



Business Management Toolkit

4. BOSTON CONSULTING GROUP MATRIX - BCG MATRIX (SL&HL)

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4. Boston Consulting Group Matrix (BCG) - Objectives - Syllabus links

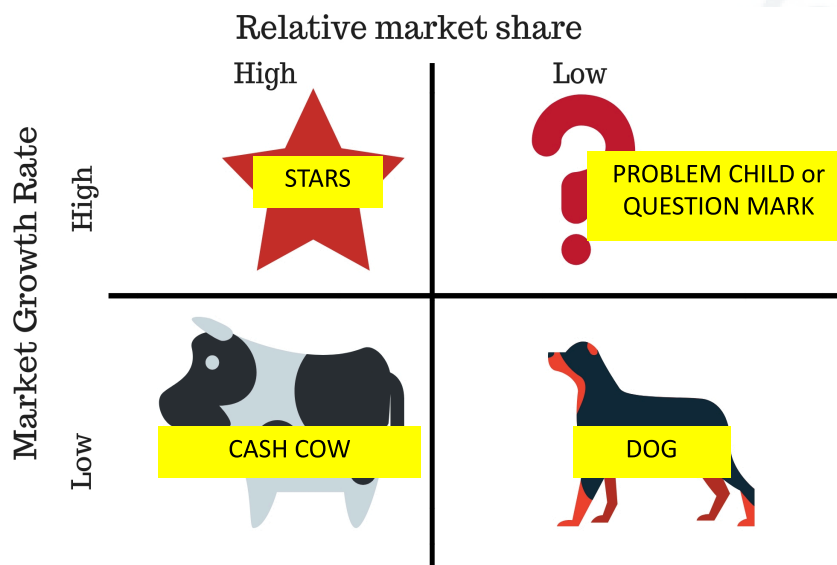
- It is recommended that it is introduced and taught to the students in Unit 4 (4.5. The 7Ps of the Marketing Mix and especially “Product”)
- Boston Consulting Group Matrix (BCG Matrix) can be mainly used in Unit 4 of the syllabus as it is directly linked to the management of a product portfolio. It can be also integrated in Unit 3 linking the product portfolio with financial analysis and / or budgeting.

4. Product Portfolio Analysis

- Some businesses offer more than one product.
- **Benefits** for a business of having a product portfolio (more than one products):
 - Increase of brand awareness
 - Reduce risks because of diversification
 - Increases revenue streams
 - Limits the impact of seasonal fluctuations in demand
- **Boston Consulting Group Matrix** (BCG Matrix) is a tool to help businesses decide how to manage their portfolio of businesses, products, brands in terms of market share and market growth.



4. Boston Consulting Group Matrix (BCG Matrix)

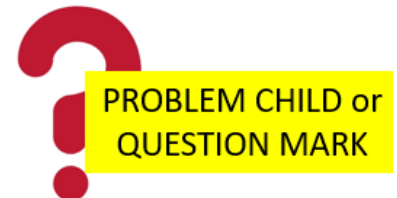


4. BCG Matrix explained



4. BCG Matrix explained – Problem child (or Question mark)

- Products with a low market share in a high growth market
- Need money spent to develop them
- May produce negative cash flow
- Potential of becoming stars if the market share can be increased
- The company needs to think hard about question marks – which ones should be built into stars, and which ones should be phased out?
- If necessary market share is not reached, question marks are likely to turn into dogs as soon as the market gets more mature
- **Strategy: Careful analysis is needed to determine whether to invest or not.**



4. BCG Matrix explained - Stars

- Products with a high or increasing market share in markets with high growth rates
- Potential for high revenue growth
- They often need heavy investment to finance their rapid growth.
- Eventually, their growth will slow down, and they will turn into cash cows.
- **Strategy: invest for growth**



4. BCG Matrix explained – Cash Cows

- Products with high market share in a slowly growing or mature market (maturity stage)
- Low cost support
- High cash revenue – positive cash flows
- These established and successful products need less investment to maintain their market share. As a result, they produce cash that the company uses to pay its expenses and to support other products (e.g. Question marks and Stars)
- **Strategy: The company should try to “milk” the cash cows as long as possible.**



4. BCG Matrix explained – Dogs

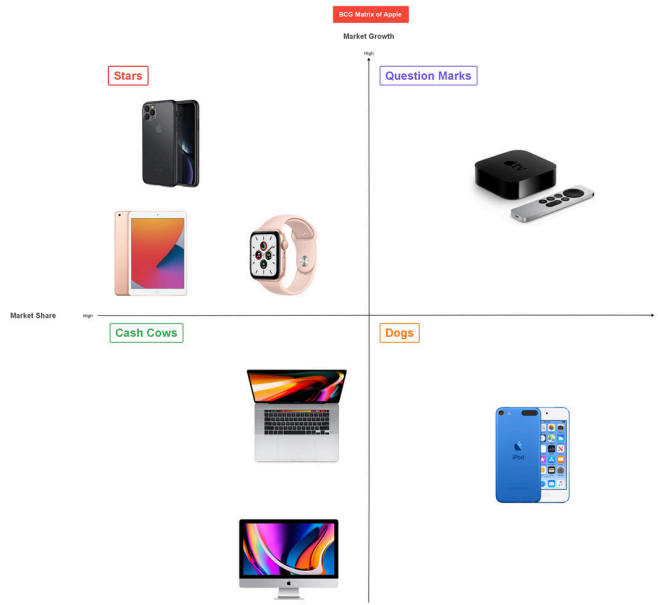
- Products in a low growth market with a low or declining market share (decline stage)
- They may generate enough cash to maintain themselves or may have negative cash flows
- Products do mostly not generate large profit and may usually just break even
- May require large sums of money to support or for extension strategies
- **Strategy: divest the product and focus on more profitable opportunities**



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EXAMPLE

4. BCG Matrix - example



Source:
<https://www.edrawmind.com/article/best-10-bcg-matrix-examples-for-students.html>

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2. BCG Matrix - project

- In pairs choose a business that sells a variety of products and that you can find information about online.
- Find data about the products and create a BCG Matrix for the product portfolio
- Explain your answer
- Reference your sources
- Present / Share your BCG Matrix to the rest of the class



4. BCG -Evaluation

BENEFITS	LIMITATIONS
<ul style="list-style-type: none">- More organised and helps identify potential problems- Action can be planned for existing products and introduction of new ones- Effective use of resources- Improves the coordination with other business departments	<ul style="list-style-type: none">- Failure of prioritizing marketing objectives- It may become outdated if it does not consider changes in market conditions- It does not guarantee the success of the products- It could be considered too simple- The assumption that high market share is related to high profit margins is not always the case (e.g. niche market)



4. BCG Matrix revision video

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4. BCG Matrix revision video

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4. BCG Matrix revision video



Are you ready for the quizz?

- Do the quiz in the ibGenius platform
- You need 70% to pass!
- Then you are ready to move on to the next Business Management Tool!



References

Books

Stimpson, Peter, and Alex Smith. *Business Management for the IB Diploma: Coursebook with Cambridge Elevate Enhanced Edition (2 Years)*. Cambridge University Press, 2018.

Hoang, Paul. *Business Management Study & Revision Guide: for the IB Diploma*. Hodder Education, 2016.

Muchena, Martin Mwenda, et al. *IB Business Management*. Oxford University Press, 2014.

Links

- <http://www.businessdictionary.com>
- www.investopedia.com
- <https://marketingmix.co.uk/>
- <http://www.businessdictionary.com/definition/product.html>
- <https://marketing-insider.eu/how-does-the-bcg-matrix-work/>

Images: [pexels.com](https://www.pexels.com)

