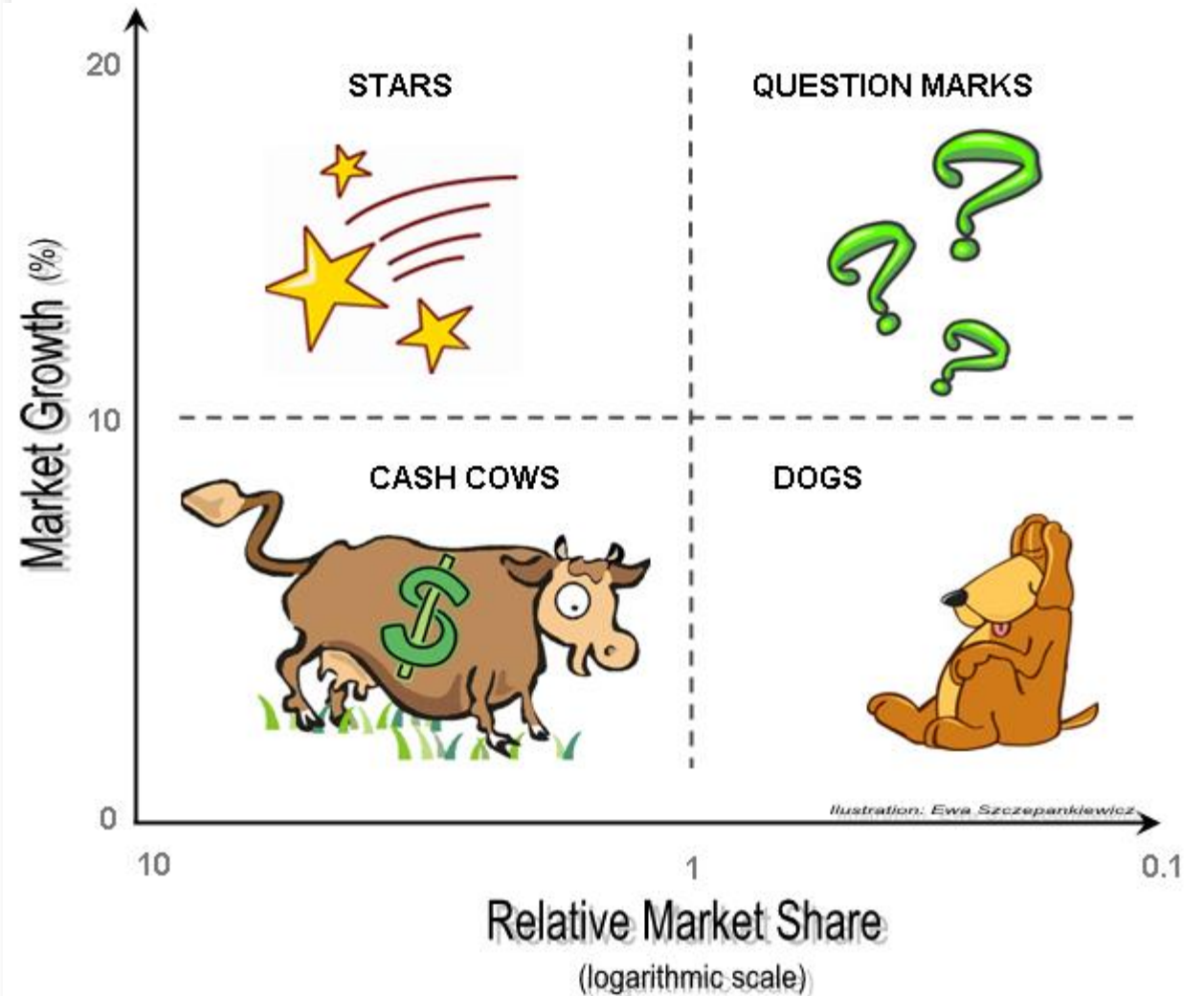# Portfolio analysis

LECTURE 10

Agenda

- The meaning of PA
- Ansoff Matrix
- BKG matrix
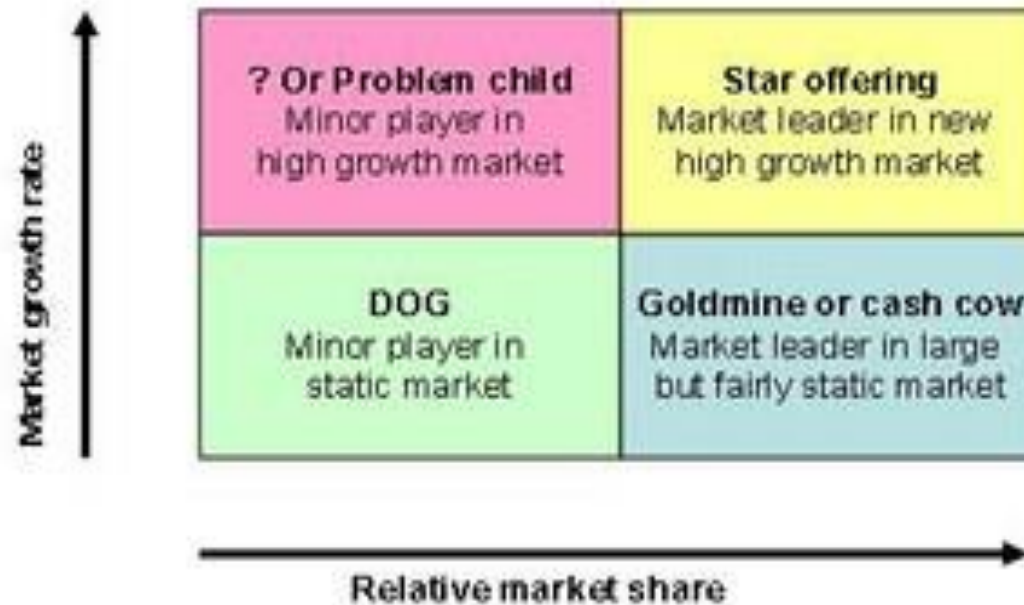- Building a map of strategic groups

Definition

Portfolio analysis is a tool with which the company's management analyzes the directions of its business, identifies the most promising ones, and reallocates resources to increase profits.
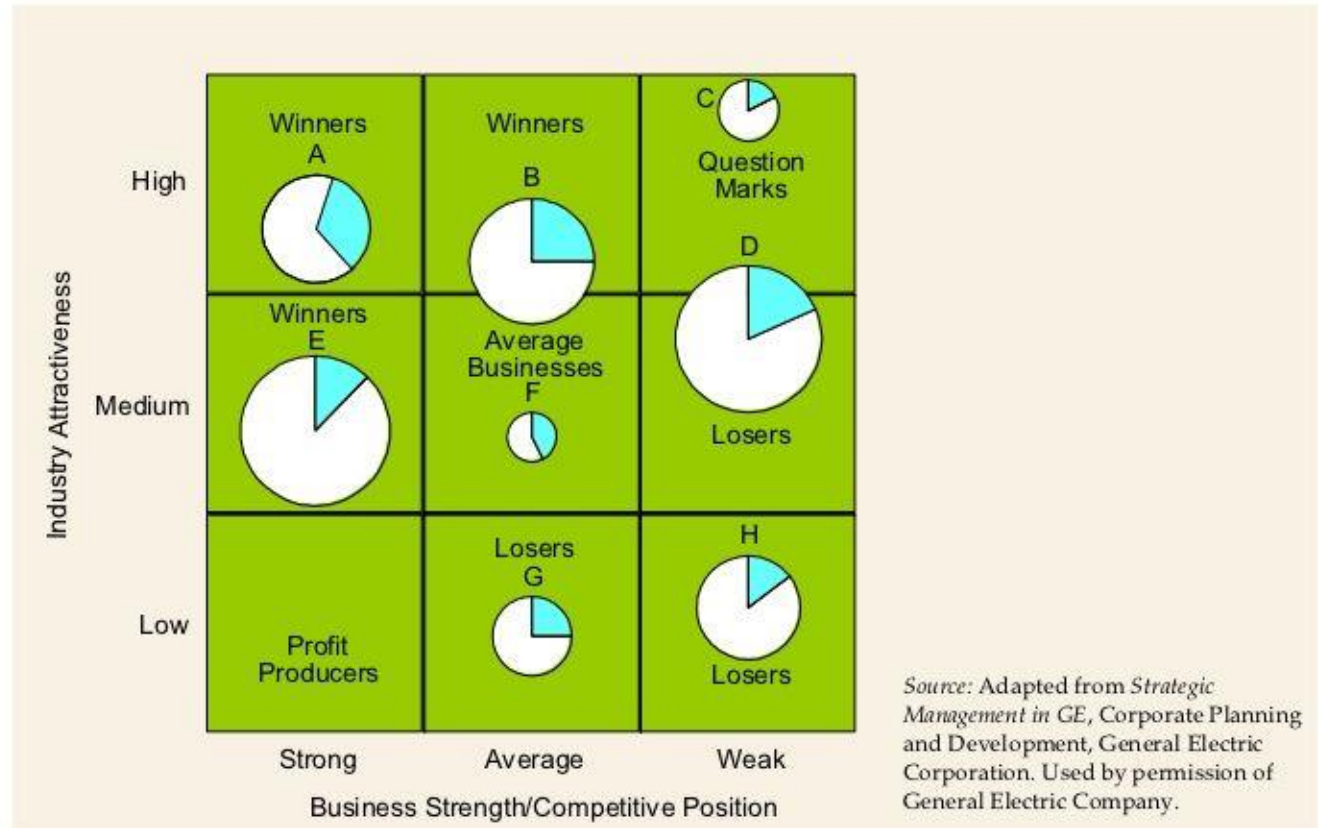
The purpose of portfolio analysis is to harmonize business strategies and allocate financial resources between business units of the company.

? Or Problem child Minor player in high growth market	**Star offering** Market leader in new high growth market
DOG Minor player in static market	**Goldmine or cash cow** Market leader in large but fairly static market

Market growth rate (vertical axis)

Relative market share (horizontal axis)

There are the following types of portfolio matrices:

- portfolio matrix of the Boston Consulting Group (BCG matrix);
- the Business Screen matrix developed by General Electric;
- Arthur D. Little Consulting Matrix;
- a directional policy matrix developed by Shell;
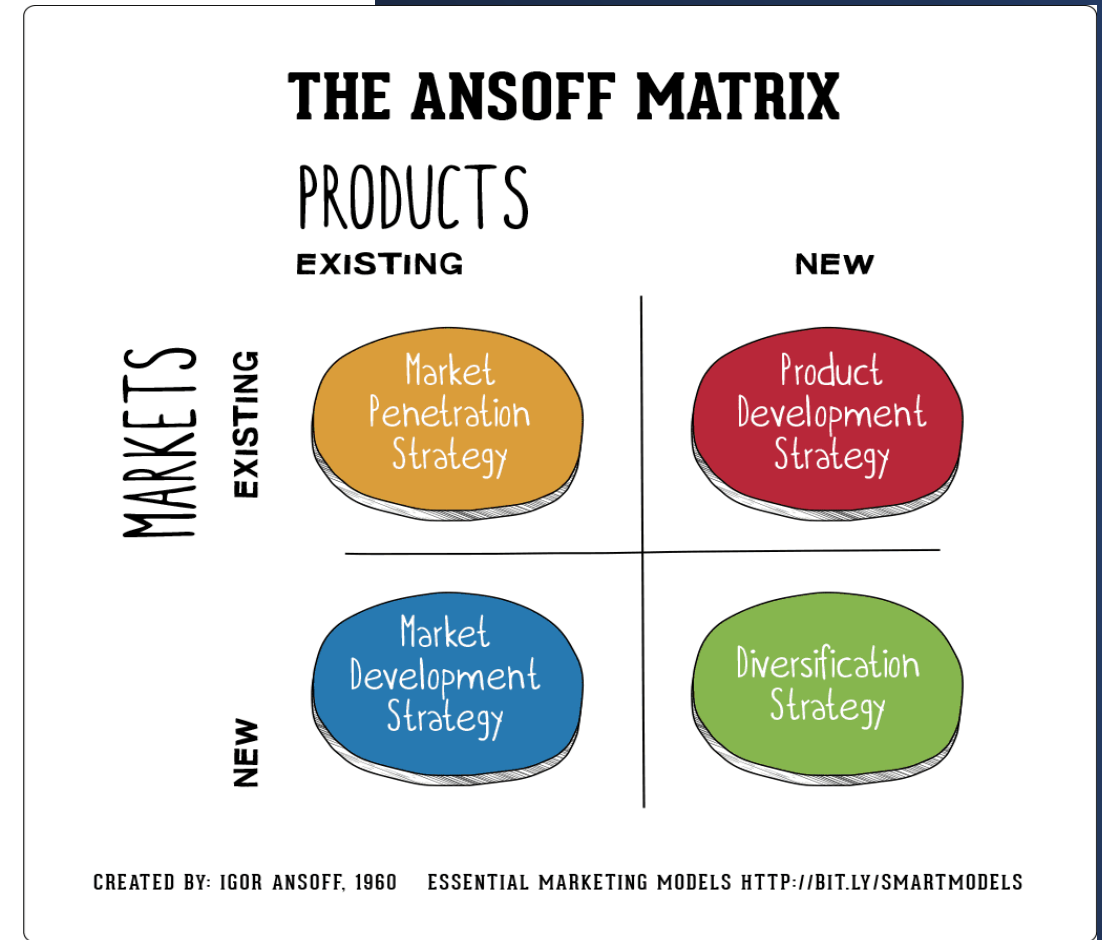- Ansoff matrix;
- Abel matrix.

General Electric's Business Screen

Industry Attractiveness — High / Medium / Low

Business Strength/Competitive Position — Strong / Average / Weak

- Winners A
- Winners B
- C Question Marks
- Winners E
- Average Businesses F
- D / Losers
- Profit Producers
- Losers G
- H / Losers

Source: Adapted from *Strategic Management in GE*, Corporate Planning and Development, General Electric Corporation. Used by permission of General Electric Company.

Ansoff Matrix

4 possible business growth strategies:

1. market penetration strategy: means that growth will occur in the direction of increasing the share of the current commodity market;

2. market development strategy: means that the company will grow by developing demand in new markets

3. product development strategy: means that the source of the company's growth is the growth in demand for new products;

4. diversification strategy means updating the product range and entering new markets at the same time.

THE ANSOFF MATRIX

PRODUCTS

EXISTING   NEW

MARKETS

EXISTING

- Market Penetration Strategy
- Product Development Strategy

NEW

- Market Development Strategy
- Diversification Strategy

CREATED BY: IGOR ANSOFF, 1960   ESSENTIAL MARKETING MODELS HTTP://BIT.LY/SMARTMODELS

Товар / Рынок	Старый товар	Новый товар
Старый рынок	**Проникновение на рынок**	**Развитие товара**
Новый рынок	**Развитие рынка**	**Диверсификация**

The market penetration strategy is the simplest, most common and commonplace strategy. In this case, it is assumed that the firm is already present in the existing market with some existing product (the release of which is well established). The goal of the strategy is to increase sales volumes, the number of sales.

To achieve this goal, the following tools can be used:

- expansion of the market share;

- increase in the number of purchases of goods;

- increasing the frequency of purchases of goods by the consumer (for example, due to various loyalty programs - discount cards for regular customers, bonuses, gifts, etc.);

- opening up new opportunities for consumers to use the product.

Market development strategy or expansion strategy. The purpose of this strategy is to adapt and promote your existing products for new markets (conquering new consumer segments, opening branches in other regions).

| Стратегии по матрице Ансоффа	Увеличение затрат	Вероятность успеха
Проникновение на рынок	-	50%
Расширение рынка	в 4 раза	20%
Развитие товара	в 8 раз	33%
Диверсификация	в 12-16 раз	5%

BKG Matrix

• Calculation of relative market share is calculated by dividing the absolute market share of the company's product in the analyzed segment by the market share of the leading competitor in the analyzed segment.

• If the value of the relative market share of the company's product is greater than one, then the company's product has a strong position in the market and has a high relative market share. If the value of the relative market share is less than one, then the company's product has a weaker position in the market compared to the leading competitor and its relative share is considered low.
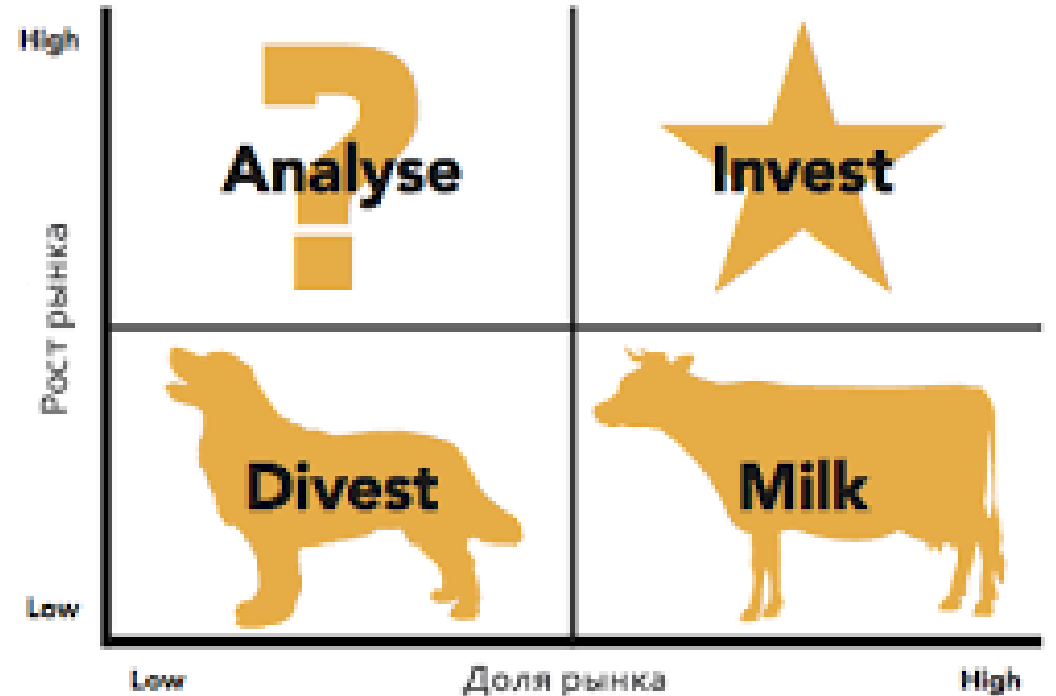
Building a map of strategic groups

The strategic group includes competing companies with approximately the same competitive strategies and market position, or united by other common features; assortment, price/quality ratio, distribution channels, target audiences, applied technologies.
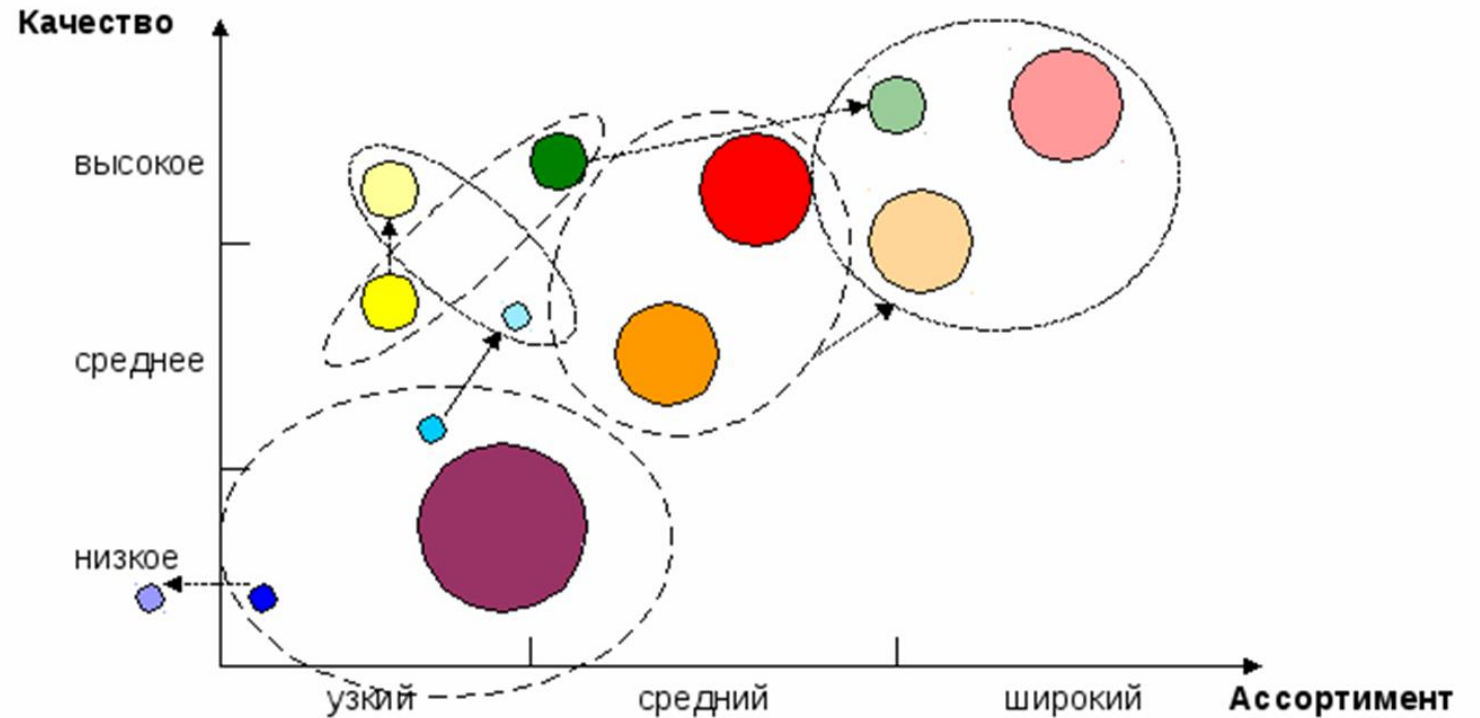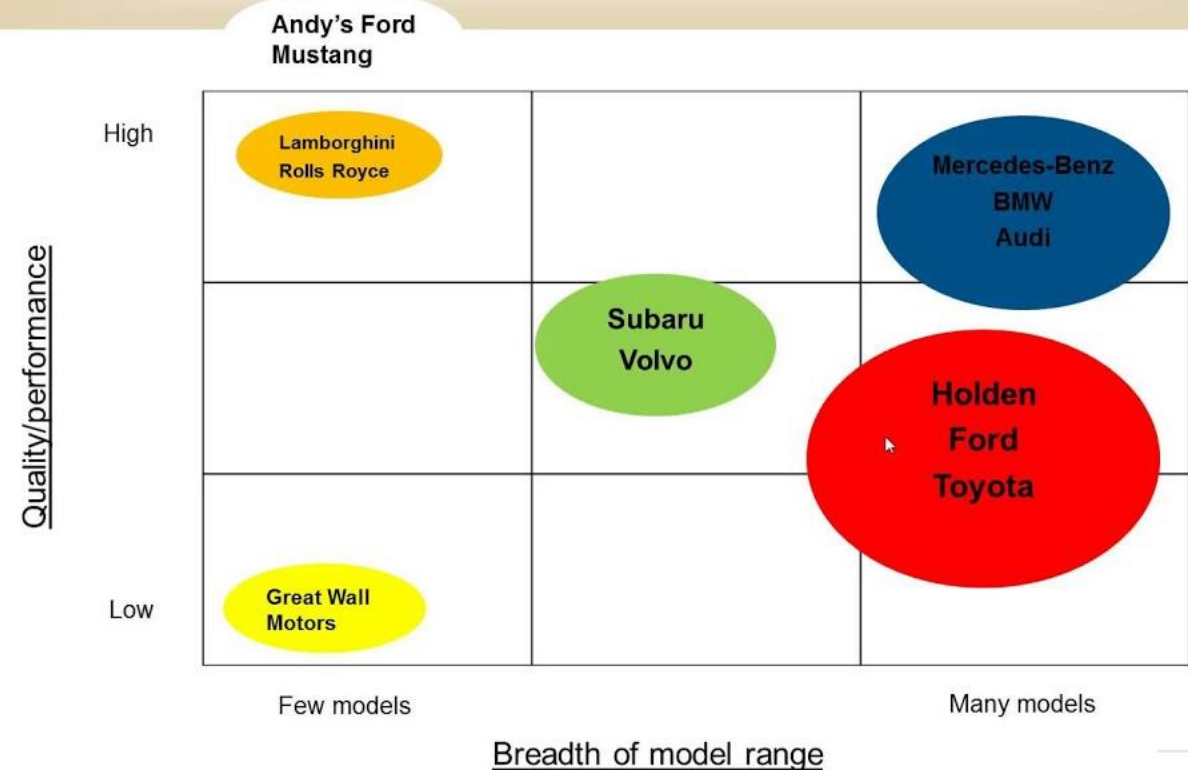
To map strategic groups

1. Set the parameters for differentiating companies in the industry, for example:

- price / quality ratio (high, medium, low);

- geographic scope of activities (local, regional, national, global);

- product range (wide, narrow);

- use of distribution channels (one, several, all);

- set of services offered (none, limited, complete).

2. Make graphs for two selected parameters, draw dots indicating the location of each company.

3. Combine companies whose location on the graphs approximately coincided, in one strategic group.

4. Enclose each strategic group in a circle whose diameter would correspond to the group's share of total industry sales.

Example: Strategic Group Map of Selected Automobile Manufacturers

Exercise 1

Prepare the Strategic Group MAP for a particular market