**Product Market Evolution Matrix**

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**Study Materials on Strategic Tools: Product Market Evolution Matrix, Experience Curve, Directional Policy Matrix, Life Cycle Portfolio Matrix, and Grand Strategy Selection Matrix**

**1. Product Market Evolution Matrix**

The Product Market Evolution Matrix is a tool used to analyze the stages of a product’s life in relation to market development. It helps strategists decide on growth opportunities and appropriate resource allocation.

**Key Elements:**

* **Market Development Stages:** Emerging, Growth, Maturity, Saturation, Decline.
* **Product Evolution Stages:** Introduction, Growth, Maturity, Decline.

**Strategic Implications:**

* **Emerging Markets:** Focus on R&D, innovation, and first-mover advantages.
* **Growth Markets:** Scale operations, invest in marketing, and build brand equity.
* **Mature Markets:** Optimize efficiency, focus on differentiation, and reduce costs.
* **Decline Markets:** Decide between harvesting, divestment, or finding niche markets.

**2. Experience Curve**

The Experience Curve illustrates how unit costs decline as cumulative production increases, owing to efficiencies gained through learning and scale.

**Key Concepts:**

* **Learning Effect:** Workers and processes become more efficient over time.
* **Economies of Scale:** Cost advantages from increased production.
* **Technology Improvements:** Innovation reduces costs.

**Strategic Applications:**

* Pricing strategies: Lower costs allow competitive pricing.
* Entry barriers: High experience curve can deter new entrants.
* Investment in automation: Accelerates cost reduction.

**Formula:**

* Cost per unit = Initial cost per unit × (Cumulative output)^(-b), where **b** represents the learning rate.

**3. Directional Policy Matrix (DPM)**

The Directional Policy Matrix evaluates business units or products based on their market attractiveness and the organization's competitive strength.

**Axes:**

* **Market Attractiveness:** Growth rate, size, profitability, etc.
* **Competitive Strength:** Market share, cost position, brand strength, etc.

**Quadrants:**

1. **Leader (High Attractiveness, Strong Position):** Invest and grow.
2. **Follower (High Attractiveness, Weak Position):** Build capabilities or divest.
3. **Niche Player (Low Attractiveness, Strong Position):** Focus on specific segments.
4. **Laggard (Low Attractiveness, Weak Position):** Harvest or divest.

**Strategic Implications:**

* Allocate resources to high-potential areas.
* Exit low-potential businesses.

**4. Life Cycle Portfolio Matrix**

The Life Cycle Portfolio Matrix integrates product life cycle stages with the market attractiveness of each product or service in a company’s portfolio.

**Stages of the Product Life Cycle:**

1. **Introduction:** High investment with uncertain returns.
2. **Growth:** Revenue increases; focus on scaling.
3. **Maturity:** Market saturates; emphasis on efficiency.
4. **Decline:** Manage costs and decide on exit strategies.

**Portfolio Management Strategies:**

* Invest in products in the growth stage with high market potential.
* Maintain mature products with consistent cash flow.
* Divest or harvest declining products.

**5. Grand Strategy Selection Matrix**

The Grand Strategy Selection Matrix is a tool used to identify suitable strategies based on market growth and the competitive position of the firm.

**Axes:**

* **Market Growth Rate:** High or Low.
* **Competitive Position:** Strong or Weak.

**Quadrants:**

1. **Strong Position, High Growth (Growth Strategies):** Market penetration, product development, diversification.
2. **Weak Position, High Growth (Turnaround Strategies):** Focus on improving operations or niche markets.
3. **Strong Position, Low Growth (Stability Strategies):** Focus on efficiency, cost leadership.
4. **Weak Position, Low Growth (Defensive Strategies):** Harvesting, divestiture.

**Strategic Implications:**

* Align strategies with market conditions and organizational strengths.
* Prioritize resource allocation to high-growth, strong-position quadrants.

**Conclusion**

These matrices and models are invaluable for strategic decision-making, helping organizations align their resources, market dynamics, and competitive strengths to achieve sustainable growth and profitability. Each tool offers unique perspectives, and their combined use can provide a comprehensive strategic roadmap.

**Study Materials for BCG and GE Matrices with Indian Examples**

**1. Boston Consulting Group (BCG) Matrix**

The BCG matrix is a portfolio management framework that categorizes business units or products into four quadrants based on **market growth rate** and **relative market share**:

* **Stars**: High growth, high market share
* **Cash Cows**: Low growth, high market share
* **Question Marks**: High growth, low market share
* **Dogs**: Low growth, low market share

**Indian Example – Tata Group**

* **Stars**: Tata EVs (e.g., Nexon EV) – high growth in the Indian EV market and increasing market share.
* **Cash Cows**: Tata Steel – a mature business with a dominant market position in a stable industry.
* **Question Marks**: Tata Neu (super app) – high potential but uncertain market share in the competitive Indian digital services space.
* **Dogs**: Tata Nano – phased out due to declining sales and lack of market growth.

**2. General Electric (GE) Matrix**

The GE matrix evaluates business portfolios based on **industry attractiveness** (e.g., market size, growth rate, profitability) and **business unit strength** (e.g., market share, brand equity). It places businesses in a 3x3 grid:

* **Invest**: High industry attractiveness, strong business strength
* **Hold**: Medium industry attractiveness and/or business strength
* **Divest**: Low industry attractiveness, weak business strength

**Indian Example – ITC**

* **Invest**: ITC's FMCG products (e.g., Aashirvaad, Sunfeast) – high industry attractiveness with strong brand positioning.
* **Hold**: ITC Hotels – medium attractiveness due to cyclicality in the hospitality industry but decent brand strength.
* **Divest**: ITC's tobacco business in international markets – low attractiveness due to regulatory pressures and declining global demand.

**Key Differences Between BCG and GE Matrices**

| **Aspect** | **BCG Matrix** | **GE Matrix** |
| --- | --- | --- |
| Dimensions | Market Growth, Market Share | Industry Attractiveness, Business Strength |
| Quadrants/Cells | 4 | 9 |
| Complexity | Simpler | More detailed and nuanced |
| Data Requirements | Market share and growth rate | Broader data, including competitive, market, and operational metrics |

**Applications**

* **Strategic Decision-Making**: Both tools guide resource allocation, product development, and market focus.
* **Portfolio Optimization**: Helps identify where to invest, maintain, or divest.
* **Long-Term Growth**: Supports alignment of company goals with market dynamics.

These frameworks, with examples like Tata Group and ITC, illustrate their practical application in the dynamic Indian market context. If needed, I can provide more in-depth examples or create custom case studies!