Unit 3 discussion board

ASSIGN BUSTER

RUNNING HEAD: Applying the BCG Matrix in the appliances and electronics Division: Applying the BCG Matrix B. C. G. Matrix The two mostimportant elements in formulating business strategy are the market share and the product life cycle. These are the two constructs which form the framework of the BCG model that analyzes corporate strategy (Henderson, 1979). The objective of the BCG model is to determine what the priorities of the organization should be in respect of the development of products, so that long term value creation is achieved through a mixture of high and low growth products. The greatest possible market share must be grabbed so that the market for the product growth, which is most beneficial for the Company.

Every product goes through a particular life cycle and the strategy that must be applied will differ in each instance. For instance, during the early stages, company strategy must focus upon achieving competitiveness through judicious pricing, heavy marketing and expenses on R&D. During the later declining stage of the product life cycle, the emphasis is on broadening the product line and avoiding price cuts.(Wasson, 1974). On the basis of a product's market share and growth based upon its life cycle, the BCG places the product portfolio of a Company into four different quadrants of a matrix, with the relative market share of the product ranked along the X axis and product growth ranked along the Y axis. Businesses in each quadrant will have significantly different tendencies to consume or generate cash.

The appliances division of my Company has been placed in the upper right quadrant of the matrix, which represents the wildcat or question mark. This suggests that the division has a negative cash flow, requiring " large cash inputs that it cannot generate itself." (Henderson, 1979, p166). Wildcat ventures are often fledgling operations and offer the promise of future generation of revenue. The major aspect to be addressed in the case of the appliances division is thus market share. Since the products may typically have a low market share because they are not well known, the recommended strategy would be to introduce a competitive price for the product as compared to similar products already in the market. It is also recommended that an aggressive advertising and promotional campaign is implemented, in order to increase sales of the product and improve its market share. In the event the market share of the product does not improve, then it may turn into a " dog" or become unproductive, and before that happens it is better to sell off the products or close up the division. Woo and Cooper (1980) have points out that when a product division degenerates into the dog stage, there may be a need to resort to harvesting or liquidation to extract all the possible cash. But the appliances division has not yet moved into this stage and still offers promise, if market share is increased. The recommended strategy is thus to initially invest heavily and focus upon product promotion to improve market share and if this is not observes to be improving, sell it off or close it up before it becomes a liability for the Company.

Products in the lower left quadrant of the matrix however are known as cash cows, which means that they " generate large amounts of cash", which may be up to 10. 10% over and above what they use (Henderson, 1974, p 164). The major aspect about these products is that they enjoy a high market share and good cash inflows, but there is less scope for growth of the product. In the case of the electronics division therefore, the recommended strategy is to ensure that the profits are kept high. Although the investments needed may be low in this case, it is necessary to continuously monitor the profits accruing from the business, so that it is kept at a sustained high, if it drops, promotional plans or special sales, etc should be organized to sustain the momentum of the product and continue to ensure high levels of profit.

Bibliography

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