

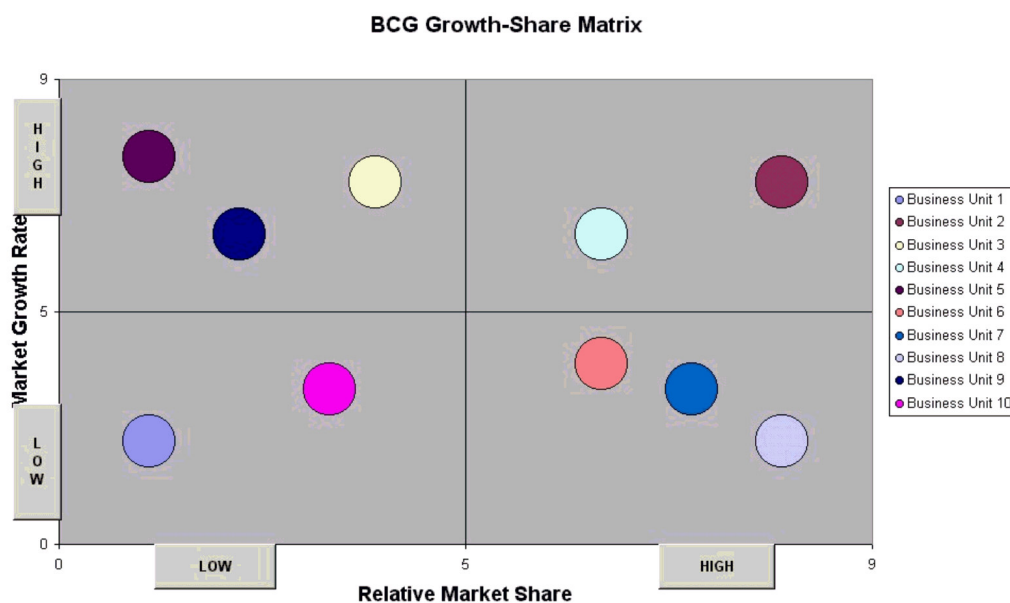
Boston Consulting Group (BCG) Growth-Share Matrix User Guide

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1.1 Introduction

In the early 1970's the Boston Consulting Group (BCG) developed a model for managing a portfolio of different strategic business units (SBUs) or major product lines. The BCG Growth-Share Matrix is a four-cell (2 by 2) matrix used to perform business portfolio analysis as a step in the strategic planning process.

The BCG Growth-Share Matrix positions the various SBUs/product lines on the basis of Market Growth Rate and Market Share relative to the most important competitor.



The BCG matrix provides a framework to compare many SBUs/product lines at a glance and for allocating resources between the different SBUs or product lines.

- SBUs/Product Lines with a relative high market share in a high growth market are designated as Stars.
- SBUs/Product Lines with a relative high market share in a low growth market are designated as Cash Cows.
- SBUs/Product Lines with a relative low market share in a high growth market are designated as Question Marks or Problem Children.
- SBUs/Product Lines with a relative low market share in a low growth market are designated as Dogs.

A different strategic and investment approach is taken for each of the four different categories.

Cash Cows typically have large market shares in mature, slow growing markets. Cash cows require little investment and generate cash that can be used to invest in other SBUs/product lines.

Stars are SBUs/product lines that have a large market share in a fast growing market. Because the market is growing rapidly, stars frequently require ongoing investment to maintain their market leadership. As marginal competitors withdraw and the market matures and slows down, successful stars become cash cows and generate significant cash.

Question Marks operate in high growth markets, but suffer from low market share. The strategic options involve investing resources to grow market share or withdrawing. Investing to grow market does not guarantee these SBUs or product lines will become stars and hence the term Question Mark.

Dogs. A dog suffers from having low market share in a market that is mature and slow growing. Investment will usually have little benefit and therefore, liquidation and withdrawal is usually the best strategy for those SBUs/product lines classified as Dogs.

1.2 User Instructions

The EXCEL model has a simple Push Button Menu system at the top of the Workbook in cell B2. (see below) The following general guidelines should be followed. Cells in Green are intended for User Input. Cells in Black are calculated and should not be altered by the user. On first use it is recommended that the Menu Options be used in the sequence in which they are numbered, 1, 2, 3, etc. On subsequent use the options can be selected as required to make amendments to the data originally entered.

BCG Growth-Share Matrix Generator™

1. Enter Business Unit Names
2. Enter Relative Market Shares
3. Enter Market Growth Rates
4. Go to BCG Growth-Share Chart
5. Print Input Data

1. Enter the **Business Unit Names**. Up to 10 Business Units may be entered

Business Unit Names
Business Unit 1
Business Unit 2
Business Unit 3
Business Unit 4
Business Unit 5
Business Unit 6
Business Unit 7
Business Unit 8
Business Unit 9
Business Unit 10

2. Enter the **Relative Market Share** compared to the most important competitor for each Business Unit.

3. Enter the **Market Growth Rate** for each Business Unit.

The data for **Relative Market Share** and **Market Growth Rate** rates should be based on a scale of 1 to 9 where

- 1 Extremely Low
- 5 Industry Average
- 9 Extremely High

Data may be entered using a single decimal point, e.g. a market Growth Rate of 3.5 can be used.

Relative Market Share 1 –9	Market Growth Rate 1 -9
1.0	2.0
8.0	7.0
3.5	7.0
6.0	6.0
1.0	7.5
6.0	3.5
7.0	3.0
8.0	2.0
2.0	6.0
3.0	3.0

When the data is entered, The **BCG Growth-Growth Matrix** chart is automatically created. (See page 5).

BCG Growth-Share Matrix

