

Boston consulting group bcg matrix marketing essay



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BCG is a four celled matrix developed by BCG, USA. It is the most renowned corporate portfolio analysis tool. It provides a graphic representation for an organization to examine different businesses in it's portfolio on the basis of their related market share and industry growth rates.

It is a two dimensional analysis on management of SBU's (Strategic Business Units). In other words, it is a comparative analysis of business potential and the evaluation of environment.

According to this matrix, business could be classified as high or low according to their industry growth rate and relative market share.

Relative Market Share = $\frac{\text{SBU Sales this year}}{\text{leading competitors sales this year}}$

Market Growth Rate = $\frac{\text{Industry sales this year} - \text{Industry Sales last year}}{\text{Industry Sales last year}}$

The analysis requires that both measures be calculated for each SBU. The dimension of business strength, relative market share, will measure comparative advantage indicated by market dominance.

The key theory underlying this is existence of an experience curve and that market share is achieved due to overall cost leadership.

BCG matrix has four cells, with the horizontal axis representing relative market share and the vertical axis denoting market growth rate.

The mid-point of relative market share is set at 1. 0. if all the SBU's are in same industry, the average growth rate of the industry is used. While, if all

the SBU's are located in different industries, then the mid-point is set at the growth rate for the economy.

Resources are allocated to the business units according to their situation on the grid.

The four cells of this matrix have been called as stars, cash cows, question marks and dogs. Each of these cells represents a particular type of business.

BCG Matrix

10 x

1 x

0.1 x

Figure: BCG Matrix

Stars- Stars represent business units having large market share in a fast growing industry. They may generate cash but because of fast growing market, stars require huge investments to maintain their lead. Net cash flow is usually modest. SBU's located in this cell are attractive as they are located in a robust industry and these business units are highly competitive in the industry. If successful, a star will become a cash cow when the industry matures.

Cash Cows- Cash Cows represents business units having a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be utilized for investment in other business units. These SBU's are the corporation's key source of cash, and are specifically the core business. They are the base of an organization. These businesses usually follow stability strategies. When cash cows loose their

appeal and move towards deterioration, then a retrenchment policy may be pursued.

Question Marks- Question marks represent business units having low relative market share and located in a high growth industry. They require huge amount of cash to maintain or gain market share. They require attention to determine if the venture can be viable. Question marks are generally new goods and services which have a good commercial prospective. There is no specific strategy which can be adopted. If the firm thinks it has dominant market share, then it can adopt expansion strategy, else retrenchment strategy can be adopted. Most businesses start as question marks as the company tries to enter a high growth market in which there is already a market-share. If ignored, then question marks may become dogs, while if huge investment is made, then they have potential of becoming stars.

Dogs- Dogs represent businesses having weak market shares in low-growth markets. They neither generate cash nor require huge amount of cash. Due to low market share, these business units face cost disadvantages. Generally retrenchment strategies are adopted because these firms can gain market share only at the expense of competitor's/rival firms. These business firms have weak market share because of high costs, poor quality, ineffective marketing, etc. Unless a dog has some other strategic aim, it should be liquidated if there is fewer prospects for it to gain market share. Number of dogs should be avoided and minimized in an organization.

Limitations of BCG Matrix

The BCG Matrix produces a framework for allocating resources among different business units and makes it possible to compare many business units at a glance. But BCG Matrix is not free from limitations, such as-

BCG matrix classifies businesses as low and high, but generally businesses can be medium also. Thus, the true nature of business may not be reflected.

Market is not clearly defined in this model.

High market share does not always leads to high profits. There are high costs also involved with high market share.

Growth rate and relative market share are not the only indicators of profitability. This model ignores and overlooks other indicators of profitability.

At times, dogs may help other businesses in gaining competitive advantage. They can earn even more than cash cows sometimes.

This four-celled approach is considered as to be too simplistic.

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[ANd9GcTsVHnOohPqIZjUmdhxOh0j1L2_6fdC8bSo6LT6BcKMaz8jH6cS](http://t2.gstatic.com/images?q=tbn:ANd9GcTsVHnOohPqIZjUmdhxOh0j1L2_6fdC8bSo6LT6BcKMaz8jH6cS)

[Nokia wordmark.svg](#)

Nokia Corporation OMX: NOK1V, NYSE: NOK is a Finnish multinational communications and information technology corporation headquartered in

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Keilaniemi, Espoo, Finland. Its principal products are mobile telephones and portable IT devices.

It also offers Internet services including applications, games, music, media and messaging, and free-of-charge digital map information and navigation services through its wholly owned subsidiary Navteq.

Nokia has a joint venture with Siemens, Nokia Siemens Networks, which provides telecommunications network equipment and services.

Nokia has around 97, 798 employees across 120 countries, sales in more than 150 countries and annual revenues of around €30 billion.

It is the world's second-largest mobile phone maker by 2012 unit sales (after Samsung), with a global market share of 22. 5% in the first quarter of that year.

Nokia is a public limited-liability company listed on the Helsinki Stock Exchange and New York Stock Exchange.

It is the world's 143rd-largest company measured by 2011 revenues according to the Fortune Global 500.

Nokia was the world's largest vendor of mobile phones from 1998 to 2012.[6] However, over the past five years it has suffered declining market share as a result of the growing use of Smart phones from other vendors, principally the Apple iPhone and devices running on Google's Android operating system.

As a result, its share price has fallen from a high of US\$40 in 2007 to under US\$3 in 2012.

Since February 2011, Nokia has had a strategic partnership with Microsoft, as part of which all Nokia smart phones will incorporate Microsoft's Windows Phone operating system (replacing Symbian). Nokia unveiled its first Windows Phone handsets, the Lumia 710 and 800, in October 2011.

Nokia BCG Matrix

<http://htmlimg4.scribdassets.com/1pfmrp8gxsfstk9/images/70-8f2a04d5d3.jpg>

Star - N-Series, this product having large market share in the fast growing industry. This product is appreciated by customers. They may generate cash but requires huge investment to maintain their lead. After its maturity stage it will become the cash cows for the company.

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Question mark - Premium Series this product having low relative market share. They require attention to determine if the venture can be viable.

These are the new mobile phones which are introduced in the market. Sales of the premium series are very low, it was not as per the needs of the customers.

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Cash cow- Entry level, this shows a large market share in the slow growing industry. This kept around despite dwindling sales because they still manage

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to hold on to a sufficient number of customers and maintain their profitability with virtually no marketing support.

Dog - N- gage this product of Nokia is in the weak market shares in low growth markets. They neither generate cows nor require huge amount of cash. The company has to either slow down the production or shut down the production of that product.

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Sony Mobile Communications wants to build a better voice trap. A subsidiary of Japan's Sony, the company makes and sells smart phones based on Google's Android mobile operating system under the Xperia brand.

Formerly known as Sony Ericsson Mobile Communications, Sony bought out Ericsson's 50% stake in the joint venture for about E1 billion in 2012, at which point the business was renamed Sony Mobile Communications.

The company has manufacturing and product development operations in China, with additional product development sites in California and Japan.

It is registered in Sweden but maintains headquarters in the UK and North American headquarters in Atlanta.

Sony Mobile Communications AB (formerly Sony Ericsson Mobile Communications AB) is a multinational mobile phone manufacturing company headquartered in Tokyo, Japan, and a wholly owned subsidiary of Sony Corporation.

It was founded on October 1, 2001 as a joint venture between Sony and the Swedish telecommunications equipment company Ericsson, under the name Sony Ericsson. Sony acquired Ericsson's share in the venture on February 16, 2012.

Sony Mobile Communications has research and development facilities in Tokyo, Japan; Chennai, India; Lund, Sweden ; Beijing, China and Silicon Valley, United States.

Sony Mobile is the world's 10th-largest mobile phone manufacturer by market share in the first quarter of 2012.

It is the world's third-largest smart phone manufacturer by market share in the third quarter of 2012.

SONY BCG Matrix

We can use BCG matrix tools to know about company's growth and market shares . This tools can help the company to allocate resources and use analytical tools in branding and marketing

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Star:

Star product indicates that large cash is generated in business and leading the business with huge profit with powerful market shares and the growth rate is very much high. We can say that when Sony launch its first camera with face detection technology SONY captures 40% market share and that

time there was no close competitors of the SONY. So it helps to increase the marketing towards the customer with new technology .

Cash Cows:

This products indicates that profits and market shares are high but the growth is very low . When Sony launch Ericsson w980 phone that time the growth of market was very low and this phone generates more cash and compare to another mobile companies in that time, this phone positioned Sony as a market leader in the world of music because it provides 8gb memory card so the person can store more than 5000 music.

[http://www. technocrates.org/wp-content/uploads/2012/08/Sony-Xperia-S-vs-Xperia-SL. jpg](http://www.technocrates.org/wp-content/uploads/2012/08/Sony-Xperia-S-vs-Xperia-SL.jpg)

Dogs:

It shows that the product becomes a Dog in market because of its low growth and that time market shares are also low. The straight example of PS3 was beaten by one of the giant company Microsoft xbox . And the company had a loss of 3 billion at that time . That time media asked company's CEO Mr. Howard Stringer that if it could make back the loss they made . He responded saying “ Not for as long I live”. This affected on SONY branding image and on their gaming market . And Microsoft took the advantage of gaming market they launch new games with their new strategy .

Question marks:

It indicates the worst cash characteristics of all. Because the demands of the product is very high but the market shares are very low so the returns of the product is very much low. Here I can present the good example of SONY BRAVIA because when the product launched SONY expectation was very high behind this product but due to tough competition in marketing area this product couldn't make such sales. And the market share is only 14% where Samsung lead the market with 25%.

Recommendation:

Take advantage of rural areas focusing on product price instead of product features.

To compete with their competitors in the market, take support from third party for ex if they want to increase sales of their PS3 compare with Microsoft xbox 360 they need third party support like Metal Gear solid.

Systems are changing very rapidly so its very difficult for the company to upgrade a system with new updates with their software. So as per my view SONY has to focus on all their software which are using in their different products they have to upgrade their software according to market needs.

Focus on young generation demand invest their capital in their Research and development department to fulfill their needs . so the advantage of this they attract young people with their requirement of products .

Conclusion :

SONY is continuously working to improve in their overall speed and flexibility in the market. They are continuing their research on new innovative products and are highly dedicated in their electronics leadership. They are taking maximum advantages of growing market and their consistent profitability in their hardware business make them market leader in the electronics market