

BOSTON CONSULTING GROUP (BCG)

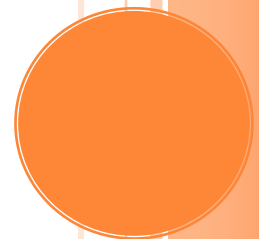
GROWTH-SHARE MATRIX

MS-Excel & MS-Word Templates User Guide

In the early 1970's the Boston Consulting Group (BCG) developed a model for managing a portfolio of different strategic business units (SBUs) or major product lines. The BCG Growth-Share Matrix is a four-cell (2 by 2) matrix used to perform business portfolio analysis as a step in the strategic planning process.

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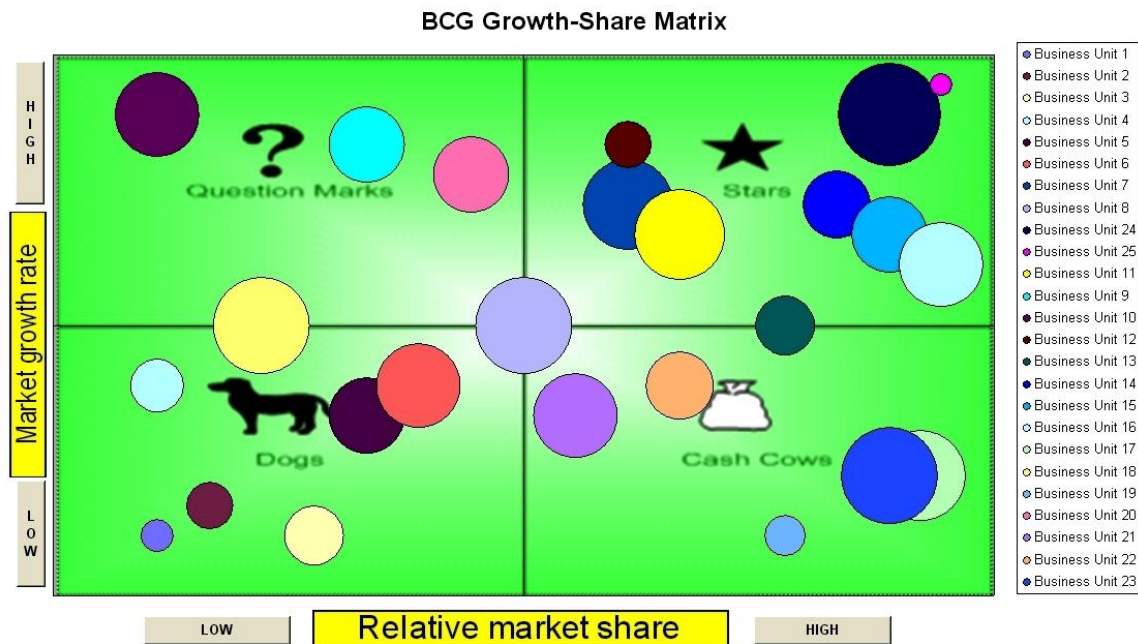
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GROWTH-SHARE MATRIX

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1 INTRODUCTION

In the early 1970's the Boston Consulting Group (BCG) developed a model for managing a portfolio of different strategic business units (SBUs) or major product lines. The BCG Growth-Share Matrix is a four-cell (2 by 2) matrix used to perform business portfolio analysis as a step in the strategic planning process. The BCG Growth-Share Matrix positions the various SBUs/product lines on the basis of Market Growth Rate and Market Share relative to the most important competitor.



The BCG matrix provides a framework to compare many SBUs/product lines at a glance and for allocating resources between the different SBUs or product lines.

- SBUs/Product Lines with a relative high market share in a high growth market are designated as Stars.
- SBUs/Product Lines with a relative high market share in a low growth market are designated as Cash Cows
- SBUs/Product Lines with a relative low market share in a high growth market are designated as Question Marks or Problem Children.

- SBUs/Product Lines with a relative low market share in a low growth market are designated as Dogs.

A different strategic and investment approach is taken for each of the four different categories.

- **Cash Cows** typically have large market shares in mature, slow growing markets. Cash cows require little investment and generate cash that can be used to invest in other SBUs/product lines.
- **Stars** are SBUs/product lines that have a large market share in a fast growing market. Because the market is growing rapidly, stars frequently require ongoing investment to maintain their market leadership. As marginal competitors withdraw and the market matures and slows down, successful stars become cash cows and generate significant cash.
- **Question Marks** operate in high growth markets, but suffer from low market share. The strategic options involve investing resources to grow market share or withdrawing. Investing to grow market does not guarantee these SBUs or product lines will become stars and hence the term Question Mark.
- **Dogs.** A dog suffers from having low market share in a market that is mature and slow growing. Investment will usually have little benefit and therefore, liquidation and withdrawal is usually the best strategy for those SBUs/product lines classified as Dogs.

2 USER INSTRUCTIONS MS-EXCEL

The EXCEL model has a simple Push Button Menu system at the top of the Workbook in cell B2. (see below) The following general guidelines should be followed. Cells in Green are intended for User Input. Cells in Black are calculated and should not be altered by the user. On first use it is recommended that the Menu Options be used in the sequence in which they are numbered, 1, 2, 3, etc. On subsequent use the options can be selected as required to make amendments to the data originally entered.

1. Enter Business Unit Names
2. Enter Relative Market Shares
3. Enter Market Growth Rates
4. Go to BCG Growth-Share Chart
5. Print Input Data

1. Enter the **Business Unit Names**. Up to 10 Business Units may be entered

Business Unit Names
Business Unit 1
Business Unit 2
Business Unit 3
Business Unit 4
Business Unit 5
Business Unit 6
Business Unit 7
Business Unit 8
Business Unit 9
Business Unit 10
Business Unit 11
Business Unit 12
Business Unit 13
Business Unit 14
Business Unit 15
Business Unit 16
Business Unit 17

Business Unit 18
Business Unit 19
Business Unit 20
Business Unit 21
Business Unit 22
Business Unit 23
Business Unit 24
Business Unit 25

2. Enter the **Relative Market Share** compared to the most important competitor for each Business Unit.
3. Enter the **Market Growth Rate** for each Business Unit.

The data for **Relative Market Share** and **Market Growth Rate** rates should be based on a scale of 1 to 9 where

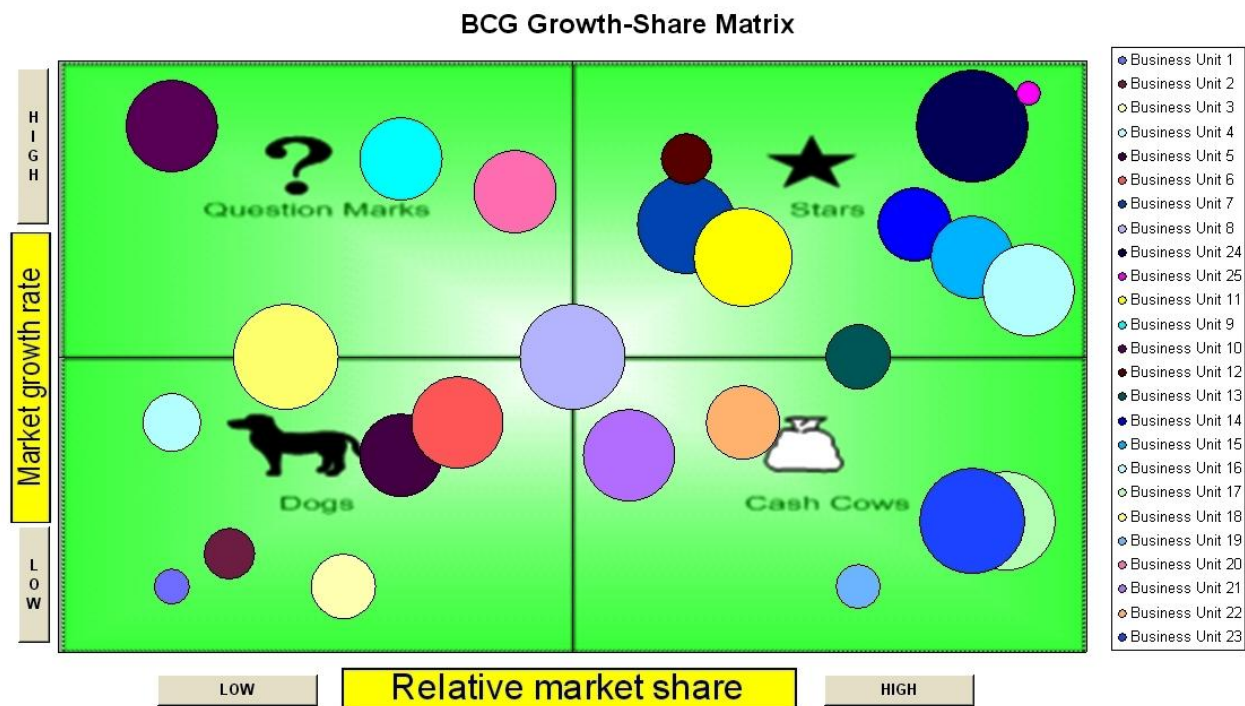
- 1 Extremely Low
- 5 Industry Average
- 9 Extremely High

Data may be entered using a single decimal point, e.g. a market Growth Rate of 3.5 can be used.

Relative Market Share 1 -9	Market Growth Rate 1 -9	Market Size Rate 1 -9
1.0	1.0	1.0
1.5	1.5	2.0
2.5	1.0	3.0
1.0	3.5	2.5
3.0	3.0	5.0
3.5	3.5	6.0
5.5	6.5	7.0
4.5	4.5	8.0
3.0	7.5	5.0
1.0	8.0	6.0
6.0	6.0	7.0
5.5	7.5	2.0

7.0		4.5		3.0
7.5		6.5		4.0
8.0		6.0		5.0
8.5		5.5		6.0
8.3		2.0		7.0
2.0		4.5		8.0
7.0		1.0		1.5
4.0		7.0		5.0
5.0		3.0		6.0
6.0		3.5		4.0
8.0		2.0		8.0
8.0		8.0		9.0
8.5		8.5		0.5

When the data is entered, The **BCG Growth-Growth Matrix** chart is automatically created.



3 USER INSTRUCTIONS MS-WORD

The MS-Word document facilitates presentation of the results of the analysis of the mix of business units in a report/business plan or other MS-Word document.

BCG Growth-Share Matrix for _____ Date _____

		Relative Market Share	
		Low	High
Market Growth Rate	HIGH	<p><u>Question Marks</u></p> <ul style="list-style-type: none"> • Entry 1 • Entry 2 • Entry 3 • Entry 4 • Entry 5 • Entry 6 • Entry 7 • Entry 8 • Entry 9 • Entry 10 	<p><u>Stars</u></p> <ul style="list-style-type: none"> • Entry 1 • Entry 2 • Entry 3 • Entry 4 • Entry 5 • Entry 6 • Entry 7 • Entry 8 • Entry 9 • Entry 10
	LOW	<p><u>Dogs</u></p> <ul style="list-style-type: none"> • Entry 1 • Entry 2 • Entry 3 • Entry 4 • Entry 5 • Entry 6 • Entry 7 • Entry 8 • Entry 9 • Entry 10 	<p><u>Cash Cows</u></p> <ul style="list-style-type: none"> • Entry 1 • Entry 2 • Entry 3 • Entry 4 • Entry 5 • Entry 6 • Entry 7 • Entry 8 • Entry 9 • Entry 10

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MS-Word template can be copied and pasted into any MS-Word document.

Once it is pasted into the desired location in the document, it can be edited as any standard MS-Word table would be. Simply type the various entries in the appropriate cell. The individual cells can be formatted by deleting the entries not used. The unused bullets can be disabled by using the standard formatting option in MS-Word to change the “bullets” option to “none”.