Business Portfolio Analysis
Market-Ing Model

By: Raul G. Morales
Market-Ing
March, 2013

The evaluation of strategic business units or products, forming part of the business portfolio of any corporation, enables to develop appropriate business strategies and to establish investment priorities. In this regard, several business portfolio-evaluation models have been developed, being one of the most popular the Growth-Share Matrix developed by the prestigious consulting firm, *The Boston Consulting Group (BCG)*[1] *.*

Starting from the BCG concept, based on growth and share indicators for each business unit in the market, *Market-Ing* has developed a new model, which uses internal indicators to evaluate the performance of each individual business unit or product in any corporation, by means of the profit share growth and income share during a 5 consecutive year -period.

Unlike the BGC business model, the *Market-Ing* model can be directly applied using the own company results, not needing complete information on the whole market behavior.

The *Market-Ing Growth-Share Matrix* is presented in Figure 1. The model is applied by plotting the business results in linear scales, allocating the profit share growth percentage in the y- axis versus the income share percentage in the x-axis. The matrix division lines are defined by the mean arithmetic values for each of these parameters.

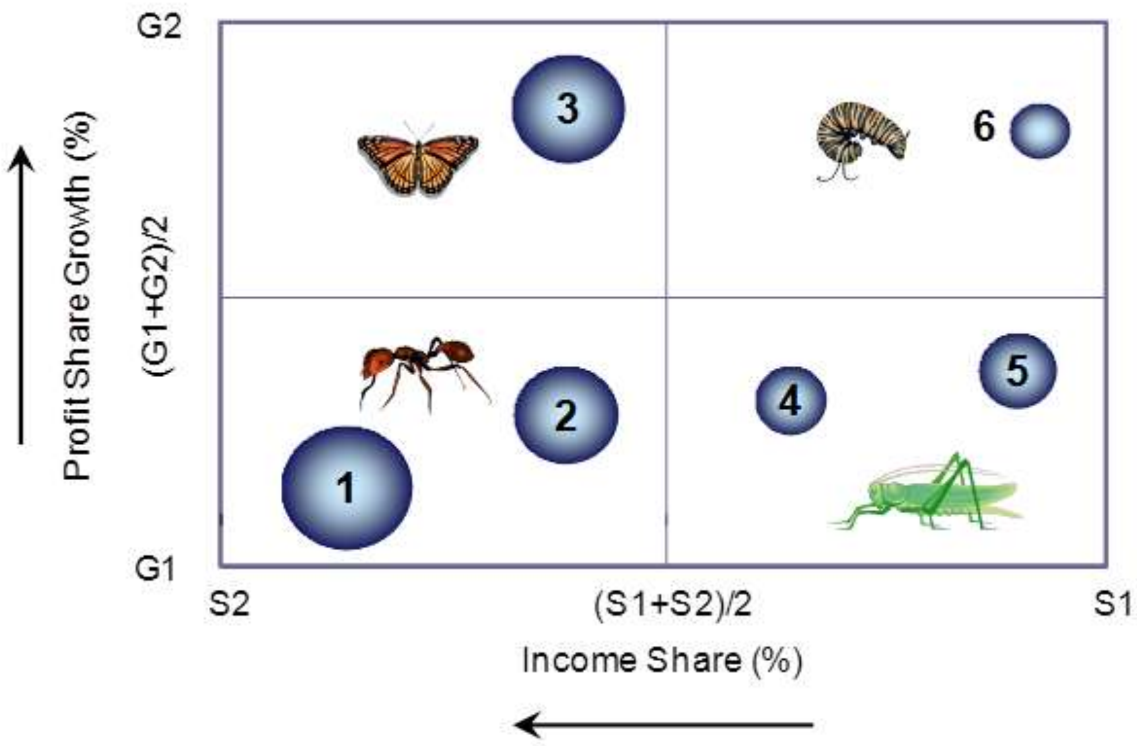
A third parameter is the relative area for each circle located inside the matrix, which is proportional to the profit generated by each product family or business unit.

The Market-Ing Growth-Share Matrix is divided into four regions, which represent different categories of products or business units, with significant differences in business results and competitive perspectives.

[1] The Boston Consulting Group, www.bcg.com.

Obsidiana 102, Bonanza Residencial. Tlajomulco de Zúñiga, Jal., 45645, Mexico
Tel: (52-33) 32716386, e-mail: rgmorales@market-ing.mx
www.market-ing.mx

Figure 1
Growth-Share Matrix
(*Market-Ing Model*)



1. *Caterpillars.* These products show a remarkable growth in profit share percentage, but with a low share in the company's income. Due to their great profit potential, it is convenient to analyze the viability of assigning additional resources for their technical and commercial development, with the aim of increasing their income levels to displace the business unit to the *Butterfly* category.

2. *Butterflies*. A *Butterfly* product is normally one of the leading business units in contribution to the company's profit, capitalizing in a tangible manner a winning combination, with high income levels and high profit share percentages. They come normally from the *Caterpillar* category, where it has been previously needed to assign a certain investment, to promote a successful metamorphosis to its current condition.

3. *Ants*. They represent products with the highest share in the company's income, but which keep normally a modest profit share percentage and low perspectives for profit share growth. Companies may utilize their *Ant* business units as cash flow generators and as financing sources for developing other strategic business units.

4. *Hoppers.* This category describes products with a low contribution to the company's income and with low or erratic profit share growth levels. They normally generate low profit or even losses for the company. When operating in this region, the corporation must seriously evaluate the possibility of closing this business unit or discontinuing the corresponding products.

According to the information shown in Figure 1, it can be observed that business units 1 and 2 are located inside the *Ants* category, showing an income share higher than (S1+S2)/2 but with a profit growth share lower than (G1+G2)/2.

Business unit 3 is positioned inside the *Butterflies* category, showing the highest profit share growth, higher than (G1+G2)/2, and an income share higher than (S1+S2)/2.

Business unit 6 is the only one located inside the C*aterpillar* category, with a profit share growth higher than (G1+G2)/2, but with a modest income share, lower than (S1+S2)/2. Given the great potential for this business unit, a detailed evaluation is recommended on the convenience of allocating higher resources for an efficient market development.

Business units 4 and 5 are clearly located inside the *Hoppers* category, with an income share lower than (S1+S2)/2, and with a profit share growth lower than (G1+G2)/2. For these business units, a critical evaluation must be carried out to determine the convenience of keeping them in operation, considering the option of selling them, transferring them, consolidating them or closing them definitively.

The *Market-Ing* model has been applied to evaluate the business portfolio competitiveness for several Mexican companies, enabling them to clearly defining their investment priorities.