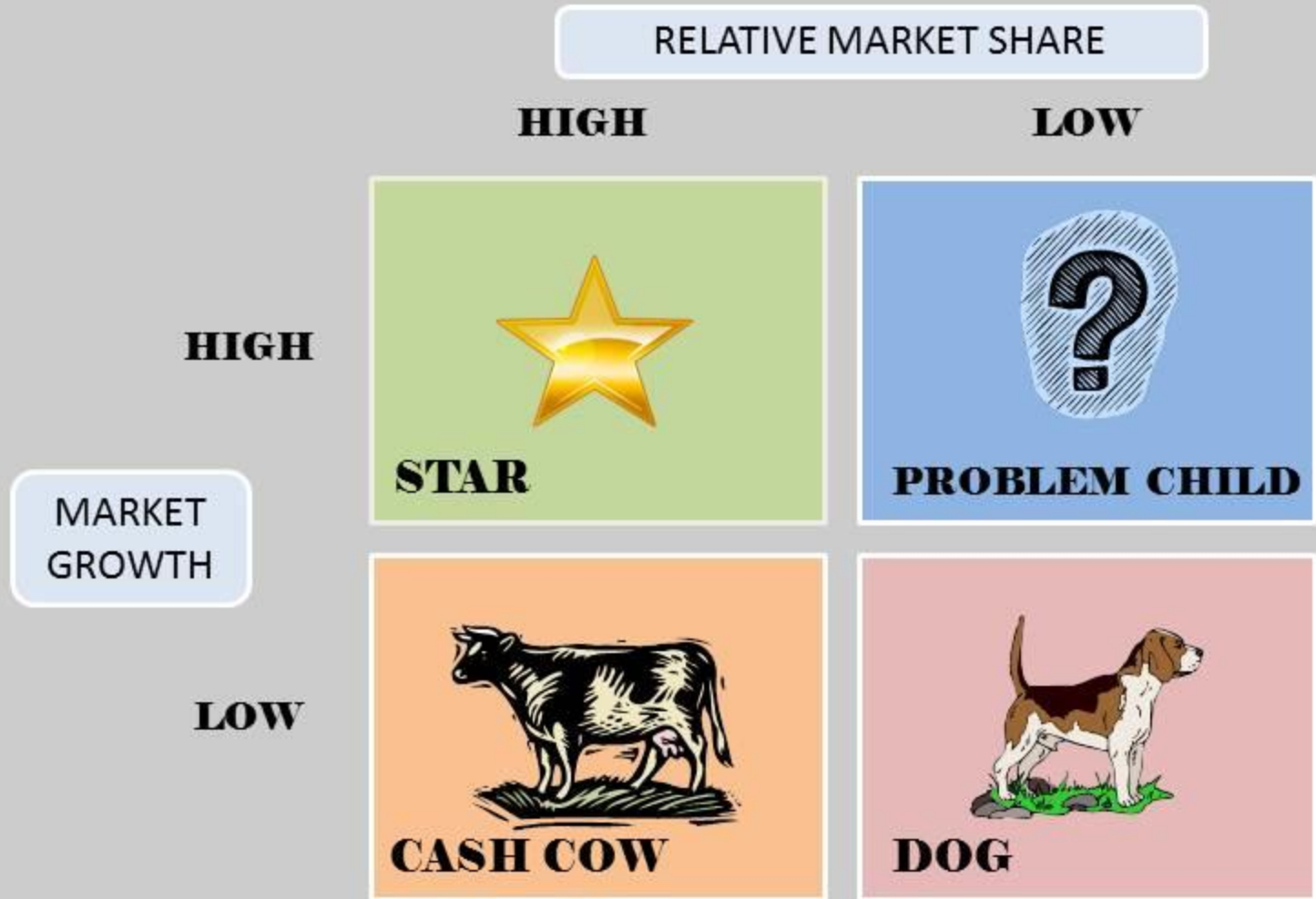


Portfolio Analysis

SBU analysis based on the BCG matrix



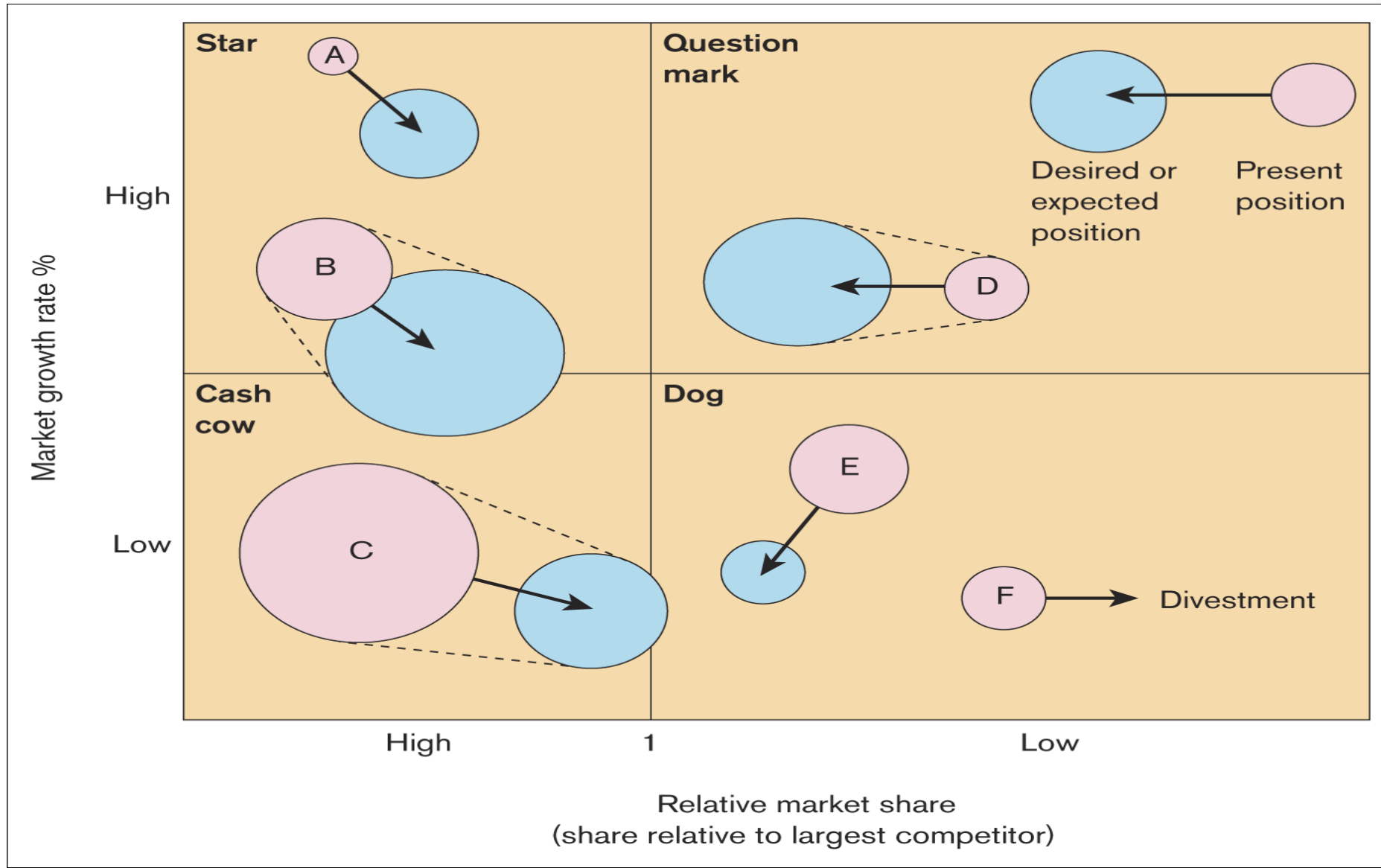


Table 7.2

Characteristics and strategy implications of products in the matrix quadrants

Quadrant	Investment characteristics	Cash flow characteristics	Strategy implication
Stars	Continual expenditures for capacity expansion Pipeline filling with cash	Negative cash flow (net cash user)	Continue to increase market share, if necessary at the expense of short-term earnings
Cash cows	Capacity maintenance expenditures	Positive cash flow (net cash contributor)	Maintain share and leadership until further investment becomes marginal
Question marks	Heavy initial capacity expenditures High research and development costs	Negative cash flow (net cash user)	Assess chances of dominating segment: if good, go after share; if bad, redefine business or withdraw
Dogs	Gradually deplete capacity	Positive cash flow (net cash contributor)	Plan an orderly withdrawal so as to maximise cash flow

Source: Adapted from Hollensen, S. (2006) *Marketing Planning: A Global Perspective*, McGraw-Hill Education, Maidenhead. Reproduced with permission from the McGraw-Hill Companies.



Market growth	High	Star Cash generated + +++ Cash use - - - <hr style="width: 50%; margin-left: auto; margin-right: auto;"/> 0	Question mark Cash generated + Cash use - - - <hr style="width: 50%; margin-left: auto; margin-right: auto;"/> - -
	Low	Cash cow Cash generated + +++ Cash use - <hr style="width: 50%; margin-left: auto; margin-right: auto;"/> + +	Dog Cash generated + Cash use - <hr style="width: 50%; margin-left: auto; margin-right: auto;"/> 0
	High Low Relative market share		

The Ajax company has 4 SBUs, as shown in the table below:

- a) prepare the BCG Matrix for Ajax SBUs
- b) What are the strategic implications?

SBU	Ajax SBU market share (%)	Largest competitor's market share (%)	Market growth rate (%)	Dollar sales (\$ millions)
A	30	10	8	5.0
B	40	20	14	2.0
C	10	40	5	1.0
D	10	30	16	0.5

SBU analysis based on the General Electric / McKinsey matrix

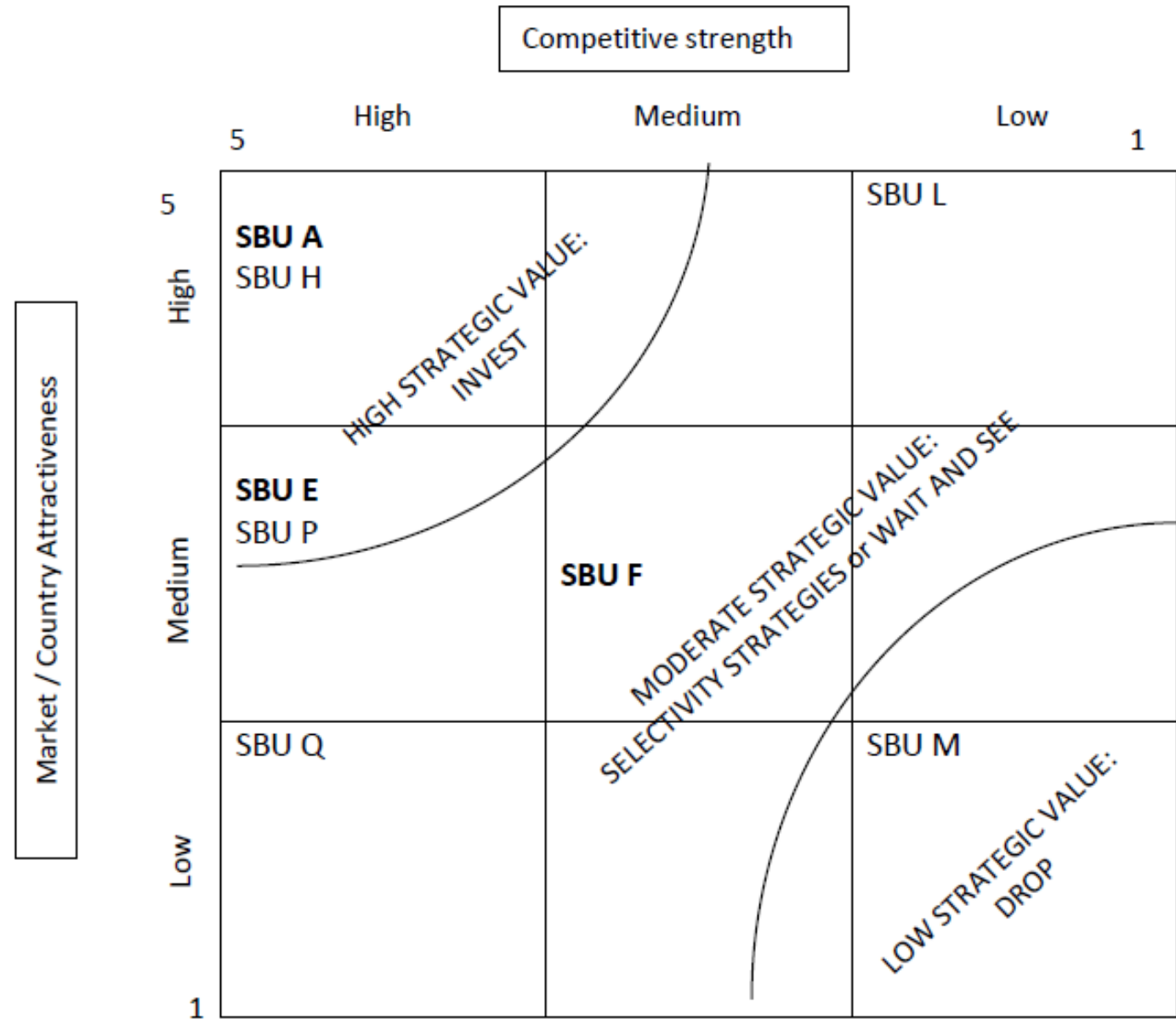


Figure 9.3 – An example of General Electric / McKinsey matrix

Factors in Markets Attractiveness

<i>Market attractiveness</i>	Weight	SBU A		SBU E		SBU F		SBU ...	
		Rating (1-5)	Score	Rating (1-5)	Score	Rating (1-5)	Score	Rating (1-5)	Score
Growth rate	0.20	5	1	3	0.6	2	0.4	...	...
Industry profitability	0.15	4	0.6	3	0.45	3	0.45	...	...
Intensity of competition	0.10	3	0.3	3	0.3	2	0.2	...	...
Market size	0.15	4	0.6	3	0.45	2	0.3	...	...
Business risk	0.20	5	1	4	0.8	2	0.4	...	...
Entry barriers	0.10	2	0.2	2	0.2	2	0.2	...	...
Government regulation	0.10	3	0.3	4	0.4	2	0.2	...	...
Total	1.00		4		3.2		2.15	...	...

Rating: 1=very poor; 5=very good;

Score: rating x weight

Factors in Markets/Competitive position

<i>Competitive position</i>	Weight	SBU A		SBU E		SBU F		SBU ...	
		Rating (1-5)	Score	Rating (1-5)	Score	Rating(1-5)	Score	Rating(1-5)	Score
Marketing capacity	0.20	4	0.8	4	0.8	3	0.6	...	...
Product match	0.15	4	0.6	4	0.6	2	0.3	...	...
Brand recognition	0.25	5	1.25	5	1.25	3	0.75	...	...
Quality relative to competitors	0.15	5	0.75	5	0.75	4	0.6	...	...
Managers' experience with the business	0.05	3	0.15	2	0.1	2	0.1	...	...
Access to distribution channels	0.10	4	0.4	3	0.3	2	0.2	...	...
Profit margin relative to competitors	0.10	3	0.3	4	0.4	3	0.3	...	...
Total	1.00		4.25		4.2		2.85	...	...

Rating: 1=very poor; 5=very good;

Score: rating x weight

Portfolio analysis for SBUs in different countries

	Country A	Country E	Country F	Country H	Country L	Country M	Country P	Country Q
SBU 1	H	H	M	H	M	L	H	H
SBU 2	M	L	M	L	L	L	H	L
SBU 3	H	M	H	H	M	M	H	L
SBU 4	H	H	M	H	M	L	M	M
SBU 5	M	H	L	M	L	M	H	H
SBU 6	H	H	H	H	H	L	H	M
Overall evaluation by country	INVEST	INVEST	Selectivity or Wait & See	INVEST	Selectivity or Wait & See	Drop	INVEST	Selectivity or Wait & See

H=high potential; M= moderate potential; L=low potential