ken Burnett's famous relationship fundraising approach. A classic example might be asking existing £/\$10 a month donors to up their donation to £/\$15 a month.

In quadrant four you're not familiar with the potential donors or the fundraising technique. So your great idea to hold Gala Dinners to attract major donors might indeed work brilliantly. But if you've never run a Gala Dinner or successfully worked with major donors it could be a disaster.

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The secret of success is partly to know what competencies, skills or knowledge you need to work effectively in each quadrant.

Quadrant	Competencies
1. Donor penetration	For the charity the ability to maintain good current donor relationships is key. On the donor side there needs to be an ability to continue giving money – have they plateau-ed? And a continuing interest in the existing offering – has the sponsored run had its day?
2. Offering development	For the charity the key ability is to come up with new approaches and fundable programmes that connect to donor relationships. On the donor side an ability to give more money and a willingness to give it for different things or in different ways.
3. Donor development	For the charity the central ability is to be able to identify donor clusters who might be interested in the same offerings. And an ability to market to them remembering that donor acquisition is very expensive. On the donor side a willingness to engage with the charity and an ability to give
4. Diversification	For the charity the ability most needed here is to come up with or adopt radical new ideas and make a success of them. You need money – capital – usually in this quadrant and a cultural ability to handle and manage risk as well as an ability in innovation.

## The 5Cs of strategy

Another way to consider this is to look at the lens of the 5Cs of strategy. In every quadrant you need to explore five big issues. Let's change examples and talk about major donors. (HNWI)

- **CONTEXT** – what does your environmental scan – PEST and SWOT – tell you about the opportunity in this quadrant? Before taking action you need to explore the market you want to work in for whatever it is you want to do. So there are some further questions from that first one. For example: Are there enough HNWI prospects with enough capacity to deliver your campaign target? Does the channel you want to use- DRTV/F2F/telefacing – work in that culture or setting? Does your cause have enough traction to generate support now – or do you need awareness before fundraising?



- **COMPETENCIES** — (See above) Do you have the skills, knowledge and abilities to make the strategic change? So again there are some further detailed questions. What experience do you have, or need, to launch a major donor campaign? Do you know what is the best channel or channel mix to use for the new strategy? Do you have, or can you get, the awareness-raising/PR/publicity skill you need to underpin the change — and what else do you need to be good at to succeed?
- **COMPETITION** — Who else is in the ‘space’ you’d like to occupy or explore — and how strong are they? Someone else may be so strong in the quadrant that there’s no space for you? (Can you take on CRUK at Women’s Fun Runs?) Some further questions here too. Who else has a major donor campaign ‘on the go’ and what % of your potential prospects have they already got involved? Are any competitors more effective in the channel you want to use — and are there other channels available? Is another charity more closely associated with this issue — HIV/child rights/ecology — than you are and so stronger...? How could you gain competitive edge?
- **CASH** — Do you have enough capital to invest in the new strategic area? Tough questions now. Have you costed all aspects of the major donor campaign — from funding prospect research to hiring senior staff? Do you have the \$1M+ you need for the big campaign — and how long can you spend for to get a result? Is another, larger NGO, able to outspend you and so maintain its dominance in the issue you want to make yours?
- **COMMITMENT** — This is really the killer issue, and maybe the only one that really matters. Does your senior team or your Board appreciate the time and effort they need to give for the major donor campaign? Do they and maybe even you appreciate the risks — financial and reputational — associated with the campaign effort and the channel you’ve chosen? (Think of the antipathy F2F arouses.) Are they happy to stake out a new ‘claim’ for an area of activity and re-orientate policy or service to ensure you deliver on the promise you’re making to donors?

## Need some other fundraising Big Ideas?

Welcome to another Big Idea download from =mc. These downloads are designed to share with you some of the classic and contemporary techniques we’re using to help transform the results of major charities in the UK and internationally. Collect the set!

Even if you don’t want or need Ansoff’s Matrix, why not let =mc help unlock your fundraising potential?

=mc has a team of unrivalled fundraising consultants able to assist with the biggest and smallest campaigns. Between us we share experience in large charity work, international development, arts and culture, disability and the environment.

=mc consultants have worked with many of the world’s major charities on their strategy or fundraising. We’re proud to be helping or have helped Oxfam, UNICEF, the World Health Organisation, the Federation of Red Cross and Red Crescent Societies, Greenpeace International, WWF, Concern Worldwide and Amnesty International. In the UK, we’ve worked

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with Imperial War Museum, Alzheimer's Society, Oxford University, Care, WWF, Science Museum and the National Trust for Scotland.

To find out how we've helped these organisations achieve their big ideas – and how we could help you – call Angela Cluff, Director on +44 (0)20 7978 1516. Alternatively, send Angela a message by [clicking here](#).

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