

Leveraging quick analytical models to pinpoint opportunities

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Although robust analytics are important when making high-stake strategic decisions, conducting a quick analysis can also be extremely valuable in identifying immediate opportunities or gaps in cases where speed is important.



Bernhardt van der Merwe, head of category management at DataOrbis. Image supplied

Whenever I am under pressure to produce a quick category analysis, I default to the Boston Matrix, developed by the Boston Consulting Group in the early 1970s - it is a more informal marketing tool used for product portfolio analysis and management.

It is a model that simplifies, classifies, and maps a potentially complex analytical landscape into an easily understandable form. It does this based on market growth and share, factoring in the degree of market share and growth and helps to identify where resources can be best used to maximise profit from a product management perspective.



Decluttering your product range may have surprising benefits

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Market share represents the percentage of the total market achieved by an organisation and is measured in terms of revenue or unit volume. The Boston Matrix assumes a high market share provides financial benefits, so a higher share of the market means higher cash earnings.

Market growth reflects the attractiveness of a market

The Boston Matrix references four distinct quadrants, namely: Stars, Questionable, Cash Cows, and Dogs.

Let's break those down further:

- **Stars:** These categories have high market growth and share.
- **Questionable:** These are categories with high market growth but low market share.
- **Cash Cows:** These have low market growth but high market share.
- **Dogs:** These are categories with both low market growth share.

The Boston Matrix offers immediate insights into where each category stands in terms of its market performance and potential.

For category managers, this means being able to quickly identify which categories are leaders and require investment (Stars), which are uncertain and need evaluation (Questionable), which generate steady revenue without much investment (Cash Cows), and which are underperforming (Dogs).

Although I am referencing categories here, I have used this model to analyse individual products, brands, category segments and even entire stores.

Pre-determined, ready-to-apply strategies such as: pricing; product mix; promotion and range, can be linked to each quadrant and designed either to maintain the product's performance in its current state, or to improve its position by driving it up from, for example, Questionable to the Star quadrant.

Examples of these strategies, include:

Stars: Invest in promotional strategies to maintain or increase market share. Leverage competitive pricing strategies to build on the current strong position of Star products. Product innovation and range expansion can also be beneficial to keep the momentum going.

It is important to merchandise products for optimal positioning by creating strong on-shelf presence through product blocking, and avoiding merchandising in so called 'dead zones', i.e., areas that are too high, too low, or in the corners of the merchandising space.

Questionable: As these products are potential future Stars, investment in marketing and promotional efforts can help increase their market share. Pricing strategies may also be more aggressive to attract customers. The range might need to be refined based on what works best. Provide space in accordance with their potential, and not strictly related to their current rate of sales.

Cash Cows: These products typically generate stable income with little need for investment. Pricing strategies here might focus on maximising profit margins, while promotional efforts could be minimal. The product range can be managed to ensure it remains productive without significant additions or deletions.

Dogs: These products are the least attractive. Ranging strategies might involve discontinuing and phasing products out. Pricing can be adjusted to clear inventory, and promotional efforts minimised. Merchandising space for this products in this quadrant should be reduced to minimum.

Beyond using the Boston Matrix to identify possible quick wins and help with immediate short-term fixes, the model serves as a guidance tool, effectively highlighting products that require additional, more in-depth, analytical investigation for a potentially longer-term impact.

You don't necessarily need special software solutions to conduct a Boston Matrix analysis. Microsoft Excel or Google Sheets with their widespread availability, ease of use, are both more than capable of supporting this type of analytics.

However, their practicality and effectiveness can be challenged by very large datasets or the frequency of analytical needs – in this case, more sophisticated software, designed to handle big data analytics, may be necessary for scalability, data integration, and real-time data processing.

Although the Boston Matrix is a valuable model, quick to learn and easy to derive insights from, it comes, like any other model, with certain limitations.

It's important to understand the following caveats in the model:

- **It is over simplified:** Market share and growth are the only two dimensions considered. Other key factors such as competitiveness, product life cycles, and macroeconomic factors are, by design, overlooked. But note these are important matters that can influence strategic decisions in the short and long term.
- **It is a snapshot:** The model is often a snapshot in time which may not reflect the dynamic nature of the market and consumer preferences.
- **Overlooking niches:** Niche products can often appear in Dogs finding themselves undervalued and potentially mismanaged. This would be a mistake.

Despite the inherent limitations of the Boston Matrix, it remains an effective way to draw attention to areas where quick strategic actions can lead to immediate benefits. The matrix is also effective in areas that may require more detailed investigation and perhaps where comprehensive strategies are required.

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