**What is A BCG Matrix? Definition, Guide and Examples**

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The BCG Matrix, otherwise known as the growth share matrix, is a portfolio management framework that helps companies decide how to strategically manage a portfolio of products or services.

**How to use the BCG Matrix model ?**

The [Boston Consulting Group](https://www.bcg.com/)’s product portfolio matrix (BCG matrix) is designed to help with long-term strategic planning, to help a business consider growth opportunities by reviewing its portfolio of products to decide where to invest, to discontinue or develop products. It’s also known as the [Growth/Share Matrix](https://www.smartinsights.com/digital-marketing-strategy/online-business-revenue-models/essential-marketing-strategy-models-growthshare-matrix/).

The Matrix is divided into 4 quadrants. Each quadrant represents a relative position based on market growth and relative market share.

The BCG is more relevant to larger organizations with multiple services and markets. However, smaller businesses that have a broad range of products can use this to analyze their products.

Often the 80:20 rule applies. In other words, eighty per cent of profits come from twenty per cent of the products and therefore the BCG matrix provides a method to analyze your portfolio and decisions.

**What are the four quadrants of the BCG Matrix?**



**The Four Quadrants Explained**

**Dog products:** The recommended advice is to remove any dogs from your product portfolio as they are a drain on resources. *However, this can be an over-simplification since it is possible to generate ongoing revenue with little cost.* For example, in the automotive sector, when a car line ends, there is still an after-market i.e. the need for spare parts. After SAAB ceased trading and producing new cars, a whole business emerged providing SAAB parts.

**Question mark products:** As the name suggests, these products often require significant investment to push them into the star quadrant. The challenge is that a lot of investment may be required to get a return. For example, Amazon developed the Firephone but failed to gain traction in the smartphone market. Despite a serious amount of investment, it flopped and failed to compete against the established players such as Apple and Samsung.

**Star products:**Can be the market leader though require ongoing investment to sustain. They generate more ROI than other product categories.

**Cash cow products**: The simple rule here is to ‘*Milk these products as much as possible without killing the cow*! Often mature, well-established products. The company Procter & Gamble which manufactures Pampers nappies to Lynx deodorants has often been described as a ‘cash cow company’.

**Advantages and disadvantages of the BCG Matrix**

Benefits of the matrix:

* Easy to perform;
* Helps to understand the strategic positions of a business portfolio;
* It is a good starting point prior to further analysis.

Growth-share analysis oversimplifies the factors involved in assessing the future of a business portfolio. Some other limitations include:

* Business can only be classified to four quadrants. It can be confusing to classify an SBU that falls right in the middle.
* It does not define what ‘market’ is. Businesses can be classified as cash cows, while they are actually dogs, or vice versa.
* Does not include other external factors that may change the situation completely.
* Market share and industry growth are not the only factors of profitability. Besides, high market share does not necessarily mean high profits.
* It denies that synergies between different units exist. Dogs can be as important as cash cows to businesses if it helps to achieve competitive advantage for the rest of the company.

**BCG Matrix Example**

The BCG Model is based on products rather than services, however, it does apply to both. You could use this if reviewing a range of products, especially before starting to develop new products.

Looking at the British retailer, Marks & Spencer, they have a wide range of products and many different lines. We can identify every element of the BCG matrix across their ranges:

* **Stars**

Example: **Lingerie**. M&S was known as the place for ladies underwear at a time when choice was limited. In a multi-channel environment, M&S lingerie is still the UK’s market leader with high growth and high market share.

* **Question Marks/Problem Child**

Example: **Food**. For years M&S refused to consider food and today has over 400 Simply Food stores across the UK. Whilst not a major supermarket, M&S Simply Food has a following which demonstrates high growth and low market share.

* **Cash Cows**

Example: **Classic range**. Low growth and high market share, the M&S Classic range has strong supporters.

* **Dogs**

Example: **Autograph range**. A premium-priced range of men’s and women’s clothing, with low market share and low growth. Although placed in the dog category, the premium pricing means that it makes a financial contribution to the company.

**How the BCG Matrix Fits with Other Forms of Analysis**

The BCG Matrix is a portfolio level of analysis. The two other types of analysis related to this are the Ansoff Matrix and the product lifecycle.



**S-curves discrete**



**S-curves cumulative**

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Rate of Change

Market Potential

Time

Profits

Costs

Revenue

Market Share