

BCG Matrix

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What is the BCG Matrix

The Boston Consulting Group growth-share matrix also known as the BCG Matrix, is a diagram that helps company's review and decipher if products and/or services should be kept, sold, or invested in more.

The matrix presents a company's objective in a four-square matrix/diagram. The y-axis represents the rate of market growth and the x-axis represent market share. This matrix was first introduced by the Boston Consulting Group back in 1970.



How does it work

- The BCG matrix contains four categories:
- dogs/pets
- cash cows
- stars
- question marks
- The BCG Matrix helps evaluate a company's growth and available market share of a product with a 2x2 grid formed with the four categories. By categorizing each product/service to one of the four categories, a company can infer which course of action moving forward would be best

Dogs/Pets

- If a product has a low market share and also a low rate of growth, it will fall within the dog category. Things that do not really produce revenue but also don't cost much to produce but can not really compete with other companies/products. This results in dogs turning into traps not being worth the effort to keep afloat, items like this should be sold, liquidated, or repositioned. The dog quadrant is located in the lower right side of the grid,
- An example of this would be an iPod or a chicken wrap



Cash cows

- Products that have a low-growth rate but have a large market share are considered cash cows. As the name presents itself the company should milk the cow for as long as it can. Cash cows tend to be former stars who developed into a product that no longer needs much advertisement and can produce an overestimated revenue to support other developing products like stars and question marks. Cash cows are located in the lower left quadrant and are usually leading products in most markets.
- Some examples of this would be a MacBook or a bucket of chicken



Stars

- Products that are in high growth rates and high market shares. Stars should be invested in as much as possible. Although stars tend to generate a lot of revenue it also cost the company a lot of money in promoting and improving the product. When a star product can remain at the top of the market, it eventually evolves into a cash cow when the market's overall growth rate declines. Located in the upper left quadrant are the stars.
- An example of stars would be iPhones or chicken sandwiches



Question marks

- Products that have a high market growth rate but lower market shares tend to land in the question mark category. These products can grow quickly but tend to take in large amounts if revenue/resources. Products like these should be closely monitored and frequently analyzed to make sure they are still worth funding. Question marks are in the upper right portion of the grid.
- Examples of this would be an apple tv or a famous bowl



Works Sited

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