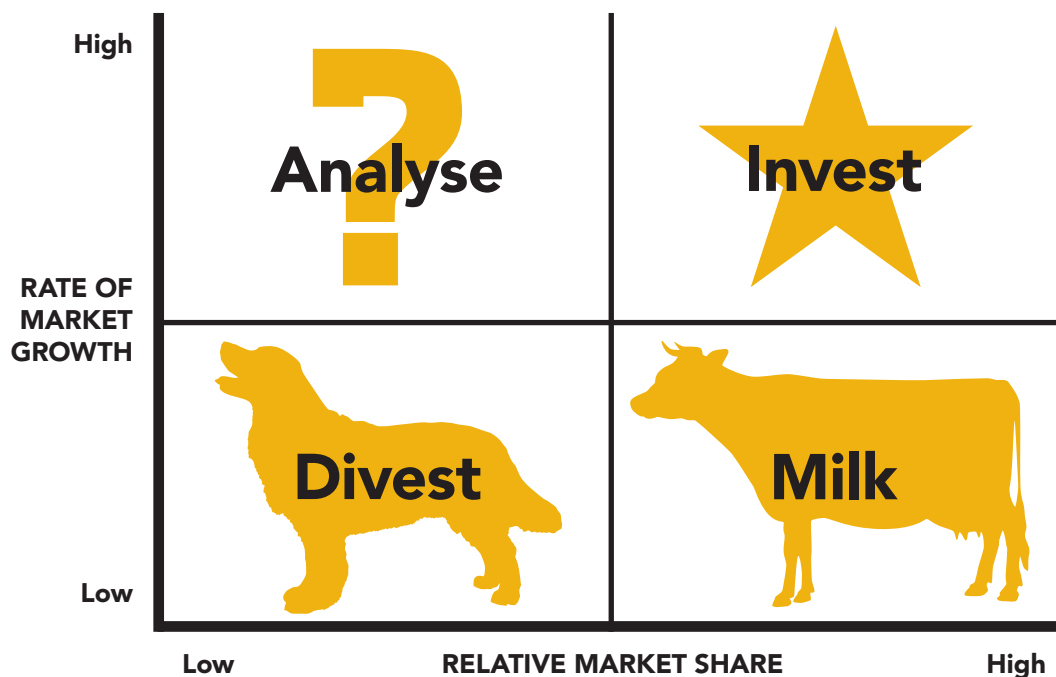# BCG Matrix

The Boston Consulting Group (BCG) Matrix is a simple tool to assess a company's position in terms of its product range. It helps a company think about its products and services and make decisions about which it should keep, which it should let go and which it should invest in further.

Question Marks

Question marks are products that grow rapidly and as a result consume large amounts of cash, but because they have low market shares they don't generate much cash. The result is a large net cash consumption. A question mark has the potential to gain market share and become a star, and eventually a cash cow when the market growth slows. If it doesn't become a market leader it will become a dog when market growth declines. Question marks need to be analysed carefully to determine if they are worth the investment required to grow market share.

Dogs

Dogs have a low market share and a low growth rate and neither generate nor consume a large amount of cash. However, dogs are cash traps because of the money tied up in a business that has little potential. Such businesses are candidates for divestiture.

Stars

Stars generate large sums of cash because of their strong relative market share, but also consume large amounts of cash because of their high growth rate. So the cash being spent and brought in approximately nets out. If a star can maintain its large market share it will become a cash cow when the market growth rate declines.

Cash Cows

As leaders in a mature market, cash cows exhibit a return on assets that is greater than the market growth rate – so they generate more cash than they consume. These units should be 'milked' extracting the profits and investing as little as possible. They provide the cash required to turn question marks into market leaders.