

# THE USE OF *BOSTON CONSULTING GROUP* MATRIX FOR PRODUCTION MAPPING OF PT. ASURANSI UMUM BUMIPUTERAMUDA 1967 OF BANDAR LAMPUNG

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**ABSTRACT:** *Position of relative market share from each production of a company is highly needed for decision making related to which product that gets attention and financial support so that the product can last and become a contributor to corporate performance in long term. The aim of this study is to map the production of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung. This study is a descriptive study. Data used are primary and secondary data. Data collecting is done by observing, literature review, and interview. Data analysis is done by using Boston Consulting Group (BCG) matrix. The study result shows that featured products that have been propping the sustainability of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung are health insurance, accident insurance, surety bond insurance, and liability doctor insurance. The six products of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung (fire insurance, car insurance, motorbike insurance, credit insurance, money insurance, and burglary insurance) are the products that need special attention and fund support from the company, so the products are able to compete with similar products offered by the competitors. The insurance product of marine cargo is identified as a product of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung that does not have superior competitiveness and slow growing level.*

**Keywords:** Boston Consulting Group matrix, product mapping, market share, PT. Asuransi Umum Bumiputeramuda 1967

## INTRODUCTION

Position of relative market share from each product of a company is highly needed by the company for decision making related to which product that reasonably gets attention and financial support so that the product can last and become a contributor to corporate performance in long term. The decision on products is a very important strategic decision because it affects the existence of the company in a long term that affects all functions and all levels in a business organization.

Changes occurring in the market basically affect the change in marketing orientation, but what becomes the basic goal from marketing activity does not have changes, which is how to create exchange, additional value, and marketing growth. The changes are caused by developments in technology and increasing economic growth. Company can create products with better quality and guaranteed, but it can be imitated by other companies that produce similar products that can be easily distributed. On the other side, consumers are also flooded by varied information from many kinds of similar products that have category standard that is equally good. It causes the company needs to determine orientation based on the needs and desire of consumer so that the determined goal can be achieved.

Marketing is a spearhead of the company that must be formulated in the form of a comprehensive and integrated strategy. Marketing also helps producer in knowing market. With marketing, it can be known what to buy and who buy with the expectation that the product can be taken by market. In the other words, sold out products can increase the selling volume. If selling omzet has a slow increase, it must be analyzed whether it is caused by less effective marketing strategy that is done or might be affected by taste and behavior of the customers that have been changing. The entire system and activity of marketing are oriented to the market or consumer. Companies basically formulate strategy because they want to be more superior compared to their competitors. The forms of strategy are varied between one company and other

company, among others by paying attention to the environment faced both internal and external environment.

Corporate strategy planning aims to see internal and external conditions objectively, so the company is able to anticipate the changing of external environment. Boston Consulting Group matrix is a portfolio planning model developed Bruce Henderson from Boston Consulting Group in early 1970 [1, 2, 3, 4]. The analysis is based on the observation that business unit of certain company/product can be categorized in four categories based on combination in the growth of market and relative market share toward the biggest competitor, with the term of sharing growth. BCG matrix graphically shows differences between varied divisions/products in the relative market share and level of industry growth [3].

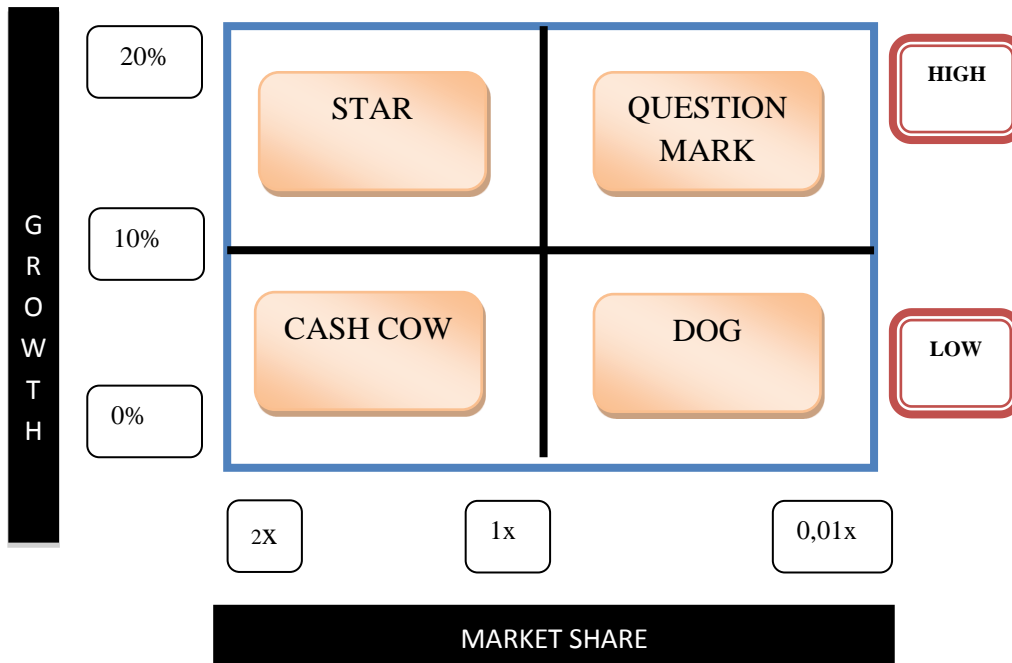
PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung is an insurance company that has 11 insurance products, which are: fire insurance, car insurance, motorbike insurance, marine cargo insurance, personal accident insurance, health insurance, credit insurance, surety bond insurance, money insurance, burglary insurance and liability doctor insurance. The growth of product portfolio of the company's insurance products in 2013 was 91%. Management policy standard of PT. Asuransi Umum Bumiputeramuda 1967 shows that the achievement tolerance level of insurance product portfolio realization is not less than 5% [5].

Meanwhile, the growth of the company's product portfolio in 2013 is still considered quite small, which was 8.10% from 2012. Kotler and Keller [6] stating that a good market growth standard in Boston Consulting Group matrix is minimum 10%. Product mapping information of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung in this case is highly needed by management for decision making related to which products that are reasonable to get attention and support and can be used as superior products that are expected to able to give contribution to corporate performance in a long term. This study aims to map products of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung by using Boston Consulting Group (BCG) matrix.

**CONCEPT OF BOSTON CONSULTING GRUP (BCG) MATRIX**

Boston Consulting Group (BCG) is a private management consultant company located in Boston. Boston Consulting Group is a company engaged in the development of market share. BCG is developed and popularized firstly by a famous management consultant.

Boston Consulting Group matrix is a scheme created by Bruce Henderson for Boston Consulting Group in 1970 to help companies in analyzing their business unit or product lines. BCG matrix helps companies allocating resources and is used as analysis instrument in marketing brand, product management, strategic management, and portfolio analysis (Figure 1)



**Figure 1 Boston Consulting Group Matrix (Addaptive from Kotler and Armstrong [7])**

The main purpose of Boston Consulting Group (BCG) matrix is to investigate which products reasonably get attention and financial support so that the products can survive and become contributor toward corporate performance in a long term. Each product has product life cycle, and each stage in product life cycle represents different risk profile. Generally, a company must keep a balanced portfolio from the product that is marketed. The portfolio can be in a range of product with both high and low growth. A product with the high grow needs several means and resources for its marketing, for building distribution channel, and for building selling infrastructure, with the expectation that the product can bring benefit in the future.

Boston Consulting Group matrix is used to understand the market, portfolio optimization, and effective resource allocation. To understand BCG matrix, we need to understand how market share and the growth of market share are relating. Market share is a percentage from the market total that is being served by a company, both in income and in volume unit. The higher market share is, the higher market proportion that will be controlled.

BCG matrix assumes that if we enjoy high market share, we will produce money. The market growth is used as the measurement from market attractiveness. If the market is having high market growth from the total market development, it will be relatively easy the business to increase their profit, even if their market share is still stable. Contrarily, the low condition of market share does

not increase profit, but the high condition of market share is not necessarily profitable either if there is no effort on giving discount aggressively.

Analysis method of BCG matrix helps a business unit to know its position in four categories, which are category Dog, Question Mark, Star, and Cash Cow, that its category is based on the combination from the market growth and relative market share toward the biggest competitor, as explained in the previous section. This matrix is also able to map the strategic product attribute that can give benefit from the company.

BCG matrix is the easiest decision making instrument. Only by reading its graph, a person will be easily able to see in which position his/her company is. This matrix focuses on cash flow, investment characteristics, and needs of varied divisions of organization. Divisions may change from time to time; dog to question mark, question mark to star, star to cash cow, and cash cow to dog. However, the one that rarely happens is the clockwise changing.

The application of Boston Consulting Group matrix has limitation in some matters which are: (a) determining segments of product/market that are not easy; (b) using standard strategy that can cause the pass of opportunity or becoming impracticable; (c) The existence of reality that business positions are based on subjective evaluation; (d) The use of terms “cash cow” and “dog” can lead to predictions that very depend on each individual; (e) There is not always possibility to determine what makes an industry considered attractive, or to determine on which

stage a product in its life cycle; and (f) If determining this method with carelessness, it will cause inaccuracy of strategy selection that must be done. A high market share does not always result profitability. This model ignores the synergy effect between business units. The most important

thing is that the market growth is not only indicator for the market attractiveness. Therefore, it is possible that there are more aspects that must be considered to BCG model use.

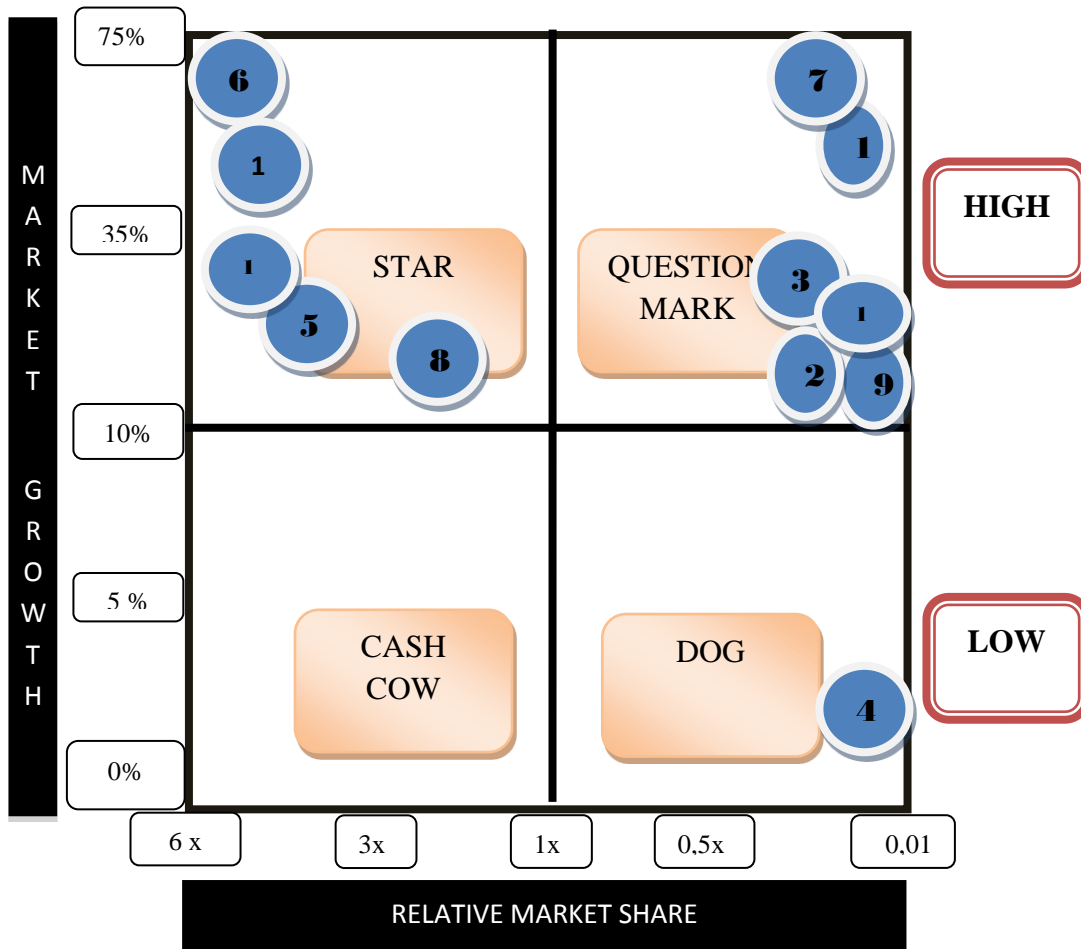


Figure 2.

**BCG matrix of Product Portfolio of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung**

Where: (1) Fire insurance; (2) Car insurance; (3) Motorbike insurance; (4) Marine cargo insurance; (5) Personal accident insurance; (6) Health insurance; (7) Credit insurance; (8) Surety bond insurance; (9) Money insurance; (10) Burglary insurance; dan (11) Liability doctor insurance.

**RESEARH METHOD**

The design of this study is a qualitative study [8, 9]. This study was done in PT. Asuransi Umum Bumiputeramuda 1967 in February to March 2014. Data collected in this study are primary data and secondary data. The primary data collected among others are the total insurance products that are marketed, names of products that are marketed, names of best selling products that are marketed, selling data of each product in 2009-2013, and the number and the name of main competitors from each insurance product marketed. Secondary data collected are from brochures, books, and documents of the company. Data collecting is done through observation, literature study, and interview. The interview is done with the help of questions list for the management of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung, which are Marketing Section Head and marketing staff.

Data analysis uses Boston Consulting Group (BCG) matrix [6]. BCG matrix has been used for mapping products from various companies [10, 11, 12].

**RESULT AND DISCUSSION**

The mapping result on 11 types of product portfolios of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung by using Boston Consulting Group (BCG) matrix can be seen on Figure 2.

**Product Mapping Analysis of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung in Quadrant I (Question Mark)**

The study result (Figure 2) shows that in quadrant I or Question Mark, there are six products mapped in this position which are fire insurance, car insurance, credit insurance, money insurance, and burglary insurance.

According to Kottler [6], in quadrant Question Mark, a product in this quadrant is characterized by relative high product growth, the level of product competition that is still low, and relative low market share. The cash need of the company is usually high and its cash income is low. This quadrant is known as question mark because the company must decide whether or not it will strengthen its product. This quadrant gives impression that the product has less profitability guarantee. If it is compared to the theory of Life Cycle Product according to Steffens [13] and Gardner[14], this quadrant I is known as introduction stage. During this stage, the product is beginning to be marketed in a large number even the selling volume has not been high. The product sold is generally the new product because it is still in the beginning stage, usually the cost spent is high especially the advertising cost. The promotion done must be aggressive and focus on the seller brand. Moreover, the product distribution is still limited and the profit obtained is still low.

Based on the theories above, when compared to the reality where the study is taken, there are several differences and similarities. The similarities are the six products marketed that have relatively high product growth level, the low level of product competition that is still low, and market share that is still relatively low. The level of product growth in the last five years is quite high, above average, which is above 10% for each year. However, the level of competition and market share compared to the main competitor in Lampung area are too small. It is because the business source from the retail at PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung does not have market share of big corporation and captive business from corporate group. It is because the six groups are mostly obtained from their own corporate group. As an example of captive business from their own group, among others are, the main actor of car insurance in Lampung area is Astra Buana Insurance, most of them are obtained from the leasing company which is Astra Credit Company, the main actor of motor insurance is Adira Insurance, most of them are obtained from Adira Finance, the main actor of fire insurance is Jasindo Insurance that is a BUMN company (SOE) so that the business obtained from banking companies owned by BUMN (SOE) that have been affiliated. Meanwhile, for difference from the theory that the six products above are not new products, but they are products that have been known by consumers, there are only innovation about guaranteed benefit expansion, supporting facility, easiness and speed of claim service that are done. For the promotion of all this time, the company does not conduct an advertisement in mass media or billboard, but the marketing depends on their own marketing network and network of AJB Bumiputera 1912, because this company is a unique company that depends on agency system that is not similar to the same insurance company, and depends on the brand from Bumiputera. Therefore, the strategy taken is by conducting the promotion through recruitment optimization of new agent member and network strengthening of their own agency as well as using the agency network of Bumiputera 1912 spread in each sub district and district in Lampung are by putting a Supervisor in each branch office and the office unit of AJB Bumiputera 1912. Moreover, they search for niche market to cooperate with leasing and banking

corporations that have not had insurance company for increasing competitiveness and increasing profitability level, as well as the cooperation with regional development bank and public credit bank with the expectation that the product position can lead to quadrant II or Star.

#### **Product Mapping Analysis of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung in quadrant II (Star)**

In Quadrant II or Star, there are four products which are health insurance, personal accident insurance, surety bond insurance, and liability doctor insurance. According to Kottler and Keller [6], this quadrant is characterized by the market growth position that is very fast and getting big market share as well, but on the other side, the position of competitiveness is in the high position. Star position is the position that is desired by all business, because this position gives profitability value in a long term. Only that this weakness of this position is that the business will spend much investment in order to give position guarantee of competitiveness. It means that this investment is deliberately used to innovate and strengthen the strategy to keep the competition position and to give guarantee on the profit growth. Products in this quadrant must be careful because even though the cash inflow is quite high, it might not enough to fund the growth level and competition cost that is very fast. Therefore, the products must be seen from their product life cycle level. If the products have achieved maturity level, the company then must be careful in managing competition risk, do not let the investment spent not comparable with the cash inflow received.

If it compares to the theory of Product Life Cycle according to Steffens [13] and Gardner[14], Quadrant I is known as growth stage. In this stage, product selling and profit will be increased and the community has known the product marketed, so the promotion means done are not as aggressive as the previous stage. Here, competitors have been starting to enter the market so that the competition becomes more stringent. Another way done to expand and increase its distribution is reducing the selling price. Based on the theories mention above, if it is compared to the reality in the study location, some differences and similarities are found. The similarities among others, are a very fast market growth and getting a bigger market share as well, but on the other side, competition position is in the high position, it happens because of the marketing strategy from PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung that is smart in looking for a market niche.

The following is an analysis from each four products. First, the competitor of doctor liability in Lampung is only one company which is Allianz insurance. The strength of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung which about service and claim handling, where the company cooperate with the third party as Medicolegal Team of Medical Department of Universitas Indonesia (Indonesia University) where this team consist of professionals in forensic medical and the background of law school graduate, so they are very helpful in analyzing if one achievement occurs between a doctor and his/her patient. This medicolegal team accompanies the client earlier when there is presumption of malpractice even though the client has not been accused guilty by the law. This benefit will not be done by other competitors. Second,

in surety bond insurance product, from 44 general insurance companies in Lampung area, only few of them focus on recent market share, among others are Jasaraharja Putra Insurance, Askriding, Videi, Parolamas, Mega Pratama, and Jasatania. The limited actors in this product are because they must get official permit from financial service authority (OJK – FCA), so only certain insurance companies that fulfill the criteria that can market this product. The strength of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung compared to the competitors is the marketing network using agency system and many working partners that is not applied by competitors, where working partners/agents proactively contact contractors and project owners and competitive premium rate as well as one-day-service policy making. Third, health insurance, for Lampung, PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung has the biggest market share because it cooperates with almost all DPRD secretariats in district/city in Lampung Province. In this product, competitors who play in market share are not required to have adequate working staff and have wide hospital network. The strength of Bumiputeramuda 1967 of Bandar Lampung, besides having enough staff and having wide hospital network, it has mastered electronic auction system because the provision of government goods/service must be auctioned through electronic system, it has experts in health insurance, and has experience in health insurance service of DPRD member who need premium service. Fourth, personal accident insurance product, competitors playing in this product are quite few. The strength of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung compared to competitors is having innovation product that is modified with health insurance as well as marketed in retail so it does not need many marketing staff, in this case the company takes the marketing from the parent company of AJB Bumiputera 1912 where the marketing is spread in each sub district and district in Lampung Province.

The difference occurs in this stage is that the product will spend many investments in order to give competition position guarantee. In the reality, in this stage, the company does not conduct many investments in keeping competition position, it is because the product sold is service product, so the thing given is in the form of product innovation and premium service as well as discount giving when the policy is extended and the claim value is still controllable. In this quadrant stage, there are some strategies that can be applied by PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung, among others are (a) Increasing the premium service quality as well as adding product specialty by additional benefits; (b) The company adds new models and accompanying products; (c) The company enters new market segment; (d) The company increases the coverage of its distribution and enters new distribution channel; (e) The company conducts promotion not by putting advertisement but by conducting promotion by using wide agency network system and relying on the brand from Bumiputera.

#### **Product Mapping Analysis of PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch in Quadrant III (Cash Cow)**

In Quadrant III or Cash Cow, there are no products from PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch placed in this position. In this quadrant, according

Kotler and Keller [6], the characteristics of its products are having a bigger market share compared to competitors, but the market growth is low, the opportunity in this quadrant is still limited and the market is not too interesting. This quadrant produces many profits that can be used to invest in other fields, because the condition of market is not interesting, then important investment is needed to keep the market. This quadrant must be protected and kept well because a small shift will give great effect on market share because the low market growth. Keep it as market leader and market share that are owned. The benefit is obtained from big selling volume and its result can be used to support other businesses. When compared to theory of product life cycle according to Steffens [13] and Gardner[14], this quadrant is in maturity stage that product selling is still increasing and remains in the next stage. In this stage, price competition is very high because the company needs to introduce its products with new models. Moreover, advertising business is usually improved more to face the competition.

Based on the theories mentioned above, the reality occurring is that PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch has not have products in this quadrant. However, there are four products that potentially enter or shift into quadrant cash cow which are products health insurance, personal accident insurance, surety bond insurance and liability doctor insurance. Therefore, PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch is suggested to try as hard as it can so that the four products are encouraged to be in quadrant III/Cash Cow so that the profits obtained from big selling volume and its result can be used for other businesses.

#### **Product Mapping Analysis of PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch in Quadrant IV**

In Quadrant IV or Dog, there is one product which is marine cargo. In this quadrant, according to Kotler and Keller[6] marine cargo is a product that no longer has expectation to live, it means that this product does not have superior competitiveness and its growth level is slow. The result is that the profitability level tends to decrease, even the possibility of negative. It is because the product does not have attractiveness and competitiveness anymore. Therefore, the strategy taken is divestiture which is the strategy to cover the product and to conduct investment on the products that are still in quadrant Star and Question Mark.

If it is compared to the theory of Product Life Cycle according to Steffens [13] and Gardner[14], Quadrant IV is known as decline stage. In this stage, new products must have been marketed to replace old products. Although competitors are less, the cost controlling becomes very important because the demand is decreasing. If old products are not immediately replaced, the company only can operate in certain market that is very limited.

Compared to the reality occurring in the field, the product of marine cargo in PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch is not an old product and is not able to make consumer bored. This insurance is always used by exporters and importers and expedition companies in giving protection on object or commodity brought during the journey to determine area. This product is not developing well and is not able to compete with competitors in PT. Asuransi Umum Bumiputeramuda 1967

of Lampung Branch. It is because the marketing lane has not been optimal and product mastering of marine cargo by marketing staff has not been optimal because in this product, foreign terms are mostly used where the policy clause is still referred to English.

The suitable strategy applied in PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch in order that the product can be excluded from Quadrant Dog and shifted to Quadrant Question Mark among other is opening marketing lane as much as possible by searching new market, adding product knowledge to marketing staff by giving training and understanding about marketing of marine cargo product as well as investing in the form of promotion to mass media about this marine cargo product.

### CONCLUSION

The superior products that have been propping the sustainability of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung are products of health insurance, personal accident insurance, surety bond insurance, and liability doctor insurance. Six products of PT. Asuransi Umum Bumiputeramuda 1967 of Bandar Lampung (fire insurance, car insurance, motorbike insurance, credit insurance, money insurance, and burglary insurance) are the products that need to get attention and financial support especially from the company so that the products are able to compete with similar products offered by competitors. Marine cargo insurance product is identified as the product of PT. Asuransi Umum Bumiputeramuda 1967 of Lampung Branch that does not have superior competitiveness and slow growth level.

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