

# **REVISITING THE GROWTH-SHARE MATRIX: TOWARD BREEDING AND RAISING CASH COW PRODUCT MARKETS**

Ryan Schill, INCAE Business School, Costa Rica  
Ronald Schill, Monterey Institute of International Studies

## **Abstract**

The Growth-Share Matrix has been used for several years as a tool for classifying and categorizing a portfolio of products for comparative future investment/divestment posture. Within this framework, the cash cow quadrant is seen largely as an intermediate designation for extracting some cash en-route to final disposal as a dog product as market share collapses. The purpose of this discussion is to examine the use of the growth-share matrix as a cradle-to-grave financial planning paradigm, and as an ex-ante tool whereby the future cash cow potential can be strategically planned and managed for by utilizing decisions made the purpose of providing maximum cash-yielding dividends when cash-cow status is arrived.

## **Strategic Decisions Impacting Cash Cow Potential**

The basic two coordinates of the Growth-Share Matrix are 1) market growth rate and 2) relative market share. As such the decision-maker makes an appraisal of the current and expected growth rate of the target market of interest, and then the current and future prospects for market share held assuming some planned nature of investment. Cash cow designation results from stagnant or falling market growth coupled with comparatively high market share, such that the share can yield harvested cash in an otherwise less attractive market. However, several things impact the amount of cash and its sustainability at that point and in the future. Management can be surprised when what appeared to be a cash-rich cow, turns out to be a lower-volume-yielding cash goat. Where did we go wrong? What could we have done differently not only to enhance the share value, but also the profitability of the product both at the point of designation as a cow and over the forthcoming life cycle?

This position paper proposes a list of factors that impact this situation. Not only do these issues become significant variables in marketing decisions throughout the product life cycle, but also, perhaps more importantly, astute management of them can cause cash cow yields to become potent financial planning and cash flow tools mitigating the need for debt/equity infusions for growth decisions.

## **Toward a Model of Cash Cow Product Planning**

Sixteen critical factors will impact the potency of cash yielding value of a product over its life cycle. Many of these factors involve trade-offs, and not all can be achieved simultaneously. Yet, the impact of such trade-offs for both cash invested, and cash yielded in the product life cycle should be capable of strategic planning and decision-making. Our position paper presents these sixteen factors, together with several case examples from various industries and companies whereby cash cow planning and management became important strategic initiatives for both the amount and the timing of cash flows.

## **Critical Decision Factors**

1. Scope of Need Appraisal and Market Discovery
2. Compellingness and sustainability of the value propositions
3. Low barriers to cross-market adoptions
4. Globalization potential
5. Low barriers to international entry and diffusion
6. Manufacturing processes that are high fixed and low variable costs

7. Strong incentive for value added participation in the channel
8. Strong and sustainable bargaining position of the manufacturer in the value chain
9. Ability to collapse timing and magnitude of market development costs in new segments
10. Dynamics of the product margin
11. Homogeneity of targeted segments
12. Ability to leverage common costs
13. Strategic functional out-sourcing
14. Product line rationalizations
15. Managing shifts and gains in value-chain margin participation
16. Timing and magnitude of innovation