

Product Life Cycles and the Boston Matrix

Product Life Cycles and the Boston Matrix

- **Product Life Cycle** – shows the stages that products go through from development to withdrawal from the market
- **Product Portfolio** – the range of products a company has in development or available for consumers at any one time
- Managing product portfolio is important for cash flow

Product Life Cycles and the Boston Matrix

- **Product Life Cycle (PLC):**
 - Each product may have a different life cycle
 - PLC determines revenue earned
 - Contributes to strategic marketing planning
 - May help the firm to identify when a product needs support, redesign, reinvigorating, withdrawal, etc.
 - May help in new product development planning
 - May help in forecasting and managing cash flow

Product Life Cycles and the Boston Matrix

- **The Stages of the Product Life Cycle:**
 - Development
 - Introduction/Launch
 - Growth
 - Maturity
 - Saturation
 - Decline
 - Withdrawal

Product Life Cycles and the Boston Matrix

- **The Development Stage:**
- Initial Ideas – possibly large number
- May come from any of the following –
 - Market research – identifies gaps in the market
 - Monitoring competitors
 - Planned research and development (R&D)
 - Luck or intuition – stumble across ideas?
 - Creative thinking – inventions, hunches?
 - Futures thinking – what will people be using/wanting/needing 5,10,20 years hence?

Product Life Cycles and the Boston Matrix

- **Product Development: Stages**

- New ideas/possible inventions
- Market analysis – is it wanted? Can it be produced at a profit? Who is it likely to be aimed at?
- Product Development and refinement
- Test Marketing – possibly local/regional
- Analysis of test marketing results and amendment of product/production process
- Preparations for launch – publicity, marketing campaign

Product Life Cycles and the Boston Matrix

- **Introduction/Launch:**

- Advertising and promotion campaigns
- Target campaign at specific audience?
- Monitor initial sales
- Maximise publicity
- High cost/low sales
- Length of time – type of product

Product Life Cycles and the Boston Matrix

- **Growth:**
 - Increased consumer awareness
 - Sales rise
 - Revenues increase
 - Costs - fixed costs/variable costs, profits may be made
 - Monitor market – competitors reaction?

Product Life Cycles and the Boston Matrix

- **Maturity:**

- Sales reach peak
- Cost of supporting the product declines
- Ratio of revenue to cost high
- Sales growth likely to be low
- Market share may be high
- Competition likely to be greater
- Price elasticity of demand?
- Monitor market – changes/amendments/new strategies?

Product Life Cycles and the Boston Matrix

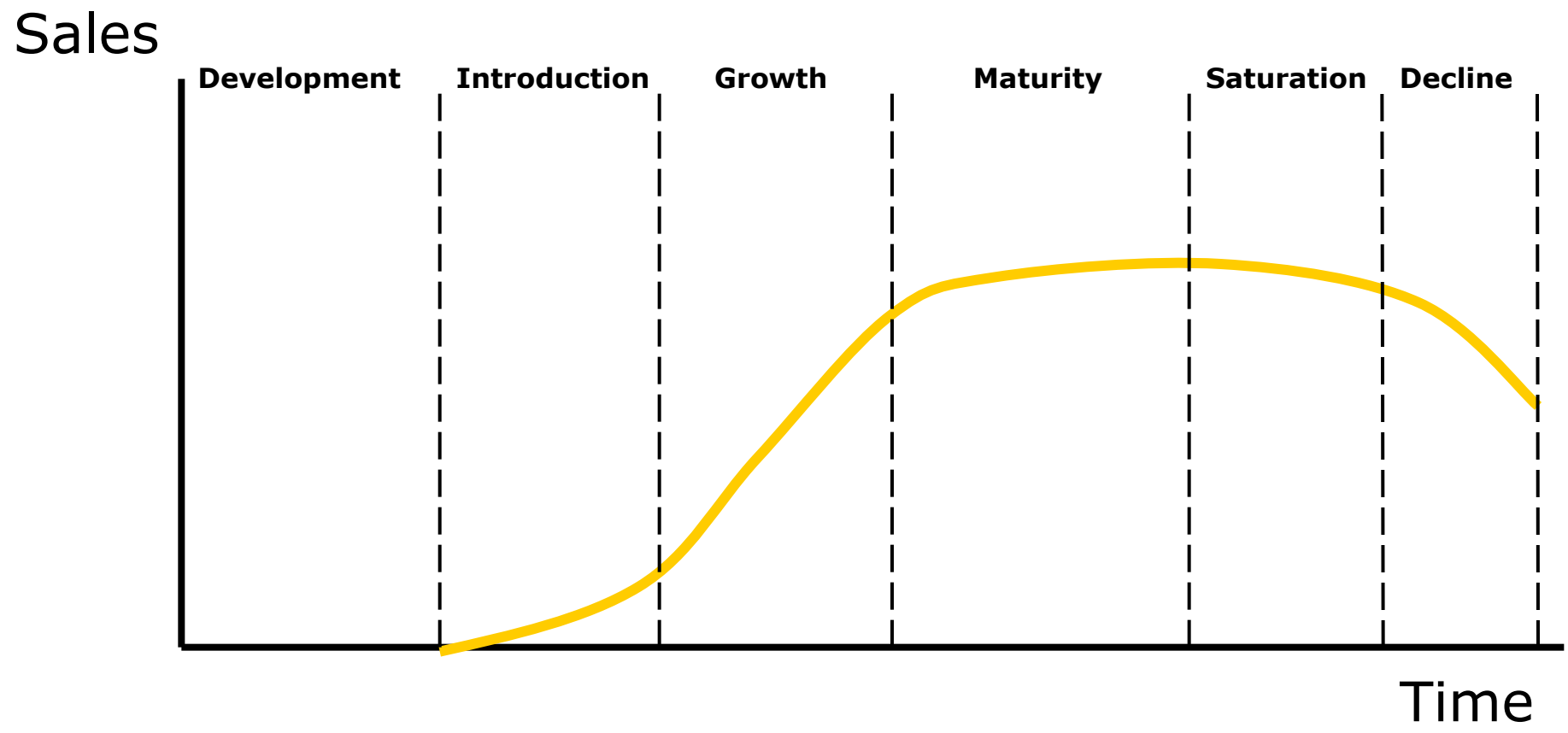
- **Saturation:**
- New entrants likely to mean market is 'flooded'
- Necessity to develop new strategies becomes more pressing:
 - Searching out new markets:
 - Linking to changing fashions
 - Seeking new or exploiting market segments
 - Linking to joint ventures – media/music, etc.
 - Developing new uses
 - Focus on adapting the product
 - Re-packaging or format
 - Improving the standard or quality
 - Developing the product range

Product Life Cycles and the Boston Matrix

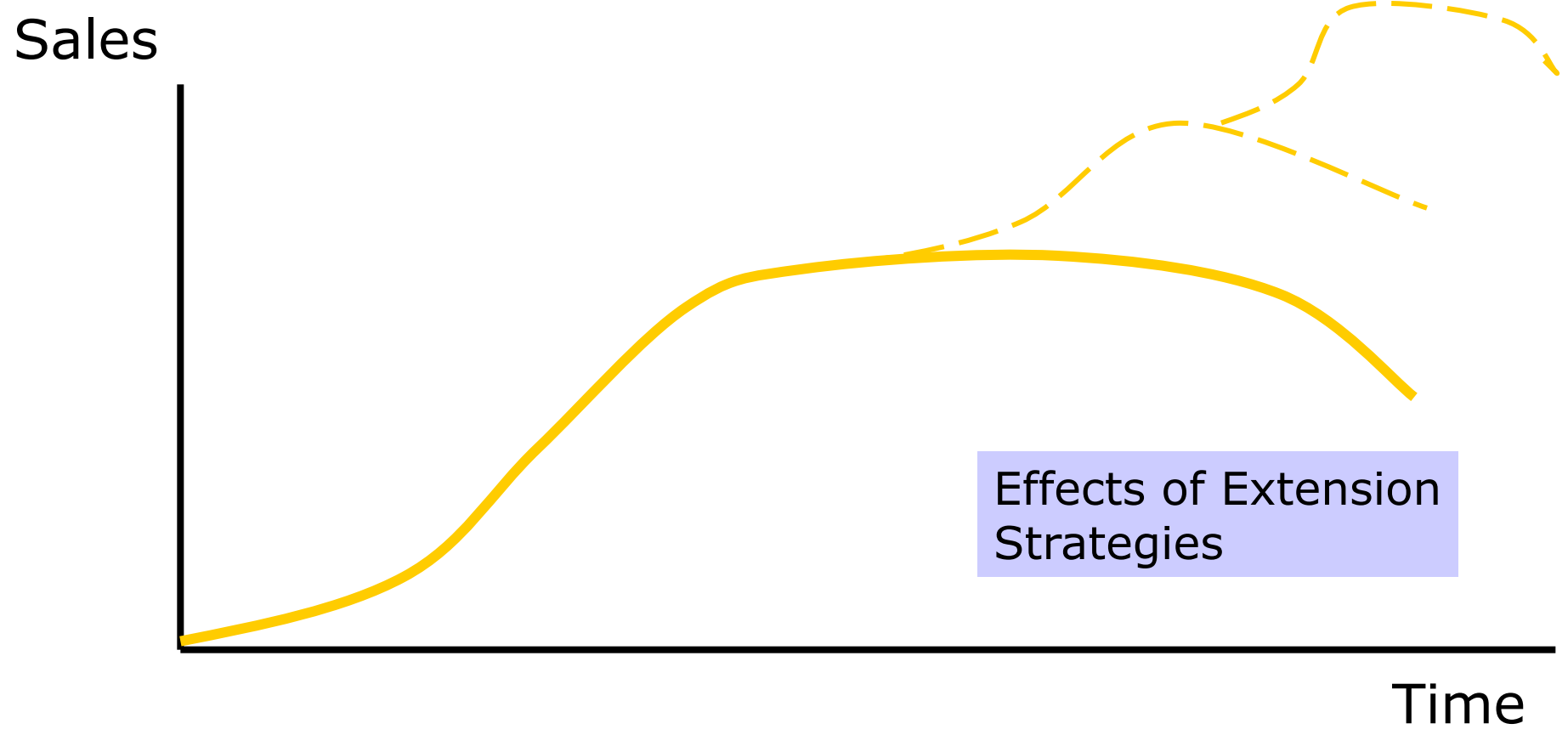
- **Decline and Withdrawal:**

- Product outlives/outgrows its usefulness/value
- Fashions change
- Technology changes
- Sales decline
- Cost of supporting starts to rise too far
- Decision to withdraw may be dependent on availability of new products and whether fashions/trends will come around again?

Product Life Cycles and the Boston Matrix



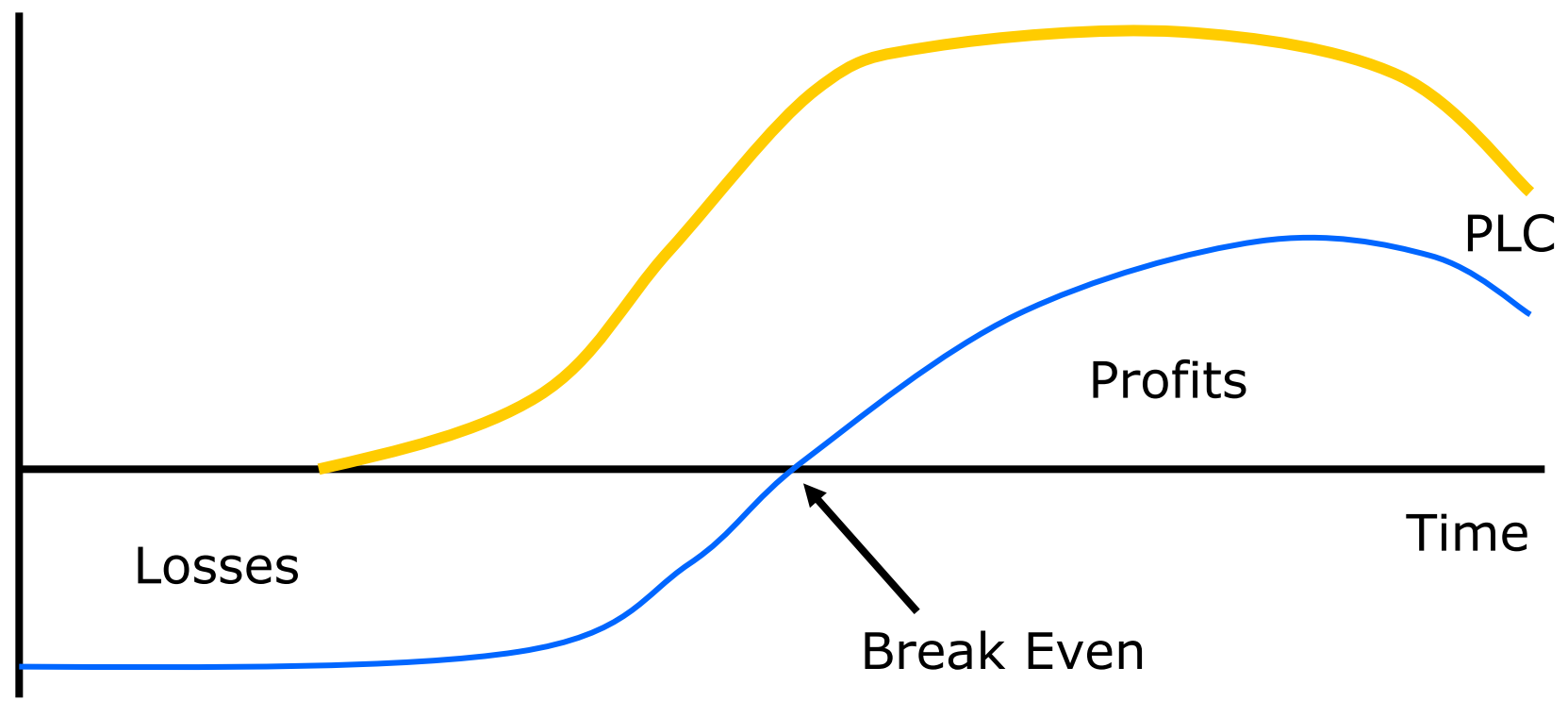
Product Life Cycles and the Boston Matrix



Product Life Cycles and the Boston Matrix

PLC and Profits

Sales/Profits



The Boston Matrix

- **The Boston Matrix:**
 - A means of analysing the product portfolio and informing decision making about possible marketing strategies
 - Developed by the Boston Consulting Group – a business strategy and marketing consultancy in 1968
 - Links growth rate, market share and cash flow

The Boston Matrix

- Classifies Products into four simple categories:
- **Stars** – products in markets experiencing high growth rates with a high or increasing share of the market
 - Potential for high revenue growth



The Boston Matrix



- **Cash Cows:**
 - High market share
 - Low growth markets – maturity stage of PLC
 - Low cost support
 - High cash revenue – positive cash flows

The Boston Matrix

- **Dogs:**

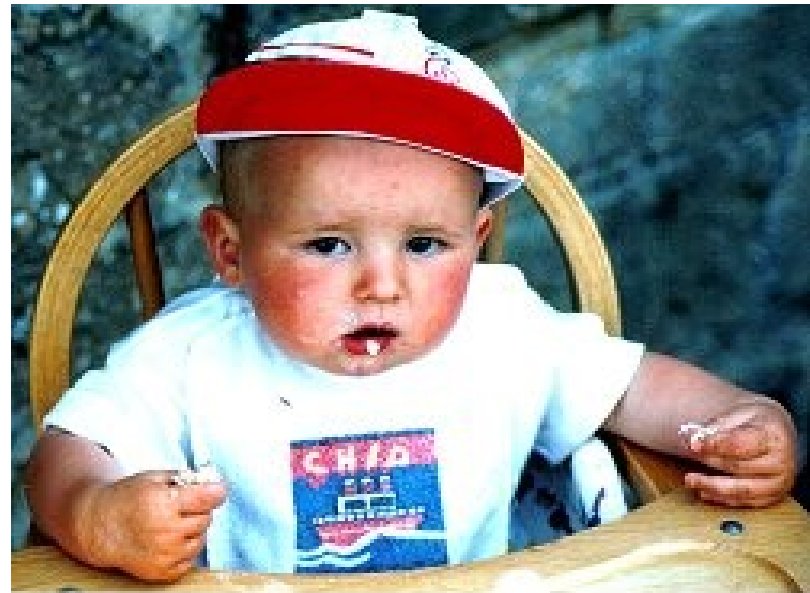
- Products in a low growth market
- Have low or declining market share (decline stage of PLC)
- Associated with negative cash flow
- May require large sums of money to support



Is your product starting to embarrass your company?

The Boston Matrix

- **Problem Child:**
 - Products having a low market share in a high growth market
 - Need money spent to develop them
 - May produce negative cash flow
 - Potential for the future?



Problem children – worth spending good money on?

The Boston Matrix

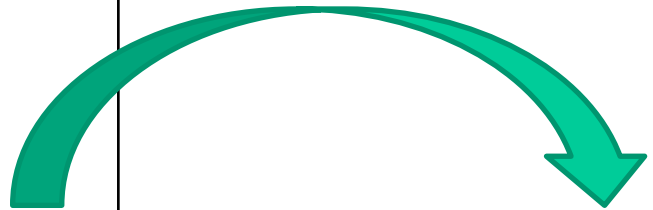
Market Growth

High

Problem Children



Stars



Dogs



Cash Cows



Low

Market Share
High

The Boston Matrix

- **Implications:**
- **Dogs:**
 - Are they worth persevering with?
 - How much are they costing?
 - Could they be revived in some way?
 - How much would it cost to continue to support such products?
 - How much would it cost to remove from the market?

The Boston Matrix

- **Implications:**
- **Problem Children:**
 - What are the chances of these products securing a hold in the market?
 - How much will it cost to promote them to a stronger position?
 - Is it worth it?

The Boston Matrix

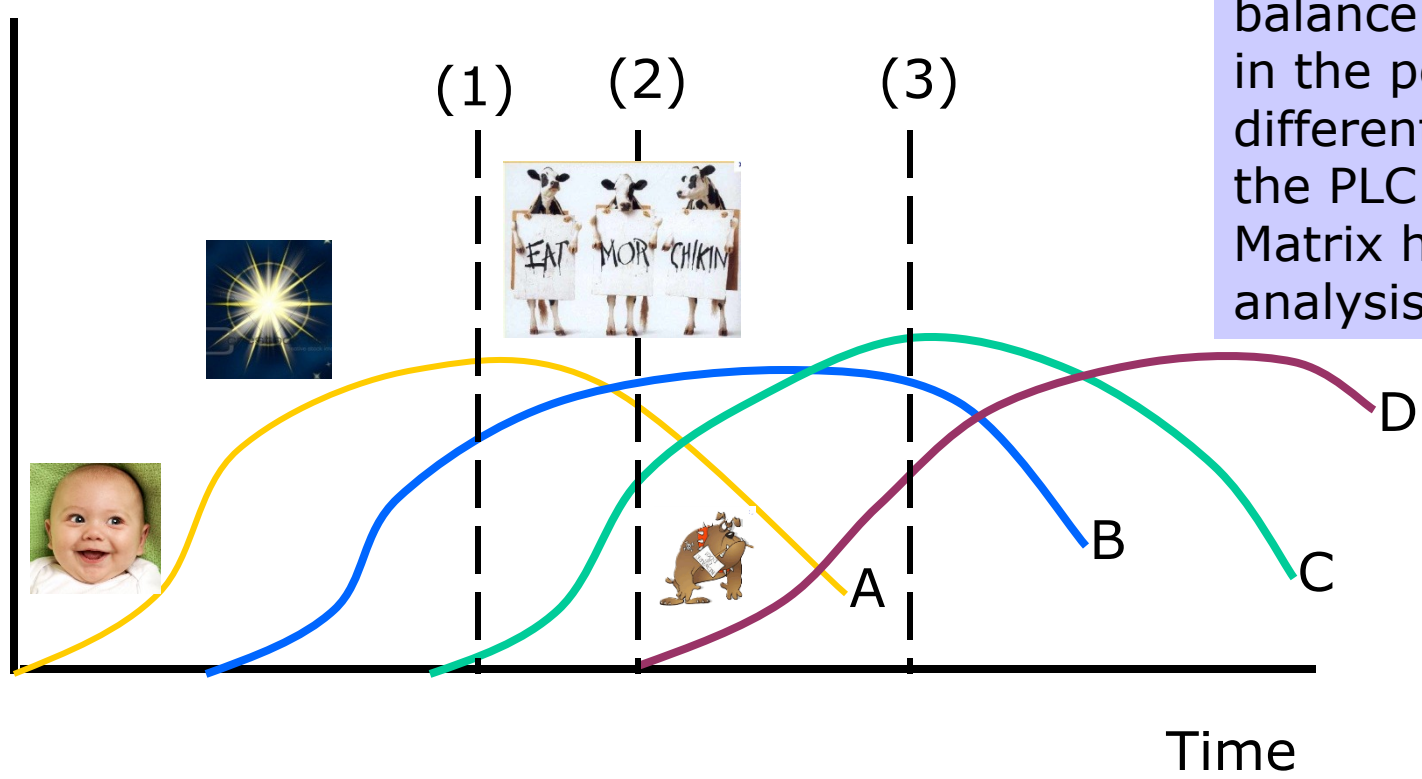
- **Implications:**
- **Stars:**
 - Huge potential
 - May have been expensive to develop
 - Worth spending money to promote
 - Consider the extent of their product life cycle in decision making

The Boston Matrix

- **Implications:**
- **Cash Cows:**
 - Cheap to promote
 - Generate large amounts of cash – use for further R&D?
 - Costs of developing and promoting have largely gone
 - Need to monitor their performance – the long term?
 - At the maturity stage of the PLC?

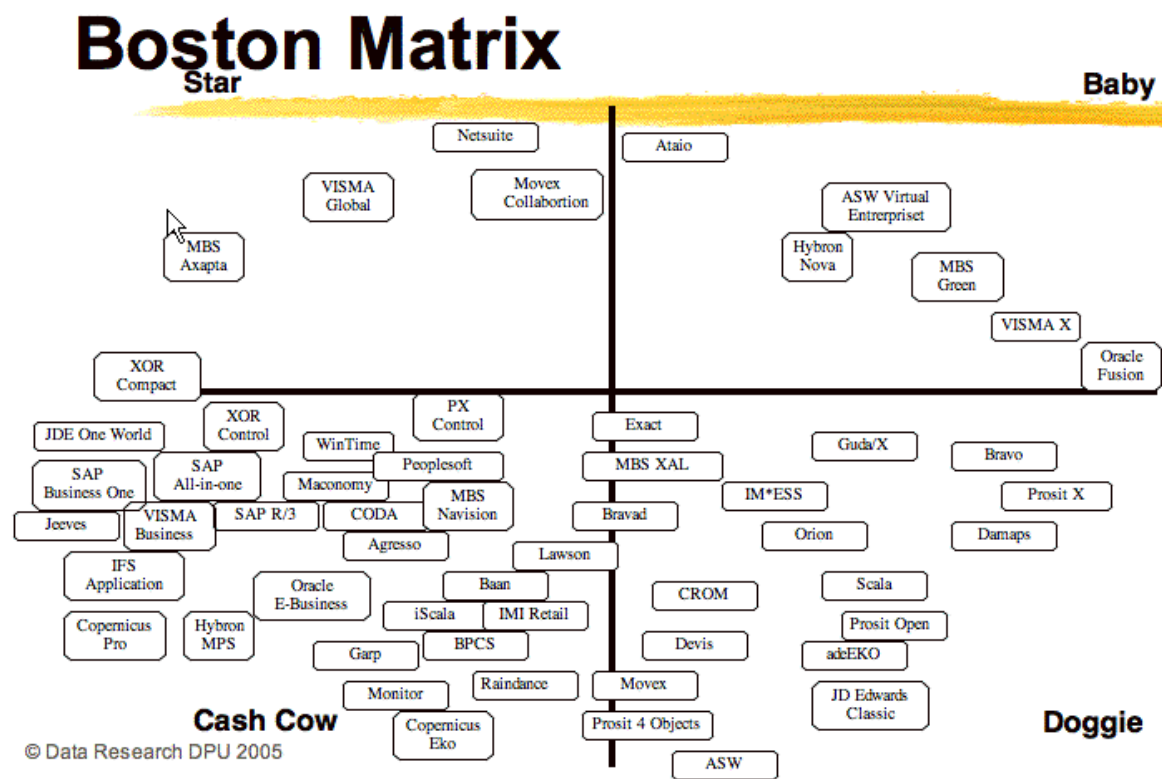
The Product Life Cycle and the Boston Matrix

Sales



Importance of maintaining a balance of products in the portfolio at different stages of the PLC – Boston Matrix helps with the analysis

Bostonská matice – zdroj : http://www.dpu.se/boston_e.html



And the reality....

**ERP market
Just this minute**

