

BCG MATRIX

BCG MODEL

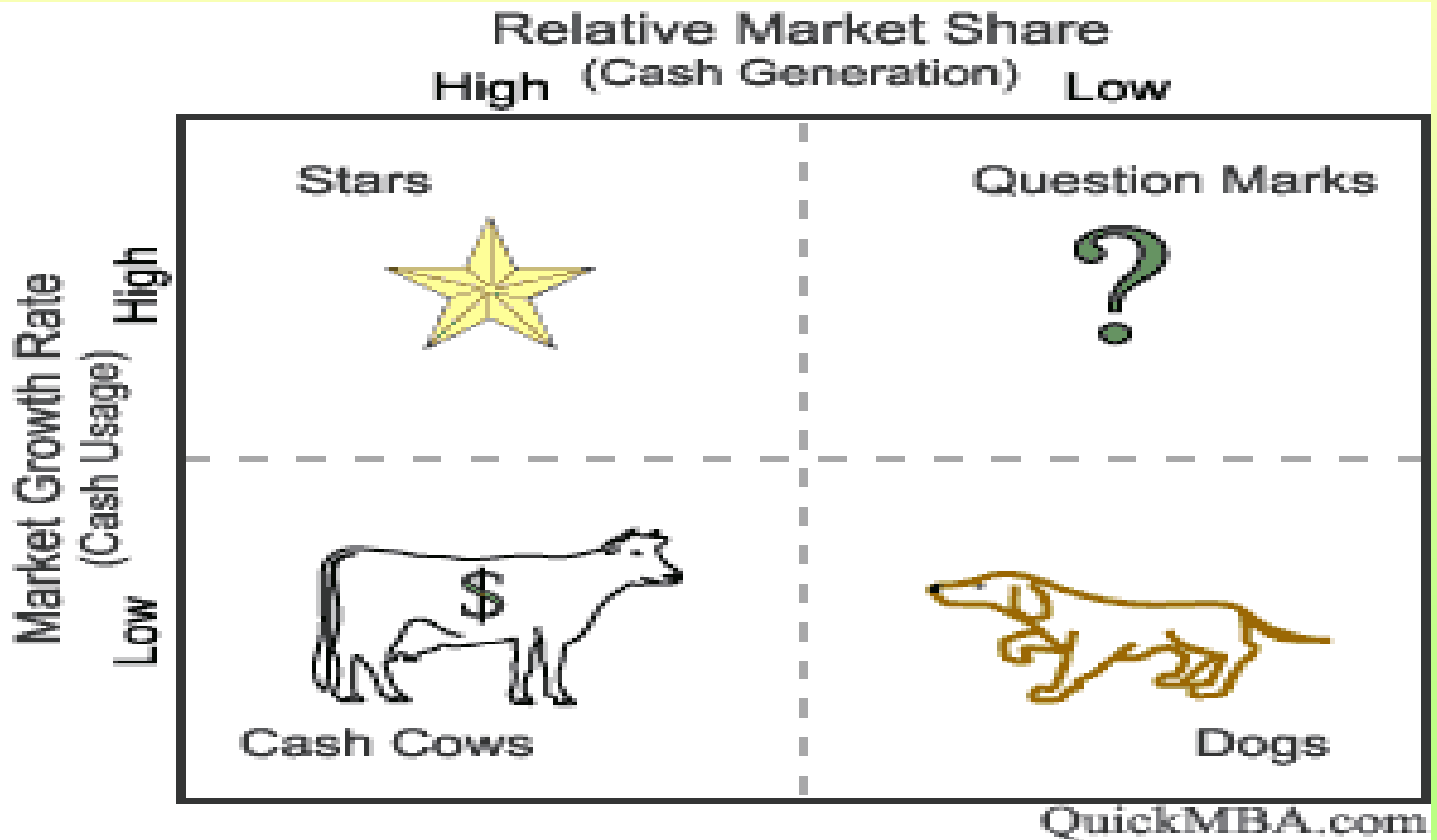
- The first step in BCG Matrix is to identify the various Strategic Business Units ("SBU's") in a company portfolio.
- According to this technique, businesses or products are classified as low or high performers depending upon their market growth rate and relative market share.
- ✓ *Relative market share* - this serves as a measure of SBU strength in the market
- ✓ *Market growth rate* - this provides a measure of market attractiveness

WHY BCG MATRIX?

To assess:

- **Profiles of products/businesses**
- **The cash demands of products**
- **Resource allocation and divestment decisions**

The BCG BOX/GSM



THE BCG BOX

By dividing the matrix into four areas, four types of SBU can be distinguished:

- **Stars** - Stars are high growth businesses or products competing in markets where they are relatively strong compared with the competition. Often they need heavy investment to sustain their growth. Eventually their growth will slow and, assuming they maintain their relative market share, will become cash cows.
- **Cash Cows** - Cash cows are low-growth businesses or products with a relatively high market share. These are mature, successful businesses with relatively little need for investment. They need to be managed for continued profit - so that they continue to generate the strong cash flows that the company needs for its Stars.

THE BCG BOX

- **Question marks** - Question marks are businesses or products with low market share but which operate in higher growth markets. This suggests that they have potential, but may require substantial investment in order to grow market share at the expense of more powerful competitors. Management have to think hard about "question marks" - which ones should they invest in? Which ones should they allow to fail or shrink?
- **Dogs** - Unsurprisingly, the term "dogs" refers to businesses or products that have low relative share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in.

Strategies on the Basis of BCG Box

Conventional strategic thinking suggests there are four possible strategies for each SBU:

- ***Build Share***: here the company can invest to increase market share (for example turning a "question mark" into a star)
- ***Hold***: here the company invests just enough to keep the SBU in its present position
- ***Harvest***: here the company reduces the amount of investment in order to maximize the short-term cash flows and profits from the SBU. This may have the effect of turning Stars into Cash Cows.
- ***Divest***: the company can divest the SBU by phasing it out or selling it - in order to use the resources elsewhere (e.g. investing in the more promising "question marks").

BCG OF HUL

STARS

- 1) **LUX: Market Share - 16%**
- 2) **PONDS TALCUM POWDER: Market share - 65%**
- 3) **SUNSILK: Market share -32%**
- 4) **SURF EXCEL: Market Share - 37%**
- 5) **KISSAN KETCHUP: Market Share- 26%**
- 6) **AXE: Market Share- 70%**

QUESTION MARKS

- 1) **RIN: Market Share – 4.8% ; HUL has 35% market share in detergent industry**
- 2) **PEPSODENT: Market Share – 13.81% (HUL-30% in oral care industry)**
- 3) **DOMEX : Market Share – 20%
Front runner HARPIC- 70%**
- 4) **BREEZE**

CASH COWS

- 1) **VASELINE PETROLEUM JELLY: Market Share- >80%**
- 2) **RED LABEL: Market Share – >28%**

DOGS

- 1) **TAAZA**
- 2) **BRU**

MARKETING AT IIM

FEW TERMINOLOGIES IN MARKETING

- **Direct marketing**
- **Advertising**
- **Tele marketing**
- **Public Relation**
- **Brand recognition**
- **Customer feedback**
- **Demand and supply gap**
- **Competition**
- **Restriction for entry into new markets.**

A Professor at one of the IIM's (INDIA)

was explaining marketing concepts to the Students:-

1 You see a gorgeous girl at a party. You go up to her and say:

"I am very rich. Marry me!" - That's Direct Marketing

2 You're at a party with a bunch of friends and see a gorgeous girl.

One of your friends goes up to her and pointing at you says:

"He's very rich. Marry him." - That's Advertising

3 You see a gorgeous girl at a party. You go up to her and get her telephone number. The next day, you call and say:

"Hi, I'm very rich. Marry me." - That's Telemarketing

4 You're at a party and see gorgeous girl. You get up and straighten your tie, you walk up to her and pour her a drink, you open the door (of the car) for her, pick up her bag after she drops it, offer her ride and then say:

**By the way, I'm rich. Will you marry me?" -
That's Public Relations**

**5 You're at a party and see gorgeous girl. She walks up to you and says:
You are very rich! Can you marry ! me?" -**

That's Brand Recognition

**6 You see a gorgeous girl at a party. You go up to her and say:
I am very rich. Marry me!" She gives you a nice hard slap on your face.**

- That's Customer Feedback

7 You see a gorgeous girl at a party. You go up to her and say:

"I am very rich. Marry me!" And she introduces you to her husband.

- That's demand and supply gap

8 You see a gorgeous girl at a party. You go up to her and before you say anything, another person come and tell her: "I'm rich. Will you marry me?" and she goes with him

- That's competition eating into your market share

9 You see a gorgeous girl at a party. You go up to her and before you say:

"I'm rich, Marry me!" & your wife arrives. -

That's restriction for entering new markets and this is known as practical applications....right??

THANK YOU