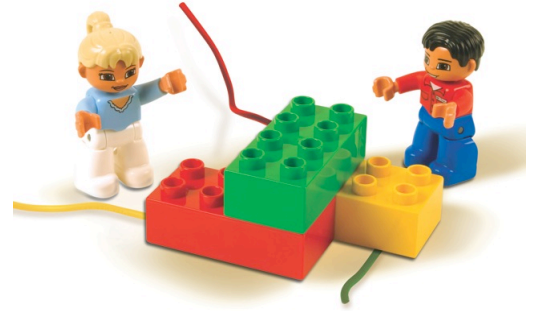


# Ansoff's Matrix

---



## 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, for example, 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.

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. that 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 [strategic] 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.

## 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.

		<b>Offerings</b>	
		<i>Existing</i>	<i>New</i>
<b>Donors</b>	<i>Existing</i>	<b>1. donor penetration strategy</b>	<b>3. offering development</b>
	<i>New</i>	<b>2. donor development strategy</b>	<b>4. diversification</b>

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'

**Quadrant 3: New Customers for Existing Donors** i.e. persuading new donors to give using our existing techniques – so here we might ask if we can find new companies who might commit to CSR or even if we could apply the existing CSR approach to government agencies.

**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 the corporate for major donor initiatives

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 simply, or in a more sophisticated way. This download highlights the simple ways to use it. There are essentially five key steps to using it.

### **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. 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 total income and expenditure. And research/experience probably tells you what's a reasonable level of return and growth.

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 or planning exercise. 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. You therefore need to look outside quadrant 1.

*or*

- your **Boston Matrix** – another Big Idea – may well include getting rid of offerings which have simply reached the end of their life

cycle – these will need replacing. Prepare to move to quadrants 2, 3 and 4!

or

- you may feel that it's safer to have activities in several quadrants which will represent a more balanced and resilient fundraising portfolio.

Let's consider a fundraising gap for a major charity. Charity Co. wants to grow fast. In fact, it wants to double its size in ten years. 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 of 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 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 had the cash to spend
- *to attract the customers of 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* or *customers 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 features, 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.

But 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 *and* that it isn't simply cannibalising its existing work i.e. that donors are buying the same things online rather than going to shops.

### **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 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 the 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 vans 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 markets in Europe.

### **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.

- *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.

## 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.

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

Quadrant	Competencies
<i>1. Donor penetration</i>	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?
<i>2. Offering development</i>	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. <i>Donor development</i>	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. <i>Diversification</i>	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.

### **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 the innovation value chain, 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 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 +44 207 978 1516. Alternatively you can email us at [a.cluff@managementcentre.co.uk](mailto:a.cluff@managementcentre.co.uk) or go to our website at [managementcentre.co.uk/fundraising](http://managementcentre.co.uk/fundraising). Or even visit our international website at [managementcentre.com](http://managementcentre.com).