

# **Corporate Portfolio Analysis (BCG Matrix)**

MBA(TA)-IV<sup>th</sup> semester

402- Business Policy

SOSTTM

# Corporate Portfolio Analysis

Corporate portfolio analysis is a set of techniques that help strategists in taking strategic decisions regarding individual products or businesses in a firm's portfolio.

Each segment of a company's product line is evaluated including sales, market share, cost of production and potential market strength.

# Techniques

- BCG (Boston Consulting Group) Matrix
- GE(General Electric's 9 cell) model
- Hofer's Product Market Evolution
- Directional Policy & the strategic position

# BCG Matrix

Relative Market Share

High

Low

M  
A  
R  
K  
E  
T  
G  
R  
O  
W  
T  
H  
R  
A  
T  
E

H  
i  
g  
h

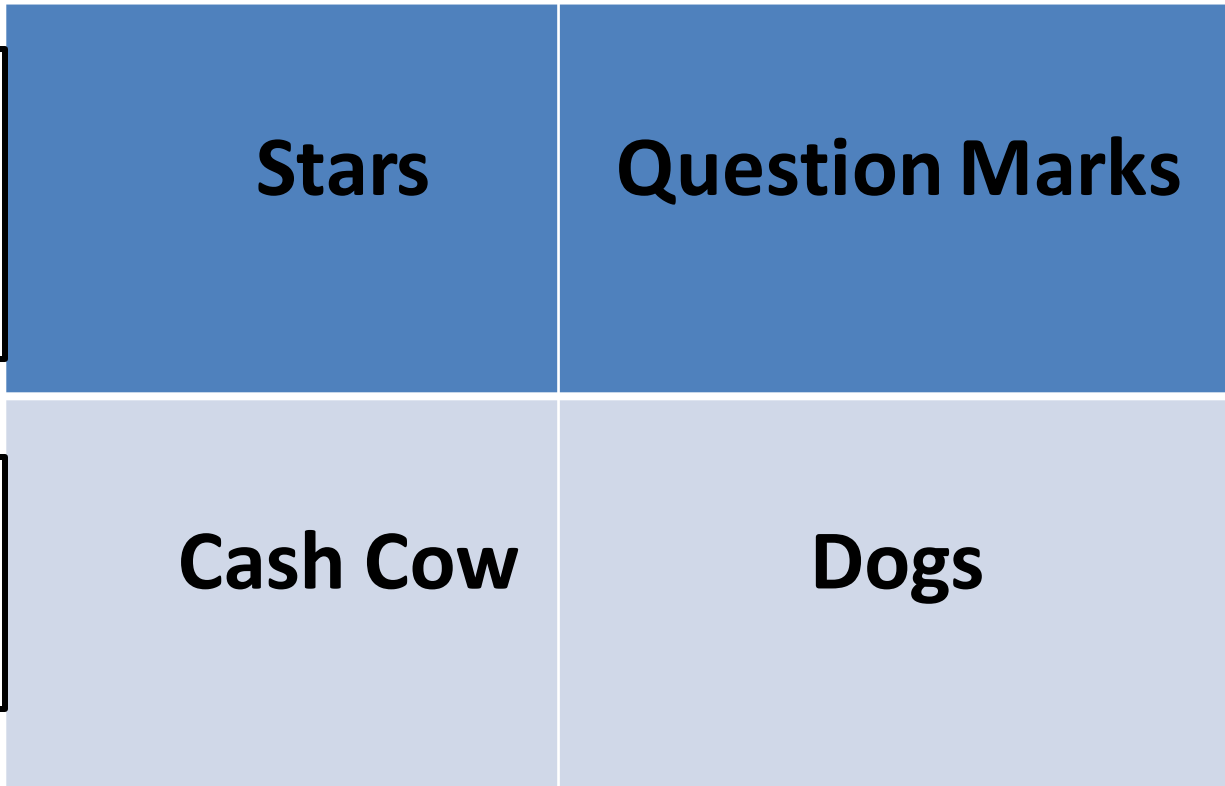
**Stars**

**Question Marks**

L  
O  
W

**Cash Cow**

**Dogs**



# BCG Matrix

It is a four cell matrices developed by BCG, USA. It provides a graphic representation for an organization to examine different businesses in it's portfolio on the basis of their related market share and industry growth rates.

It is a comparative analysis of business potential and the evaluation of environment.

# BCG Matrix

BCG matrix has four cells, with horizontal axis representing relative market share and the vertical axis denoting market growth rate.

The mid point of relative market share is set at 1.0. If all the SBU's are in the same industry, the average growth rate of the industry is used. While if all the SBU's are in different industries, then the mid point is set at the growth rate for the economy.

# Stars

The four cells of the matrix have been called as stars, cash cows, question marks and Dogs.

**Stars** High growth & high market share business which may or may not be self-sufficient in terms of cash flow.

Companies generally perceives expansion strategy to establish a strong competitive position.

# Cash Cows

- **Cash Cows** Large market share in a mature, slow growing industry. It generate large amount of cash. The cash generation exceeds the reinvestment.
- Business can adopt mainly stability strategies & limited expansion strategy.
- The cash generated by cash cow is reinvested in stars & question mark.



# Question Marks

- **Question Marks** Low relative market share & high growth industry business. Business require large amount of cash to maintain or gain market share.
- Question mark therefore may become stars if enough investment is made or they may become Dog if ignored.

# Dogs

- **Dogs** Weak market share in low growth market business.
- They neither generate nor require a large amount of cash.
- In terms of PLC, the dogs are usually products in late maturity or a declining stage.
- Retrenchment strategies are normally suggested for this stage.