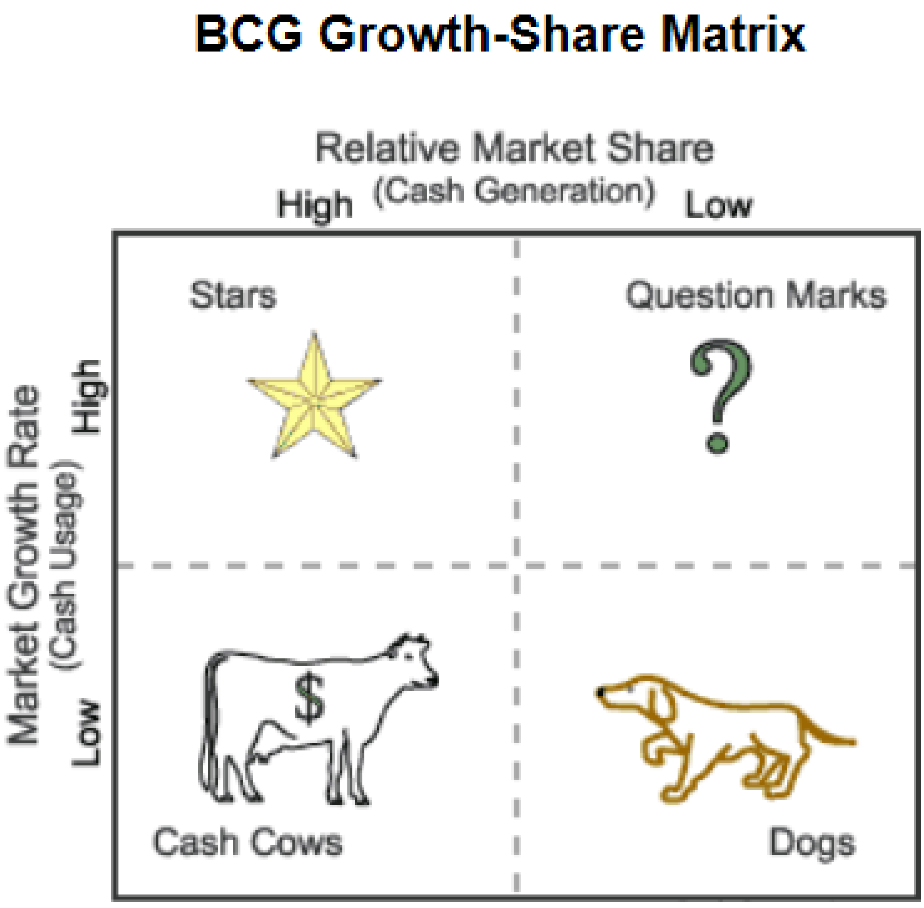
BCG Growth-Share MATRIX

Companies that are large enough to be organised into strategic business units face the challenge of allocating resources among those units. The BCG Matrix is a chart that was created by Bruce D. Henderson for the Boston Consulting Group in 1980's to help corporations to analyse their product lines. This chart locates products based on its relative market share Vs market growth rate. Conducting a BCG matrix helps the company allocate resources to business units according to where they are situated on the grid.



Cash Cow	A business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units.
Star	A business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. If successful, a star will become a cash cow when its industry matures.
Question Mark (Problem Child)	A business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown.
Dog	A business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose it should be liquidated if there is little prospect for it to gain market share.

Even though the BCG matrix is effective in allocating resources among different business units, there is a need to be aware of the negative criticism based on the model:

- The link between market share and profitability is questionable since increasing market share can be very expensive.
- The approach may overemphasise high growth, since it ignores the potential of declining markets.
- The model considers market growth rate to be a given. In practice, the company may be able to grow the market.

These issues are addressed by the GE/ McKinsey Matrix, which considers market growth rate to be only one of many factors that make an industry attractive, and which considers relative market share to be only one of many factors describing the competitive strength of the business unit.