

# Bcg matrix: a business model based on dogs, cows and stars

[Business](#)



What do a dog, a cow, stars and question marks have in common? And no, this isn't the start of a really funny joke, but it might be depending on if you have cows and stars or dogs and question marks! The answer is, they're all part of the BCG matrix.

### The BCG Matrix

The BCG matrix or Boston Growth Matrix is actually a box that basically helps you visualize (see) and organize business services and products based on a very simple box method. Try it yourself: Draw a box and then draw two lines, one horizontally across the middle, and one vertically straight down. Now you should have four equal squares.

In the first box write ' Question Marks', in the second box you can write ' Stars'. The third box is for the dogs. The fourth box will be the cash cow. These names might sound a little weird and you might not understand why all of these are listed this way, but we're about to go into that:

- Stars are obviously something that really shine, is outstanding, and this represents a lot of growth in a company. Look at a customer's potential or a future opportunity to make a big contract with a top client. You might give them a star if you know that they're going to help your company to grow and they will invest a lot of money in your firm or business.
- The dog represents a losing situation or the worst-case scenario. This would be if you have a particular type of product or investment that's not doing well and it's preferable that you liquidate or cash out.

- Speaking of cash, the cash cow can be a period where you would have low growth, it would be very slow, but it would be money that would come in.
- Next, we have the question mark. This is a period where you might have a lot of growth, but there isn't a high return. That means you wouldn't get a big return on your investment.

Now that we've gone over the general understanding of the four categories, let's go more in depth to each area through examples:

### Questions Marks

Let's look at the question mark. Let's say, for example, you want to have a lemonade stand, but you're not sure if you can get access to lemons.

Because you're not sure whether or not you're going to be able to actually get the lemons you need to help you sell lemonade, that's a question mark.

What you are doing is you're stating that you're not sure whether or not you're going to actually be able to get money coming in.

### Dogs

As it relates to the dog example, let's say you have a really stubborn dog.

This is a dog that still eats a lot of food and takes up a lot of space, but really what they do is they don't move, they don't listen, and you can't train them.

That means they're useless and costing you money.

In business, this would be equal to having a restaurant with a business partner who is also the chef, but he refuses to cook. Maybe he has too many demands and you can't make him happy. He might refuse to cook every

<https://assignbuster.com/bcg-matrix-a-business-model-based-on-dogs-cows-and-stars/>

night because he wants to be a star, so he wants all the money to come to him - but he also doesn't want to cook. That type of deal is considered dog because there's no money coming in and you can't even sell the products or services. It's restricting and costing you money.

### Cash cows

An example of the cash cow would be if you were opening a Chipotle for the first time. While the growth would probably be slow, it's steady, because you know that word of mouth will help to pick up business in no time.

That's actually something that happened with Chipotle restaurant. They started out and they only had a few sales and a few stores. Then word-of-mouth picked up and they gained popularity and now you have to stand in line. They are basically getting a high ROI, or high return on investment. That would be like you opening that Chipotle, not seeing the potential early on, but putting in the work and a year later you find out that it did work. Sales have increased and you are making a lot in profits.

### Stars

The last example is the stars. That would be like having that thriving Chipotle business and maybe a few more stores in different locations. Your investment is paying off. You might want to give it 4 stars or 5 stars because you know it has consistent growth and there is a lot of foot traffic everyday. This is a very good investment and the return on investment will be greater. You'll make more money with each new store you open!

As you look at the BCG matrix, keep in mind this is just a business model that's used to help businesses to predict and decide what works and what doesn't work for them.

It's also a stepping stone that can be used to help with research. Because you want to look at every category and go more in depth, like research databases and marketing, you would break down every aspect based on the model.

You want to make sure that you're able to increase market share and growth in every deal you do. This is comparable or similar to SWOT analysis.

Remember SWOT analysis is when you look at strengths, weaknesses, opportunities and threats.

The differences with the BCG matrix are you're doing a similar manner of looking at the key areas where you can make the company grow, and help it make consistent profits. Ultimately, it's about strategic growth. That means a lot of meetings to look at different types of marketing efforts, and ways to help to increase money that's coming in. So the next time you look at all those cows and dogs, stars and question marks, you'll know right away you want to see a lot of cash cows and a lot more stars!

Reference:

<http://www.bcgmatrix.org/>

Image: [stockphotoatnat/Shutterstock.com](https://www.shutterstock.com)

<https://assignbuster.com/bcg-matrix-a-business-model-based-on-dogs-cows-and-stars/>