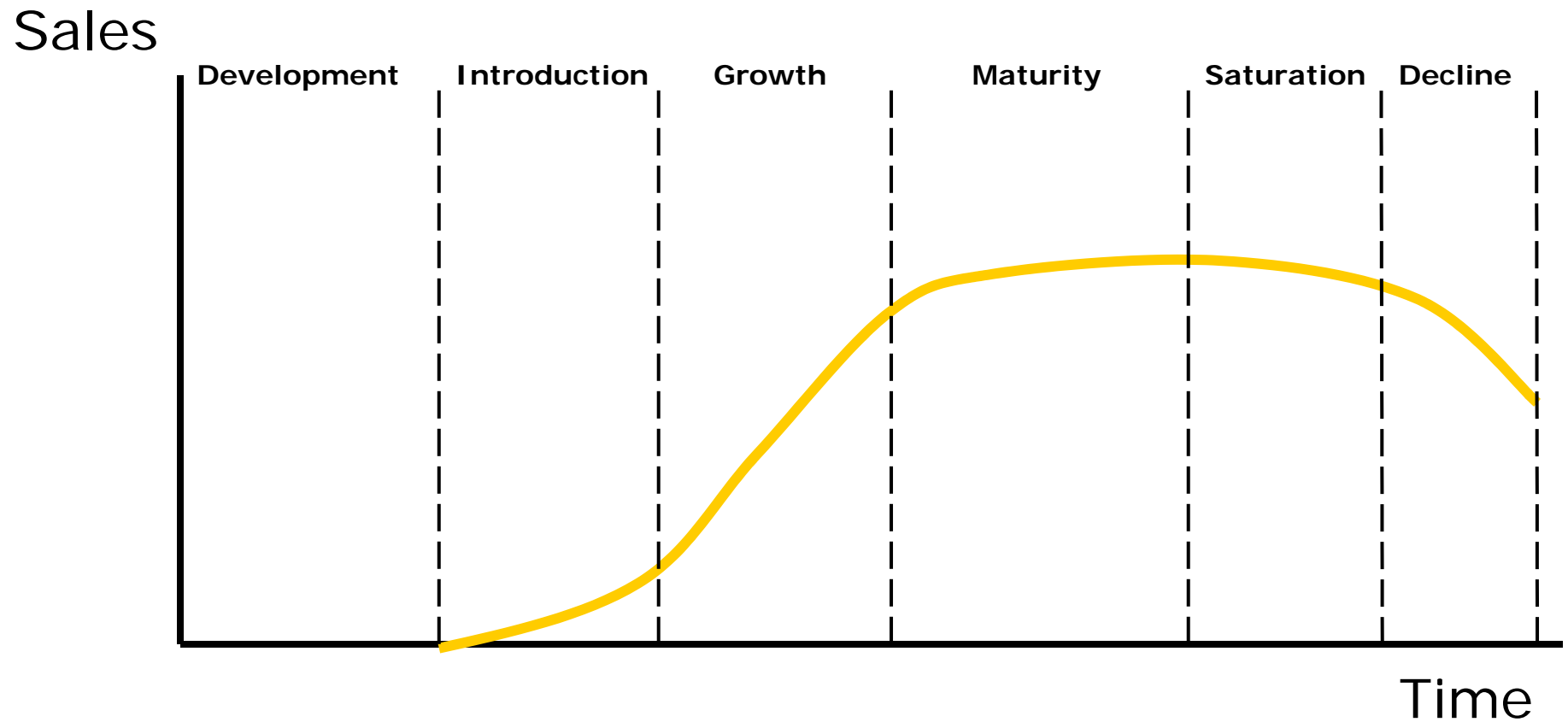


# Product Life Cycles and the Boston Matrix

## 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

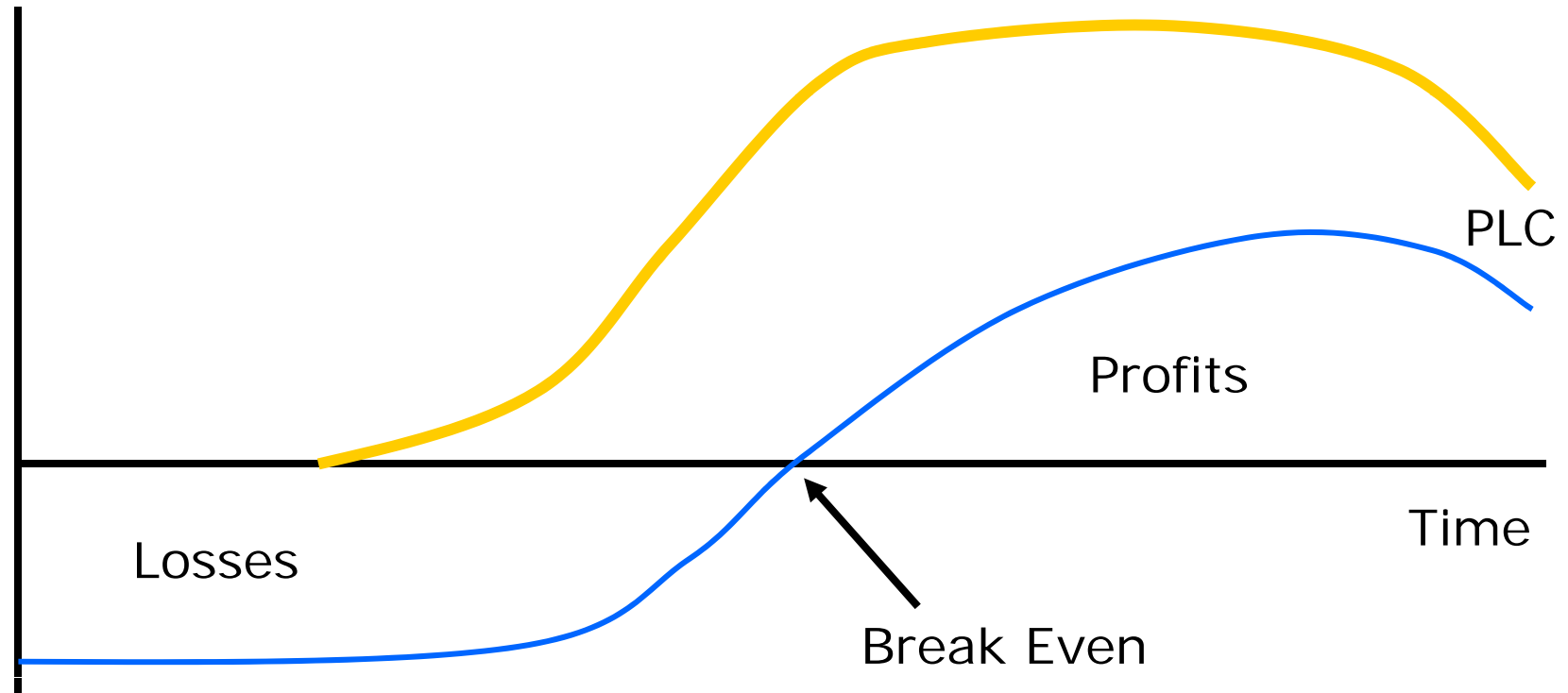
# Product Life Cycles and the Boston Matrix



# Product Life Cycles and the Boston Matrix

Sales/Profits

PLC and Profits



# 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 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

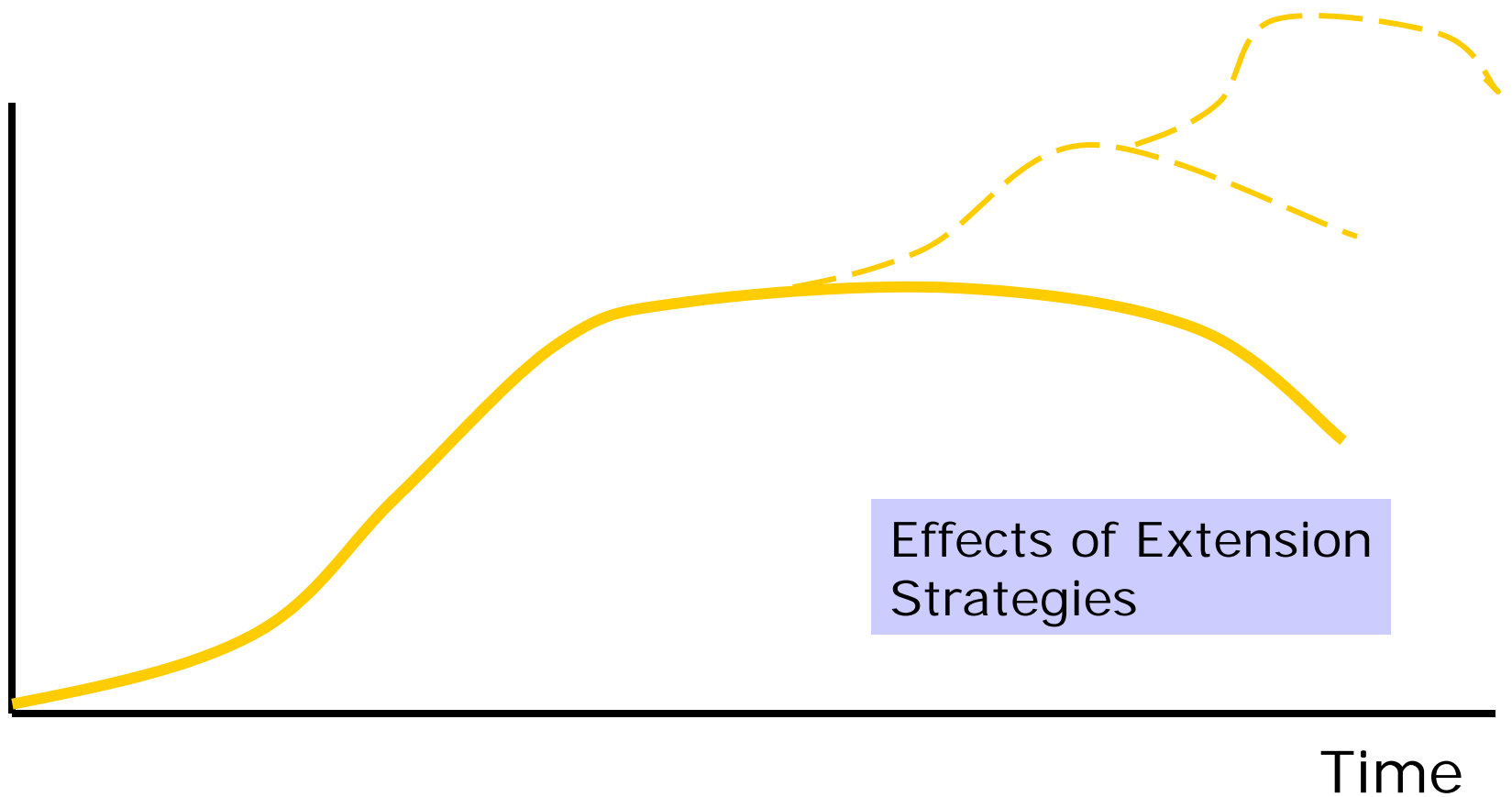
- **Decline and Withdrawal:**
  - Product outlives/outgrows its usefulness/value
  - Fashions change
  - Technology changes
  - Sales decline
  - Cost of supporting starts to rise too far
  - Decision to withdraw may be dependent on availability of new products and whether fashions/trends will come around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

# Extension Strategies

- Target a new segment of the market. E.g J&J Baby oil aimed at adults.
- Developing new uses for a product. E.g Hair Dryers and Paint Strippers.
- Increasing Useage. E.g. Actimel challenge to eat one pot per day.

# Product Life Cycles and the Boston Matrix

Sales



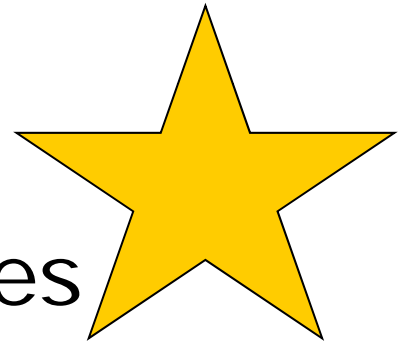
Effects of Extension Strategies

# 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?



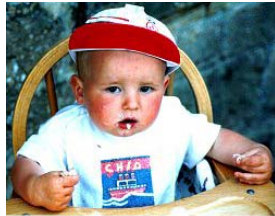
Problem children – worth spending good money on?

# The Boston Matrix

Market Growth

High

Problem Children



Stars



Dogs



Cash Cows



Market Share  
High

Low

# Heinz Product Portfolio

Place these products into the Boston Matrix for Heinz

- a) Organic Soup
- b) Baked Beans
- c) Non GM Ketchup
- d) Vanilla ice cream tubs

# 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?

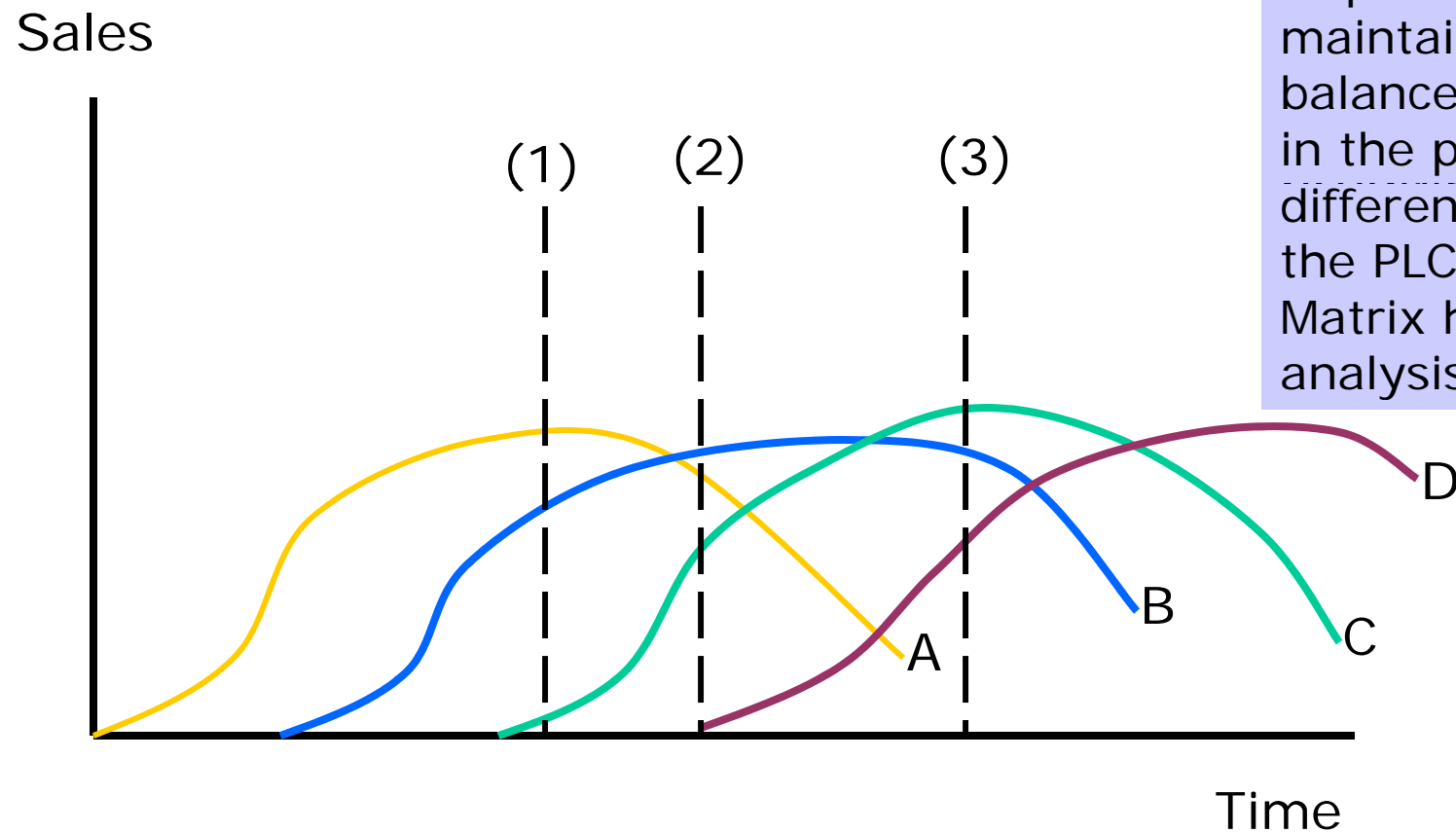
# The Boston Matrix

- **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