Boston Matrix

A business with a range of products has a portfolio of products. However, owning a product portfolio poses a problem for a business. It must decide how to allocate investment (e.g. in product development, promotion) across the portfolio.

A portfolio of products can be analyzed using the **Boston Consulting Group Matrix**. This categorizes the products into one of four different areas, based on:

Market share – does the product being sold have a low or high market share?

Market growth – are the numbers of potential customers in the market growing or not?

How does the Boston Matrix work? The four categories can be described as follows:

Stars are **high growth products** competing in markets where they are strong compared with the competition. Often Stars need heavy investment to sustain growth. Eventually growth will slow and, assuming they keep their market share, Stars will become Cash Cows.

Cash cows are **low-growth products** with a high market share. These are mature, successful products 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.

Question marks (or problem child) are products with low market share operating in high growth markets. This suggests that they have potential, but may need substantial investment to grow market share at the expense of larger competitors. Management have to think hard about "Question Marks" - which ones should they invest in? Which ones should they allow to fail or shrink?

The term **"dogs"** unsurprisingly refers to products that have a low market share in unattractive, low-growth markets. Dogs may generate enough cash to break-even, but they are rarely, if ever, worth investing in. Dogs are usually sold or closed.

Ideally a business would prefer products in all categories (apart from Dogs!) to give it a balanced portfolio of products.