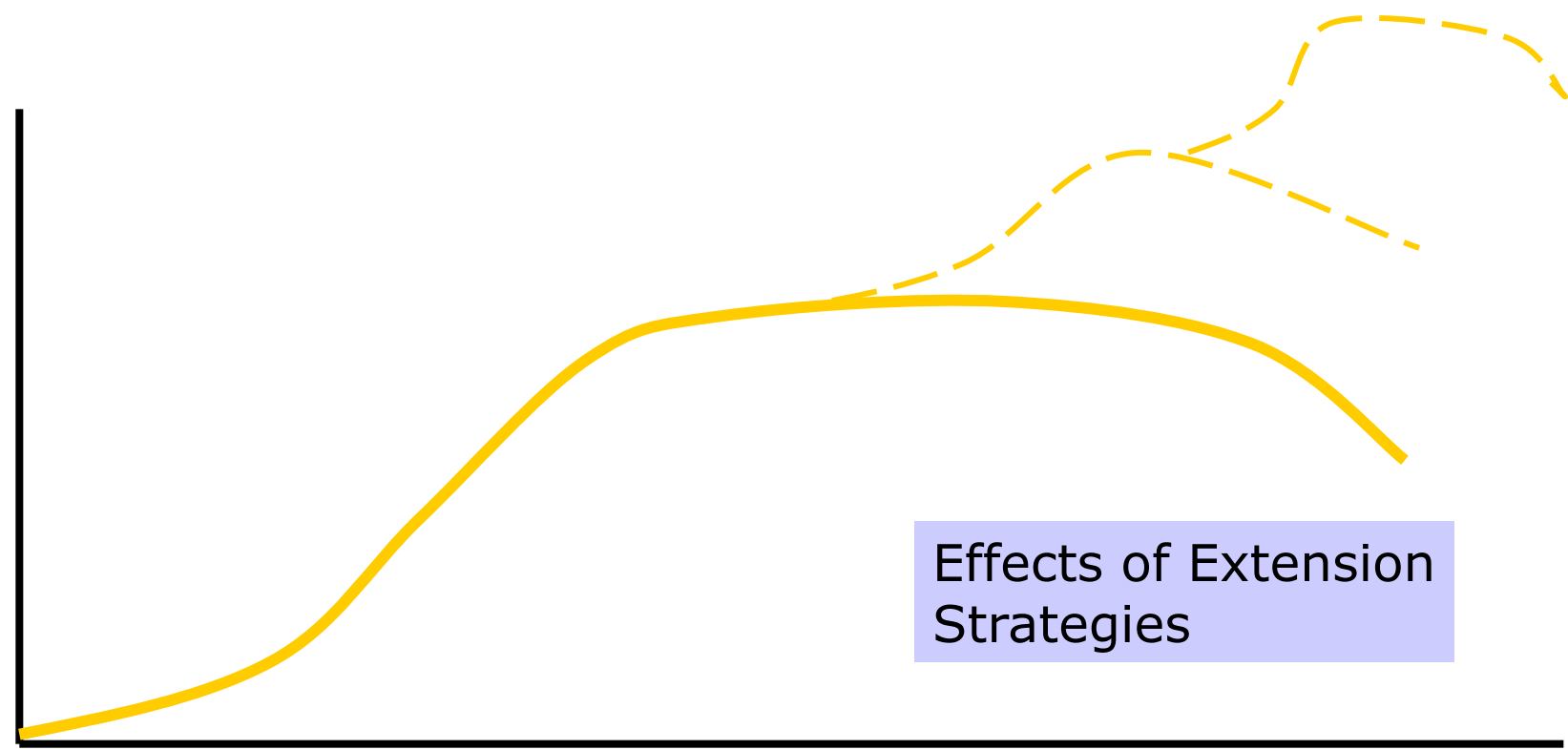


Product Life Cycles and the Boston Matrix

Product Life Cycles and the Boston Matrix

Sales



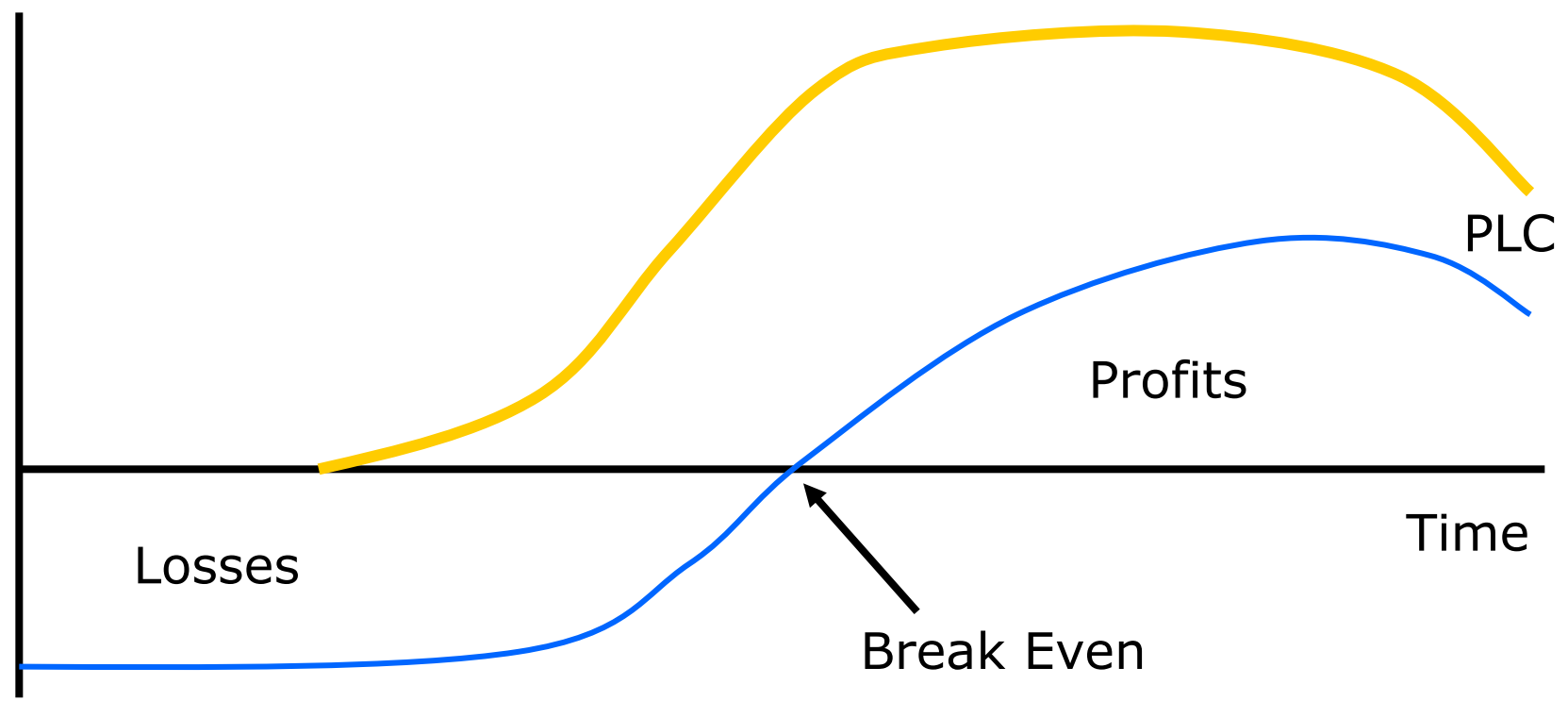
Effects of Extension Strategies

Time

Product Life Cycles and the Boston Matrix

PLC and Profits

Sales/Profits



The Boston Matrix

- **The Boston Matrix:**
 - A means of analysing the product portfolio and informing decision making about possible marketing strategies
 - Developed by the Boston Consulting Group – a business strategy and marketing consultancy in 1968
 - Links growth rate, market share and cash flow

The Boston Matrix

- Classifies Products into four simple categories:
- **Stars** – products in markets experiencing high growth rates with a high or increasing share of the market
 - Potential for high revenue growth



The Boston Matrix



- **Cash Cows:**
 - High market share
 - Low growth markets – maturity stage of PLC
 - Low cost support
 - High cash revenue – positive cash flows

The Boston Matrix

- **Dogs:**

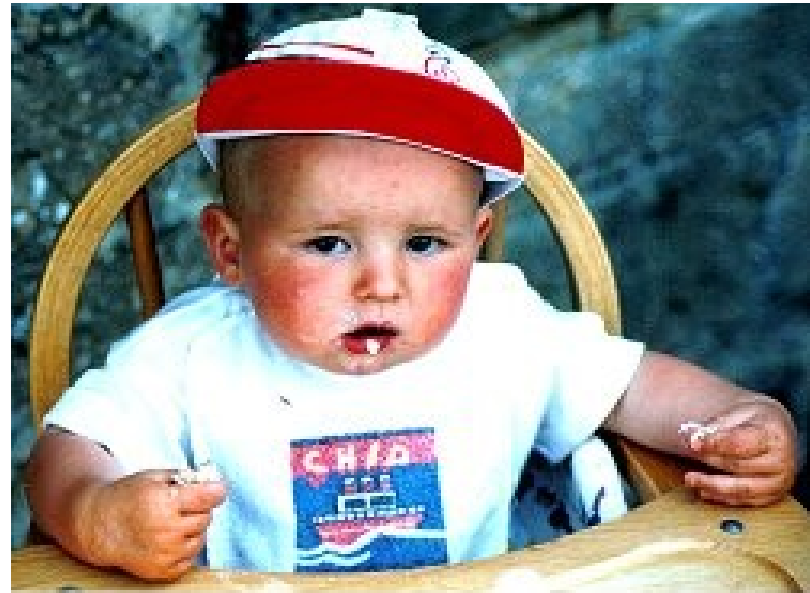
- Products in a low growth market
- Have low or declining market share (decline stage of PLC)
- Associated with negative cash flow
- May require large sums of money to support



Is your product starting to embarrass your company?

The Boston Matrix

- **Problem Child:**
 - Products having a low market share in a high growth market
 - Need money spent to develop them
 - May produce negative cash flow
 - Potential for the future?



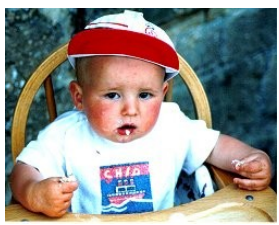
Problem children – worth spending good money on?

The Boston Matrix

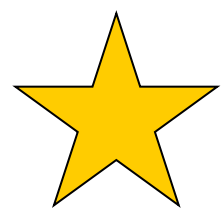
Market Growth

High

Problem Children



Stars



Dogs



Cash Cows



Low



Market Share
High

The Boston Matrix

- **Implications:**
- **Dogs:**
 - Are they worth persevering with?
 - How much are they costing?
 - Could they be revived in some way?
 - How much would it cost to continue to support such products?
 - How much would it cost to remove from the market?

The Boston Matrix

- **Implications:**
- **Problem Children:**
 - What are the chances of these products securing a hold in the market?
 - How much will it cost to promote them to a stronger position?
 - Is it worth it?

The Boston Matrix

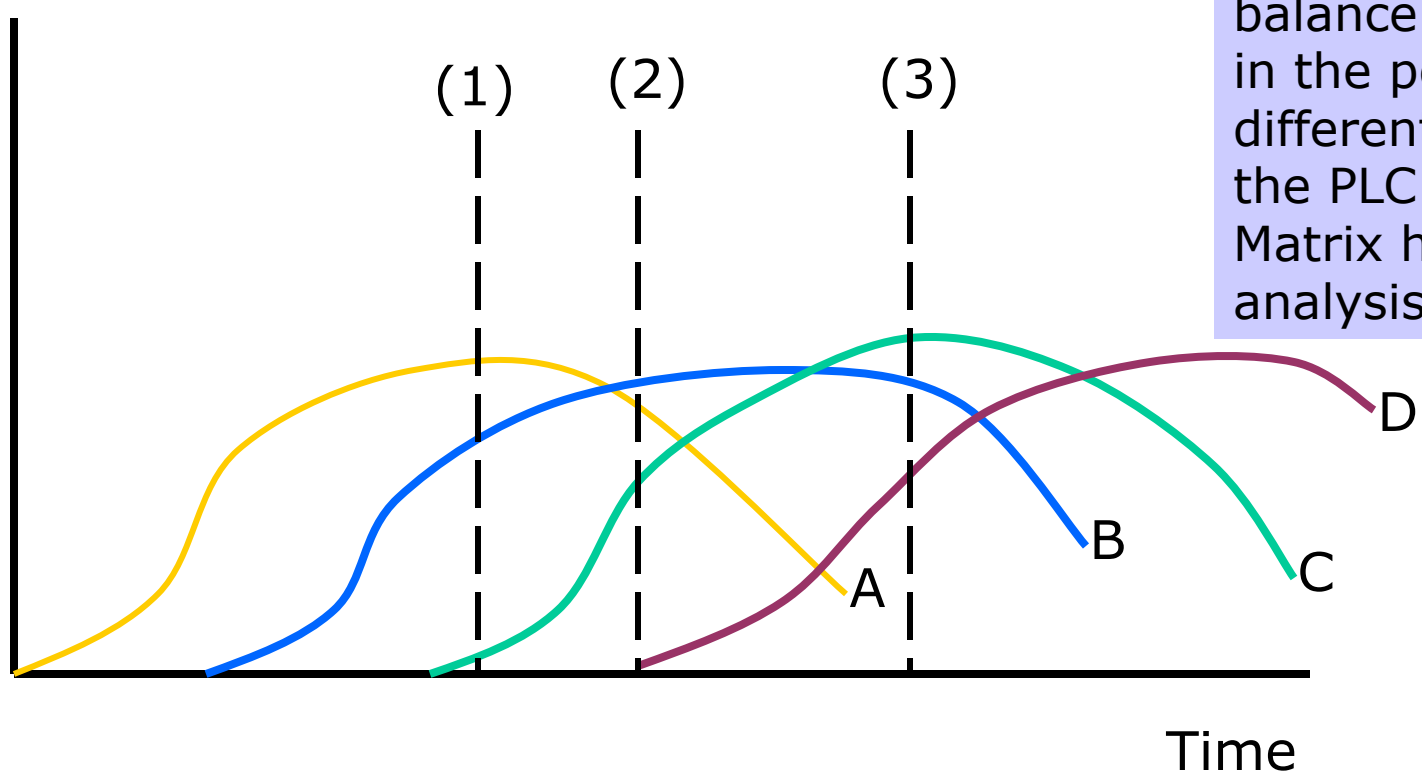
- **Implications:**
- **Stars:**
 - Huge potential
 - May have been expensive to develop
 - Worth spending money to promote
 - Consider the extent of their product life cycle in decision making

The Boston Matrix

- **Implications:**
- **Cash Cows:**
 - Cheap to promote
 - Generate large amounts of cash – use for further R&D?
 - Costs of developing and promoting have largely gone
 - Need to monitor their performance – the long term?
 - At the maturity stage of the PLC?

The Product Life Cycle and the Boston Matrix

Sales



Importance of maintaining a balance of products in the portfolio at different stages of the PLC – Boston Matrix helps with the analysis