



BCG Matrix (Boston matrix)

BCG Matrix (Growth-share matrix) is a method that comes from the consulting company **Boston Consulting Group (BCG)**. From here comes the the name **BCG matrix** or **Boston matrix**. The BCG matrix is used for the evaluation of the organization's **product portfolio** in marketing and sales planning. Its essence is to evaluate each product, i.e. goods and services of the business in two dimensions:

- › Market growth
- › Market share

Combination of both dimensions creates a matrix to which the products from business' portfolio are placed:

	High market share	Low market share
High market growth	Star	Question mark
Low market growth	Cash cow	Dogs

For each type of products it is applied:

- › **Cash cows** - do not require high investment, the products are the basis of the company's profitability
- › **Stars** - the need to make them cash cows, it is necessary to invest in advertising, incremental innovation, etc.
- › **Question marks** - it is necessary to divide them, from promising products to become cash cows
- › **Dogs** - to dampen the production, to withdraw from the market

Use of the BCG matrix in practice: The **BCG matrix** is used for evaluation of product portfolio, so it can be used to assess key business units such as divisions or individual companies of the large corporation. Both share and growth rate are associated with the product value. Market share and the rate of its growth vary in time. The producer must therefore manage the goods life cycle, the provider must manage the service life cycle. BCG matrix analysis results help the organization to identify the strategic plan of entire product portfolio so that each of the quadrants contains the products of the organization. The products in quadrants must be balanced so that products in cash cows allow the funding of other products. However, with the product life cycle, it is necessary to have a future potential in the form of stars and question marks in the portfolio. On the basis of specific strategy, situation and reasons of the position of the products in the quadrants, the organization must decide on its product strategy. It is appropriate to complete the model with the third dimension of profitability of a product or a service that can be either high or low. Then we get from the square a cube. Within the cube, it makes sense especially those quadrants that correspond to high profitability. It is also necessary to consider whether there are reasonable prospects of high profitability of the product or service in the future.

BCG matrix is in practice used very often and it is one of the most practical and, for the presentation, understandable analytical techniques in the organization. It is crucial for determination of the correct **product strategy** of each business.

Related terms and methods:

- › Five Forces Analysis
- › Market segmentation
- › Marketing mix 4P
- › Marketing strategy
- › Positioning
- › SWOT Analysis
- › Targeting

Related management field:

- » Marketing and Sales
- » Organizational Management
- » Planning
- » Production Management
- » Strategic Management