

# 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

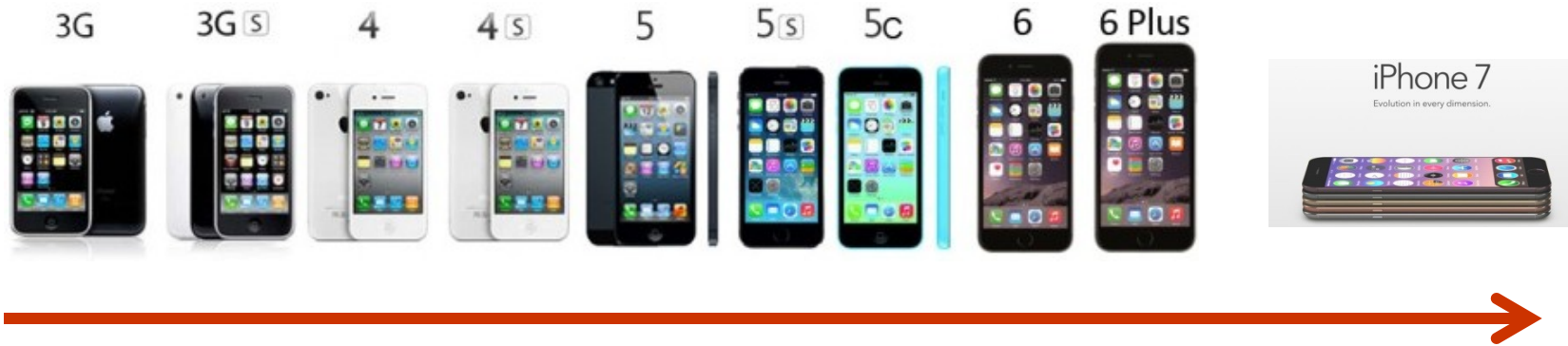
# Product Life Cycles and the Boston Matrix

- **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

# PLC-iPhones



# Škoda cars PLC



# 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

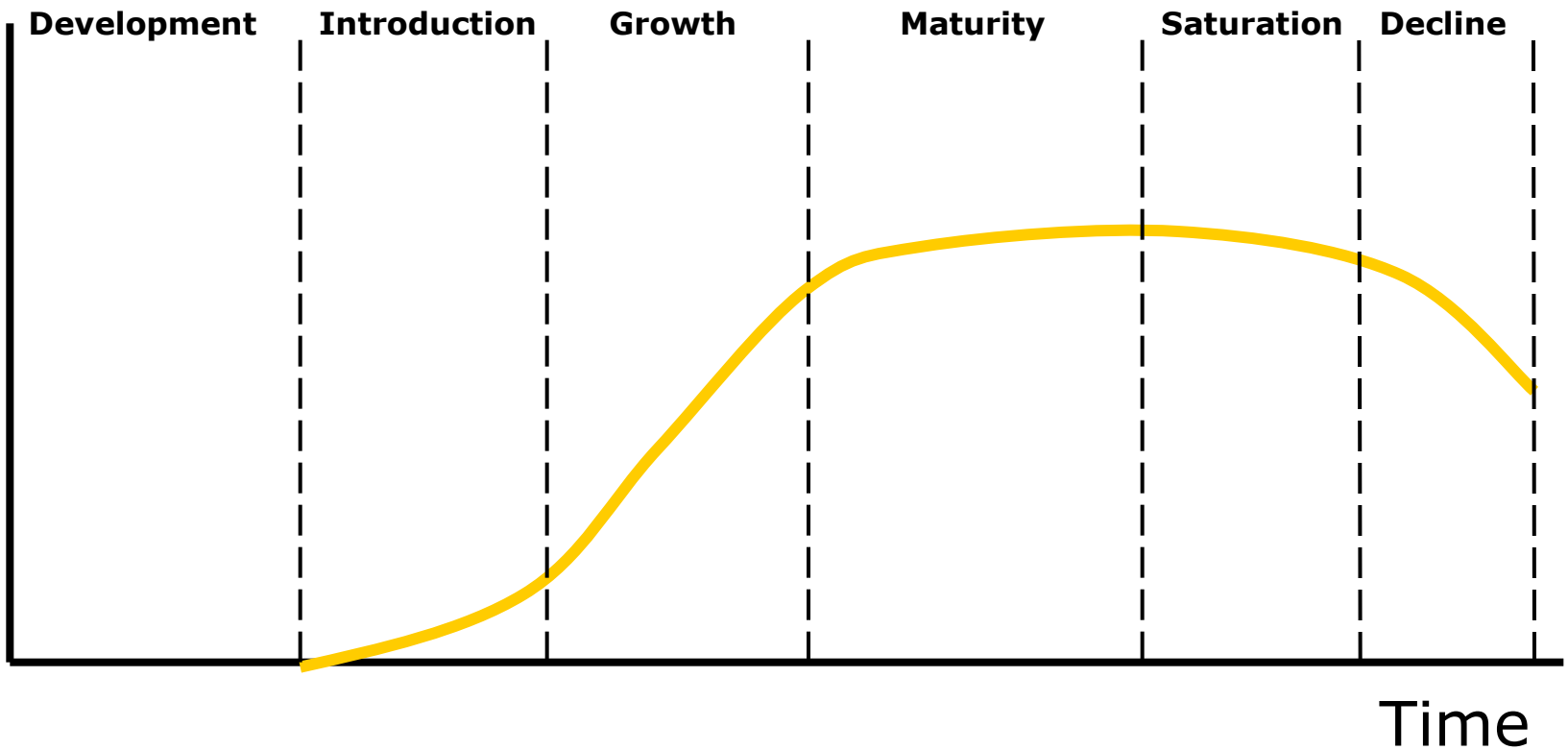
# Product Life Cycles and the Boston Matrix

- **Decline and Withdrawal:**

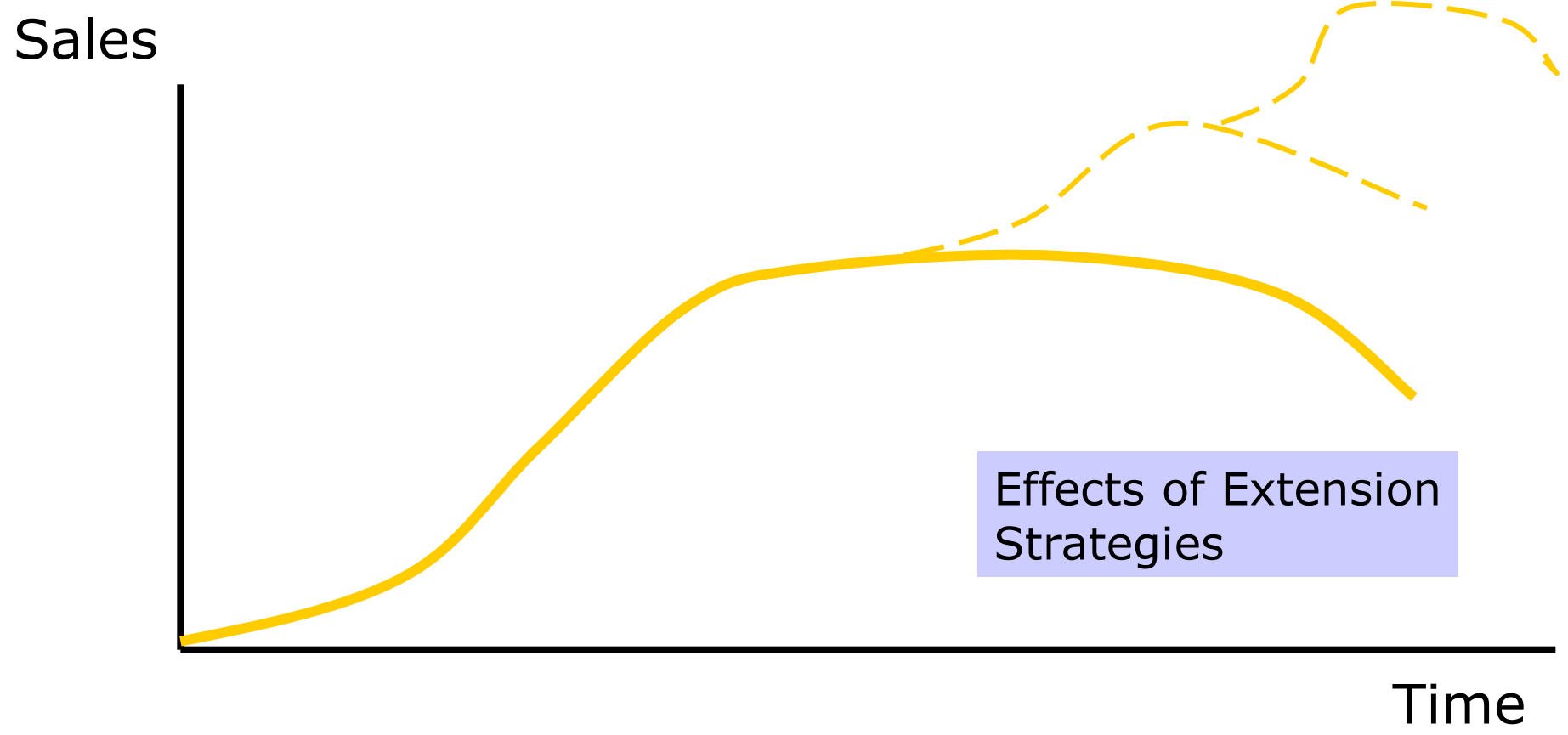
- Product outlives/outgrows its usefulness/value
- Fashions change
- Technology changes
- Sales decline
- Cost of supporting starts to rise too far
- Decision to withdraw may be dependent on availability of new products and whether fashions/trends will come around again?

# Product Life Cycles and the Boston Matrix

Sales



# Product Life Cycles and the Boston Matrix

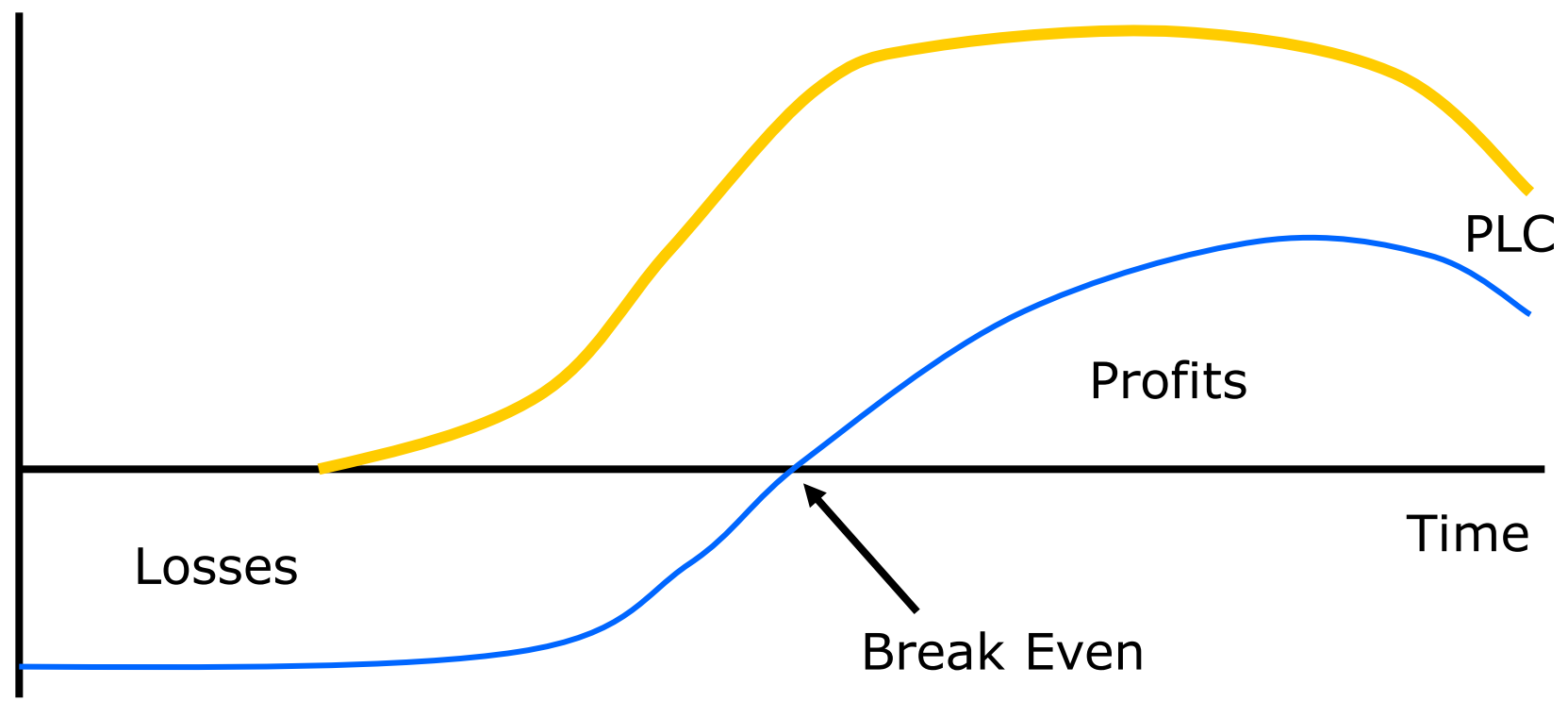


Effects of Extension Strategies

# Product Life Cycles and the Boston Matrix

PLC and Profits

Sales/Profits





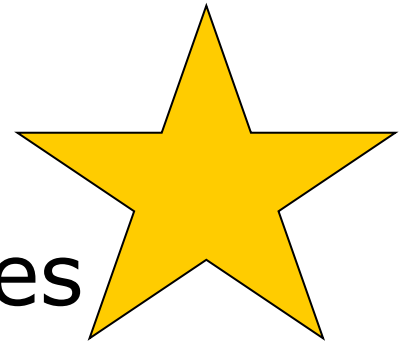
# The Boston Matrix

- **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:**

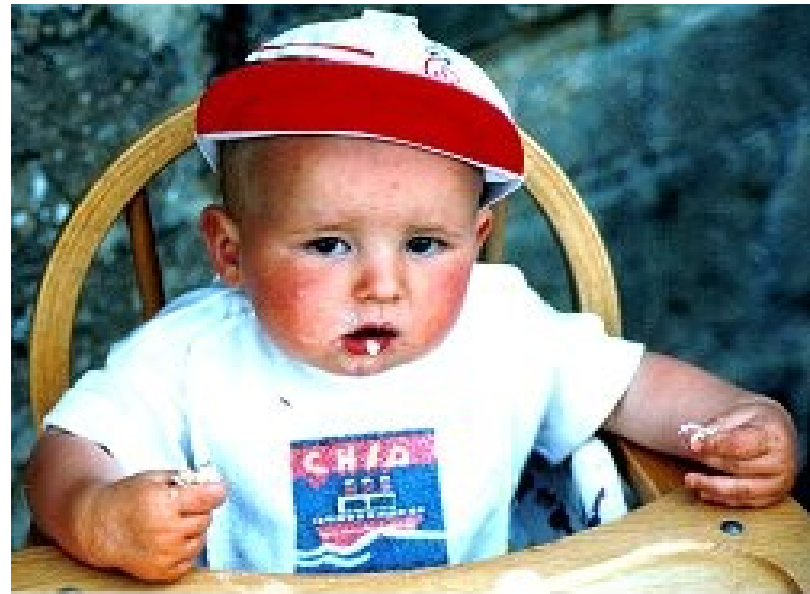
- Products in a low growth market
- Have low or declining market share (decline stage of PLC)
- Associated with negative cash flow
- May require large sums of money to support



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?



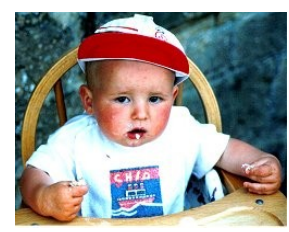
Problem children – worth spending good money on?

# The Boston Matrix

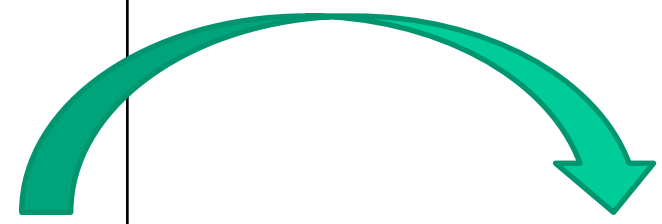
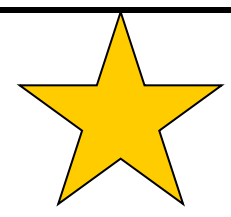
Market Growth

High

Problem Children



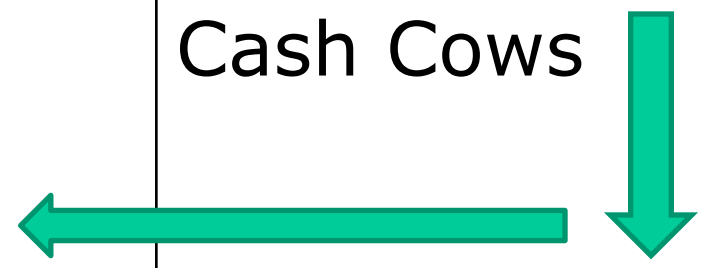
Stars



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

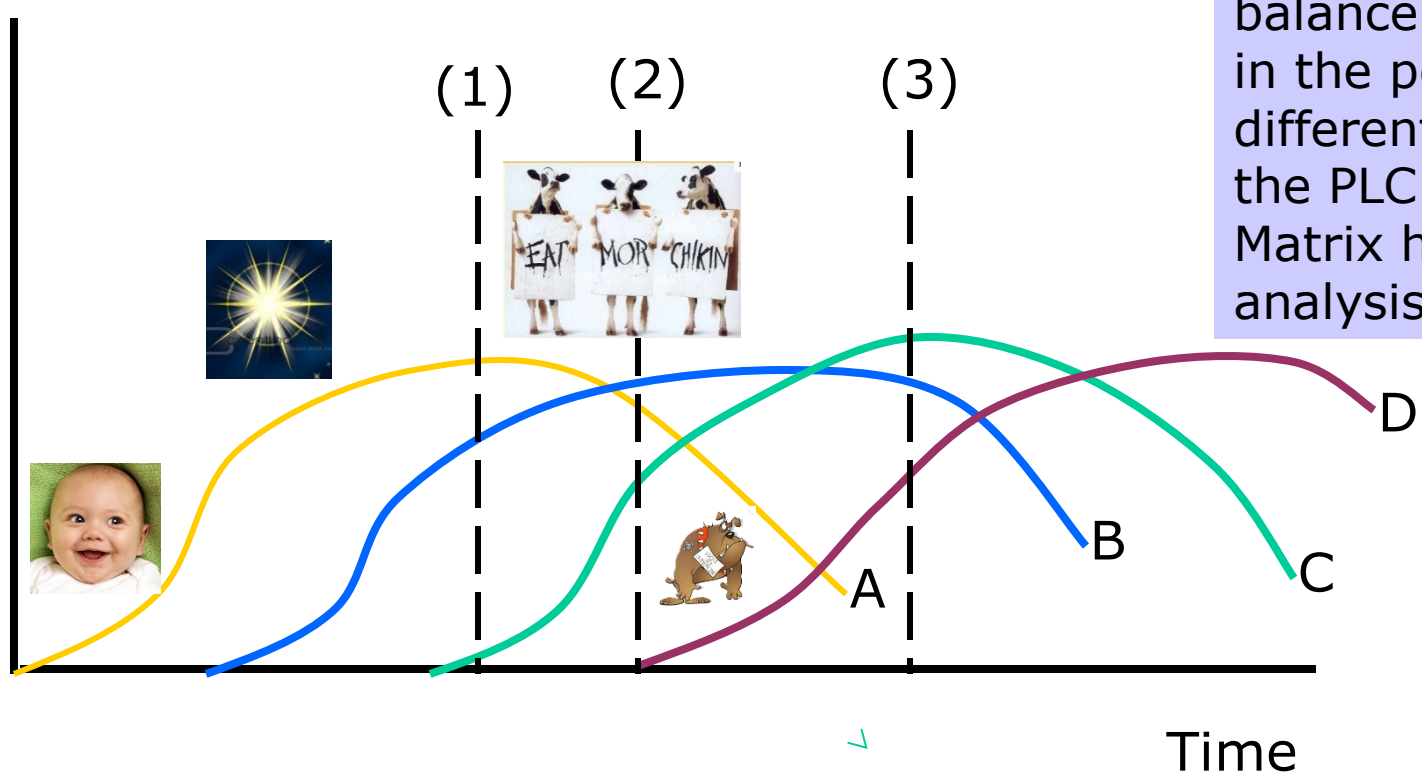
# The Boston Matrix

- **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

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

Sales



Bostonská matice – zdroj : [http://www.dpu.se/boston\\_e.html](http://www.dpu.se/boston_e.html)

