

## The Boston Matrix

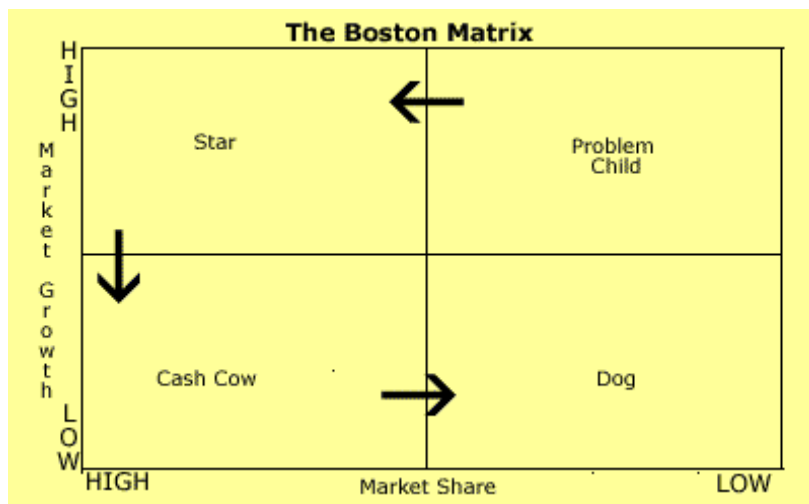
### The Boston Consulting Group's Product Portfolio Matrix

#### The Boston Matrix - Product Portfolio Decisions



The Boston Matrix is a well known tool for the marketing/sales manager. It was developed by the large US consulting group and is an approach to product portfolio planning. It has two controlling aspect namely relative market share (meaning relative to your competition) and market growth.

You would look at each individual product in your range (or portfolio) and place it onto the matrix. You would do this for every product in the range. You can then plot the products of your rivals to give relative market share.



This is simplistic in many ways and the matrix has some understandable limitations that will be considered later. Each cell has its own name as follows.

#### Dogs

These are products with a low share of a low growth market. These are the canine version of 'real turkeys'. They do not generate cash for the company, they tend to absorb it. Get rid of these products.

## **Cash Cows**

These are products with a high share of a slow growth market. Cash Cows generate more than is invested in them. So keep them in your portfolio of products for the time being.

## **Problem Children**

These are products with a low share of a high growth market. They consume resources and generate little in return. They absorb most money as you attempt to increase market share.

## **Stars**

These are products that are in high growth markets with a relatively high share of that market. Stars tend to generate high amounts of income. Keep and build your stars.

Look for some kind of balance within your portfolio. Try not to have any Dogs. Cash Cows, Problem Children and Stars need to be kept in a kind of equilibrium. The funds generated by your Cash Cows are used to turn problem children into Stars, which may eventually become Cash Cows. Some of the Problem Children will become Dogs, and this means that you will need a larger contribution from the successful products to compensate for the failures.

## **Problems with the Boston Matrix**

1. There is an assumption that higher rates of profit are directly related to high rates of market share. This may not always be the case. When Boeing launch a new jet, it may gain a high market share quickly but it still has to cover very high development costs.
2. It is normally applied to Strategic Business Units (SBUs). These are areas of the business rather than products. For example car manufacturers, Ford and Land Rover / Jaguar in the UK, BMW and Mini, VW and Skoda. These are SBUs not a single product.
3. There is another assumption that SBUs will cooperate. This is not always the case.
4. The main problem is that it oversimplifies a complex set of decision. Be careful. Use the Matrix as a planning tool and always rely on your gut feeling. However it gives you a great starting point and will enable you to look at your product portfolio in a different light.

Further Reading:

Marketing - David Jobber

Marketing Management - Phillip Kotler