Influence of Ansoff Matrix on Food Production Entities in KSA

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Abstract

The focus of the study is to find out the strong influence of Saudi food stuff marketing performance. To obtain the target objective a comprehensive questionnaire was designed and distributed to 300 selected employees of Saudi food stuff companies. Out of 300 questionnaires 223 were recollected which reflect the 75% of the sample. The finding showed that applying Ansoff Model have a strong impact on marketing performance in Saudi food stuff companies. On the basis of these findings some good recommendation are mad that will be helpful for decision makers to use the model in the effective way to enhance the marketing performance ,as well as to gain their desired goals, objectives, profits and benefits.

Keywords: KSA, Ansoff matrix, Questionnaires, Marketing development, Food entities.

Introduction:

Companies are always in searching of good strategy that helps them to achieve their target objectives. These strategies play an important role in survival of companies even in tough competition (Gupta, S.et al, 2006) Good strategies are always available for proper growth and benefits. The adaptation of appropriate methods, tools and their usage to achieve the desired result is the basic part of strategic planning (Kotler, P.et al, 2009) .Due the affiliation of Kingdom of Saudi Arabia (KSA) with World Trade Organization rapid changes are observed in the marketing environment which leads towards the increase in competition, and privatization. These changes are also observed in the foodstuff companies, especial.ly the increase in the usage of raw material. This situation has force the food stuff companies to adopt different environmental Variables to handle the challenge. This also helps them to avail the new opportunities of competition (Parmenter, D, 2009) .These circumstances proves that the application of Ansoff Model and its strategies can play an important role to improve the overall performance of the food stuff companies .This study can be helpful to sort out problems, barriers and challenges the KSA companies are facing. Water scarcity, changes in climate conditions and increased usage of raw material. Are the basic problems that are directly related to increase in price of product and hence affect the profitability, also be handling by using this technique (Taghian, M. and Shaw, R.N, 2008). To handle the water scarcity and global shortage of food stuff material. Any initiative has been taken by the government to enhance the food security, for example government ensures the direct investment of the private companies in local Agriculture projects. Despite of all government support Saudi food stuff companies are facing a number of barriers and challenges , so by using Ansoff model these barriers and challenges can be overcome which lead to creation of market based opportunities that ensure increase in profit (Ral.ph Gomory et al, 2009). The study of William J. Baumol (2009) finds out that relationship nature of   between market strategies Product integrated and market-oriented companies. The output of the study indicate that the most conservative strategy of penetration-saturation to significant profitability that measured by ROA. Aaker, D. A. (1998) find out that there is a greater influence of diversification in products have a good impact on the competitiveness of enterprise productivity, that may increasing the turnover and increase market share .The opening of high-qual.ity products will help to gaining of a new market share, enhance the development of human resource as well as their efficiency and skills.

Model Description

Ansoff matrix basical.ly judge one of the strategies that focus on product, resource allocation, environmental Impact, budget preparation and implementation. This also focuses on the size of product, market size, advantage of market competition, stability of market and risk alarming indicators (Al.guire et al, 1994).Many researchers believe that due to the effectiveness of this model this is still widely used by the markers as a best strategic analysis for future. Market is always not favorable to the companies to introduce a product so companies have to develop a better marketing strategy to avail the opportunities.
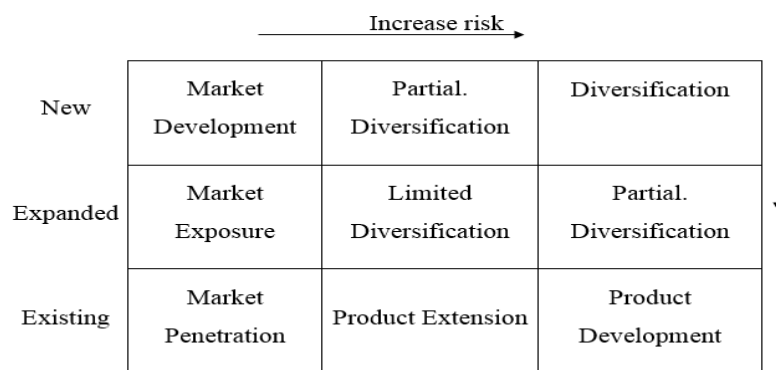
Products and Services

Igor Ansoff has the reputation of father of strategic management, was a business manager and a mathematician. He developed the tool in 1950 for the marketing world; practical.ly toot is in use 50 years later (Ansoff. I, 1965). In real meaning the Ansoff market matrix is a practical tool that plays an important role by helping the decision makers to decide their product and market growth strategy.

Ansoff's Model suggests that a business' tries to grow depend on existing products or whether it markets new or in existing markets or new (Battacharya, A et al, 2004).There are a lot of uses of the Ansoff matrix for example planning and analyzing to meet customer needs and expectations.

Market penetration Strategy (MPS)

This mainly focus on customer needs, available competition and market growth, this does not required the allocation of financial resources.

Organization dreams to attain better sales for current using product to same consumer without altering the shape or style in new form (Abu Juma, N, 2003). Normally this can be achieve by reducing the price of the product, promotion and intensify advertisement. MPS normally focus on following objectives:

1 To increase or maintain the current product share in the market by sale promotion, competitive price and resource allocation.

2 To increase the customer loyalty towards the product by maintaining the good quality of the product (Barringer and Bluedorn, 2000).

Market development strategy (MDS)

Companies try to introduce the current product in to new market to increase market growth and profitability. This can be achieving by targeting the new segments that directly influence the growth of market (Sarhan. A, 2005). It is always risky to introduce the product into new market, so proper risk management is required to avoid all these risk before its entrance into the new market (Paul Collier, 2007). This strategy can give you better result if companies introduce their product into a new region or country by proper distribution channels. Adaptation of multiple pricing policies also effective to find new market segments. For better result managers must have a grip on the characteristic, attitudes and their needs (Jeffrey. S, 2005).

Product development Strategy (PDS)

In these strategies modification in existing product is required; mostly the new product is remaining the same as the old one except the size and shape. All the companies prefer this technique because it can afford or handle the existing market competition (Im, S. and Workman Jr., J. P. 2004).This helps the organizations to remain in the existing market competition. A number of organization develop new concept of marketing keeping in mind the customer needs, desires and preference.
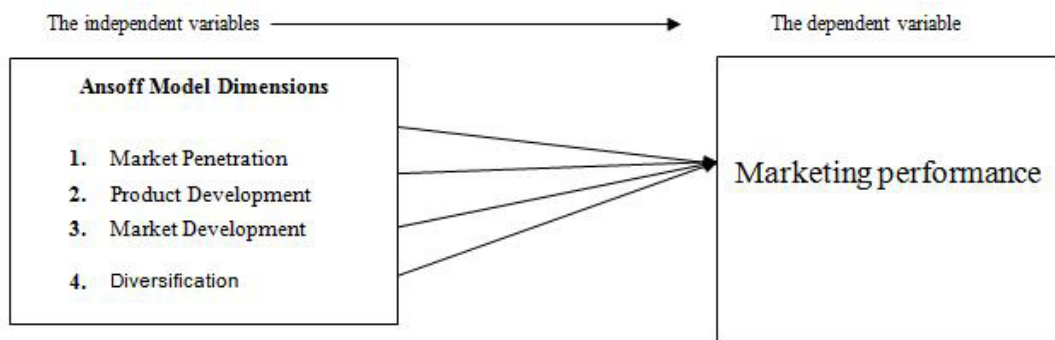
Diversification Strategy (DS)

There are three basic division of diversification vertical, horizontal, and lateral diversification. In this strategy companies introduce brand new product into new market. Some this is more risky because the organization has new exact idea or experience about the product market (Kirca, A. H, 2005). This totally based on the true assessment about the existent market, so there should be proper balance between returns and risk. This technique increases the number of customers that is directly proportion to the growth rate and profit.

Material and Methodology

The study model was designed on the source of earlier studied literature, Figure reveal the model used in conducted study. The dependendent variables were the dimensions of the Ansoff model while independent

variables and the dependent variable was marketing performance. FIGURE .2

This study was designed on the basis of hypothesis that Ansoff application model (market penetration strategy, product development strategy, market development strategy, diversification strategy) has statistically significant effect on marketing performance in the Saudi foodstuff companies. For the purpose of statistical analysis seven food stuff companies (located in Riyadh) were selected on the basis of their performance. For collecting the data the employees of National Agricultural Development Company NADEC, Al.-Mara'ei, Gulf Union Juices Company , Al.-Mazra'h DairyCompany , Saudi Dairy & Food SADAFCO companies, Al. Safi DANONE Dairy company , Al.-Rabei' Co., were engaged.For better result some interviews of managers level of employees were also conducted. A well designed questionnaire, which address the different variables of the study were distributed to 300 employees of selected companies. The total 221 questionnaires were re-collected that represent (72.89%) of the total. study sample.

Statistical Analysis
To test the study hypothesis for statistical analysis, statistical package Social. System (SPSS) was used. Mean standard deviation and percentages of questionnaire statements were done through Descriptive statistics which tries to investigate Ansoff application status with its 4 dimensions and marketing performance in foodstuff companies. Simple and Multiple regressions along with multicolleniarity test were also applied.

Results
To avoid factual errors, clarity, accuracy and consistency the questionnaire was deeply examined by specialized staff members and respect have been given to their opinions. To examine the extent data normal distribution Kolmogorov - Smirnov test was used, the resulted value was bigger than significance level 5% which proved the data followed normal distribution. After the application of Correlation matrix between the independent variables V1F value = 2.101 was calculated, While the highest correlation strength between market penetration strategy/ diversification strategy variables = R72.4%, since there is no multi-collnerioty exists because V1F is <5, that ensured research model strength.

To insure the instrument reliability Cronbach's al.pha test was applied, obtained Al.pha value (83%) was greater than acceptable value (60%).

Variables	Al.pha val.ue
market penetration strategy	81%
products development strategy	80%
markets development strategy	82%
diversification strategy	78%
marketing performance	86.06%

Table.1 The alpha value for the study variables
The statistic result in table 2 contains the means and standers deviations of all the dimensions of Ansoff model. Standard deviation for all the dimension was found less than 1.The result demonstrate that study sample attitudes was positive about all of the Ansoff model dimensions because their means were bigger than virtual mean hence study sample attitudes find positive towards marketing performance , that was measured by achieved profit and market share.

Variables	means	standard deviation	Relative importance
Products Development Strategy	3.76	0.76	2
Diversification Strategy	3.25	0.89	4
Markets Development Strategy	3.56	0.91	3
Market Penetration Strategy	3.83	0.86	1
Marketing Performance	3.68	0.87	

Table.2 Descriptive statistic

T-test application has done for better interpretation strength of each independent variable, which reflects the significant results. Moreover F-test was used to recognize regression model significance. Significance (0.05) level was use as a constant value to make a decision about significance impact, if calculated significant level value is lesser than the used significance level (0.05) and vice versa. F-test indicated that regression model is statistical.ly significant, since F value is (6,918) and the significance level (sig = 0.000) is less than the significance level used (0.05). This represent that only if Saudi Foodstuff Company's application of Ansoff model increase will cause to increased levels of marketing performance, profits and market share .At complete relations level between Ansoff model dimensions and marketing performance, results in table (No. 3) indicated the difference of relative importance in terms of Ansoff model four dimensions impact on marketing performance that differs from one dimension to another.

Variables and Regression constant	Regression coefficient	Calculated (t) values	The level of significance (t) calculated sig.
Regression constant	0.589	5.330	0.000
Market penetration	0.446	9.712	0.000
Product development	0.338	4.917	0.000
Market development	0.234	8.602	0.0001
Diversification	0.185	4.286	0.0001

Table.3 Regression constant

Multiple regression analysis has apply on all dimensions of Ansoff Model that consists of, market development strategy market penetration strategy, market development strategy , product development strategy and diversification strategy on marketing performance. Beta coefficient represents the expected change in the dependent variable as a result of the change in one unit of the independent variable. Determination R^2 coefficient used to recognize model ability in connection interpretation between dependent variable and independent variable Regression model interpretation skill for all Ansoff model dimensions and (R^2) coefficient was 0.630 , this proved that 63% of changes in marketing performance levels model interpreted by Ansoff model dimensions (market penetration strategy , market development strategy , product development strategy ,diversification strategy).

Other statistical Analysis	
The coefficient of determination (R^2)	.630
The standard error of estimate	.360
The calculated value of F	6.918
The calculated level of significance	0.000

Table 4 showed correlation of marketing performance with four studied parameters. Data was taken in figures of equation related to selected parameters, and points of all selected parameters showed significant correlation with marketing performance. Result indicates that an enhanced tendency of variables guarantee enhanced marketing performance.

Studied Variables	Correlation type	Data collection frequency	Marketing Performance
Products Development Strategy	Pearson's correlation Sig(2-tailed) N	1 221	0.981*
Diversification Strategy	Pearson's correlation Sig(2-tailed) N	1 221	0.851*
Markets Development Strategy	Pearson's correlation Sig(2-tailed) N	1 221	0.963*
Market Penetration Strategy	Pearson's correlation Sig(2-tailed) N	1 221	0.989*

 **correlation is significant at the level 0.01(2-tailed)
 Table 4 correlation of marketing performance

Discussion

The result indicated that Ansoff model dimensions interpret 64% of the changes in Saudi food stuff marketing performance. By good worth of this result confirms the existence of such impact on different four strategies that consists Ansoff model dimensions on Saudi foodstuff marketing. To some extent agreed with some of the (Sandvik, I. L. and Sandvik, K. 2003), (Snowdon, B., & Stonehouse, G. 2006), (Hanssens, D. M. 1980) studies

results. Penetration market strategy is on the first rank, while product development strategy occupied the second position, markets development strategy ranked the third and finally diversification strategy on the last in terms of impact on surveyed companies marketing performance. This may be because of the reality that most of these companies are comparatively new and have no sufficient experience to enter new markets with new products; additionally to diversification strategy adoption is the most risky of the rest strategies that characterize Ansoff model (Azzam and Zechariah, 2008), (Taghian, M. and Shaw, R.N, 2008).The calculations presented in the paper showed that adaptation and implementation of market penetration strategy was found effective to increase profitability and market share of Saudi foodstuff companies. According to the results given in table (3) proved statistically significant impact on marketing efficiency, (Beta) coefficient (0,446) and (t) calculated value is (9.712) with statistical significance level (sig = 0.000) , which is less than the accepted significance level (P <0.05) , so that there is a statistically significant impact of market penetration strategy application on Saudi foodstuff marketing performance. According to the result products development strategy adaptation and implementation for the same markets was found positive that leads to increase market share and profitability of Saudi foodstuff companies. Results given in table (3) that there is a statistically significant impact on marketing performance , where (Beta) coefficient is (0,338) and (t) calculated value is(4.917) with statistical significance level (sig = 0.000) , which is less than the accepted significance level (P <0.05) , so there is a statistically significant impact of products development strategy application on Saudi foodstuff marketing performance. The model was calibrated with the gather data; the calculations showed that adaptation and implementation of development strategy for the same products was also found effective to increase profitability and market share of Saudi foodstuff companies. According to result (Beta) coefficient is (0,234) and (t) calculated value is (8.602) with statistical significance level (sig = 0.000), which is less than the approved significance level (P <0.05), so that there is a statistical.ly significant impact of market development strategy application on Saudi foodstuff marketing performance

Conclusion and Recommendations

Statistical analysis results indicated that there is a statistically significant impact of the Ansoff model dimensions Different strategies like the use of pricing competitive strategies, sales promotion, advertising, and allocating more capital for personal selling in order to sustain or raise the market share of existing products (Lin, N., Ravishanker, N. and Sriram, S. 2006) .To dominate market growth must have to target new customers or competitors' customers in order to amplify market share and profitability. The reduction in price of product in existing distribution outlets could be sensitive in particular ads intensification. To acquire the market attestation intensive promotional campaign is required (Goodman, M. and Hansens, T. 2009) .There must be database related to competitors, customers and markets in order to present the best food products according to current and customer's requirements and needs. To improving the efficiency of this strategy, build up new competencies that contain modified products development that can be presented to current markets to meet up customers altering needs, desires and preferences, for example production products of different packages and sizes or new form of the same product for existing markets. There should be different products of same company in order to stay competitive , Saudi foodstuff companies should adopt new marketing concept, which considers customers' needs , desires and preferences the focal point of producing products that meet up these needs and desires, with marketing department understanding the fact that these desires, needs and preferences are always change (Barringer, and Bluedorn 2000). This requires that the foodstuff companies have to follow this change and to guess these changes in order to develop diverse products, and take notes changes in these needs and desires through using market research related to customers. To enter into new markets with same product without modification the company can target new segments through which it can achieve the required growth and the new targeted can be categories into consumers new groups or new markets geographically (Snowdon, B and Stonehouse, G. 2006).To avoid potential risks (in new market segment non acceptance of the product that fir with product life cycle) feasibility studies for new proposed markets must required. By locating new distribution channels such as shift from retail sale to e-commerce sale can increase the effectiveness of the strategy. Several pricing policies to magnetize new customers in new market segment good for accurate identification of potential customers in the new market.

Acknowledgement

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