



articles

The Boston Matrix

The Boston Matrix is one of a series of analysis tools that help you decide the effectiveness your current fundraising portfolio.

The Boston Matrix

The Boston Matrix is normally used to assess the relative contribution of various fundraising activities or donor clusters at a particular point in time. But the matrix is enormously flexible and can be used to assess a range of offerings from the relative contribution of corporate supporters, to which services are most attractive to foundation donors. (It can also – see below – be used for non-fundraising assessment.)

The Big Idea

The matrix brings together four key ideas:

- all fundraising activities or donor clusters have a life cycle – there are times when they are growing and times when they are shrinking. This cycle time can vary from a few days to many years.
- at any given time, you are probably managing a number of 'life cycles' of different activities or clusters. In a large fundraising department you may have 20 or 30 discreet fundraising cycles to look after. These cycles represent a portfolio.
- you can map these cycles onto a matrix at a specific time to create a graphical overview of your portfolio's performance – that is, how the collection of activities or donor clusters you are managing is contributing to your overall target.
- proactive fundraisers can then take action to improve the portfolio and the overall results by getting rid of low performing activities/clusters or investing time and resources into higher payoff opportunities.

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Like The Balanced Scorecard – another of our Big Ideas for Fundraisers – The Boston Matrix can be used as a ‘top table’ tool – that is, it can be used to influence whole organisation strategy.

So in non-fundraising settings it can be used to analyse the relative return of a range of service, education, social development or campaign offerings. In these cases instead of measuring fundraising return you could measure the impact of different campaigns on changing government policy on homelessness, or the relative effectiveness of different kinds of marketing initiatives on theatre attendance.

Origins

The Boston Matrix was first developed by the Boston Consulting Group, a commercial consulting company based in the USA. In its original incarnation, it was a tool to establish the relative market share of any business in an overall market, plotted on a logarithmic scale. As such, it's not very useful to fundraisers or charities since we rarely have that level of detailed data.

In 1992, =mc adapted the matrix in a quite radical way to make it about market growth and returns in a fundraising setting.

The =mc version of the matrix is now widely used throughout the fundraising world.

=mc's experience with charities and public bodies

=mc's been using its version of The Boston Matrix for almost 15 years with a range of organisations to establish how effectively they are investing time and resources.

Because the result is in an easy to understand graphical form, the Boston Matrix can be used to:

- quickly create a sense of how well – or badly – you're doing now, and from that, predict how well you're likely to do in the future
- to provide an engaging way to involve fundraisers and non-fundraisers – board members, donors, volunteers, etc. – in strategy

We've used the matrix with organisations at an international and national level:

- UNAIDS: to establish the relative impact of various sexual health programmes on worldwide transmission of HIV/AIDS.
- the Victoria and Albert Museum in London: to identify which major donors were most likely to make a significant contribution
- Oxfam Canada: to map the effectiveness of different in-country development partners in tackling poverty and driving fair trade

We've also used it with agencies as diverse as the NSPCC, Oxfam GB, Greenpeace International, the RNLI, The British Film Institute and Glasgow City Council.

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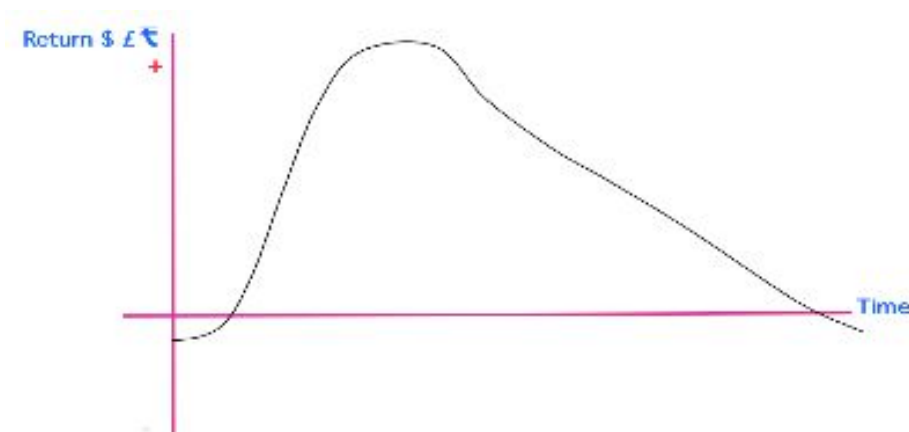


It all begins with cycles

The Boston Matrix is a way of taking a snapshot of the various cycles that your portfolio consists of. So before explaining the matrix itself, stand by for a bit of an explanation about cycles generally...

The idea of cycles is fundamental to most management thinking including fundraising. Essentially, the argument goes that all activities or products have a lifecycle.

Below is the archetypal lifecycle – called the sigmoid curve – for a typical fast-moving consumer product such as a new brand of washing powder.



As you can see, the washing powder starts by losing the manufacturer money – the R&D costs aren't paid for and not enough people are buying it. Over time it breaks even as sales increase. These sales then grow rapidly until they eventually peak. They stay at this peak for a short period of time and then the powder begins to fall off in popularity. Sales shrink and income goes down – until it gets to the point where, once again, the powder is losing the manufacturer money.

Other products or offerings can have very different lifecycles from this type of curve. Coca Cola, for example, has a very long life cycle. There probably was a time at the start when Coca Cola didn't sell well, but for many years now it has been hugely successful. Its 'peak' has lasted 40 or 50 years with little evidence of long-term decline. On the other hand, a new pop band may grow in popularity very quickly. But their success in the charts lasts only a few weeks before sales drop off and they fall into oblivion. (How many winners of Pop Idol or American Idol are ever heard of beyond their debut single?)

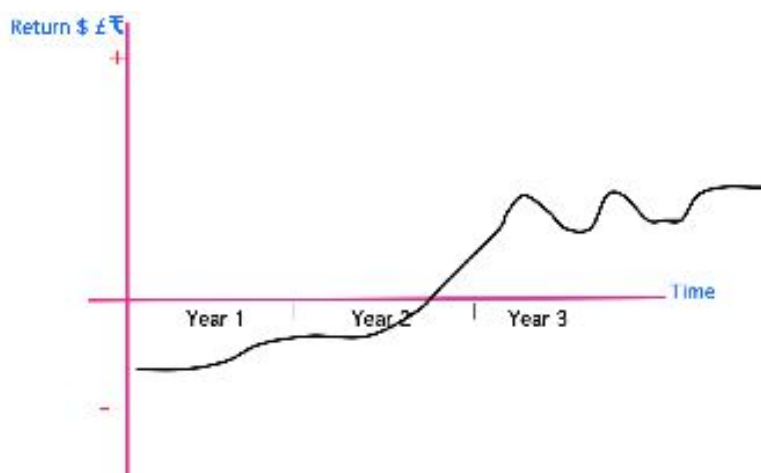
It's possible to track general life cycles for different fundraising activities and donor clusters:

- direct mail is a fundraiser's Coca Cola. It has been around for almost 50 years as a technique – and despite rumours of its demise – it's still bringing in results for many charities.
- internet fundraising was barely a blip on the fundraising landscape 10 years ago. After a slow and uncertain start, there's now evidence that it is growing into a major source of funds.
- legacies or bequests have been a mainstay of many charities' income for a long time, but do the impending healthcare and pensions crises mean that this source is likely to dry up in the next 5-10 years?

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So cycles exist at a general level. But the shape of the curve may vary for different charities, or for specific initiatives. For example, the cycle below is one charity's attempt to launch a major donor initiative.



- the initiative begins by losing money throughout year 1. It costs a lot to set up a major donor programme – hiring well-paid staff, commissioning research into potential donors, developing a series of cultivation events, etc. All these things require investment, and so there's no return
- the charity spends year 2 rolling out the programme. They meet potential donors, set up the events, and act on the research. By this time there are some small donations coming in. So the line starts to go up more – but they're still losing money for a significant portion of the year as the fixed costs are high. Luckily the Fundraising Director knows it can take two years for significant major donor results. She holds her nerve
- in year 3, the charity is still investing in the programme. But now the level of donations is greater than the cost of collecting them, and the graph shows a net contribution to income. The Fundraising Director knows that the graph will continue to be uneven as major donor income can go up and down

Our hypothetical charity could create the same kind of graph for all of the fundraising sources they are currently exploiting:

- legacy income
- DRTV
- corporate sponsorship
- trusts and foundations

All of these initiatives would have different cycles – that is each initiative:

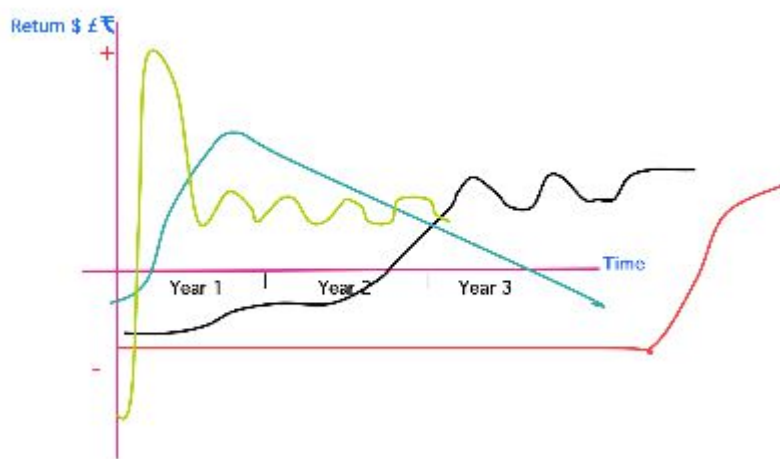
- takes different lengths of time to develop
- has different rates of return on investment

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Mapping fundraising lifecycles need not just apply to techniques. In the same charity, the Trusts & Foundations department could do the same exercise for all the trusts and foundations they are in touch with. In this instance they could show that some are growing in contribution, some are staying stable and some are shrinking over a specific time period.

Below is the graph the charity produced showing the cycles of all their different activities over three years.



It's all very interesting knowing the lifecycle of different fundraising activities, but is it useful? Well, not really in its raw state, no. How do you get from a lot of wavy lines to understanding how you're doing now? And how do you use that information to plan future activity? The answer lies in a matrix.

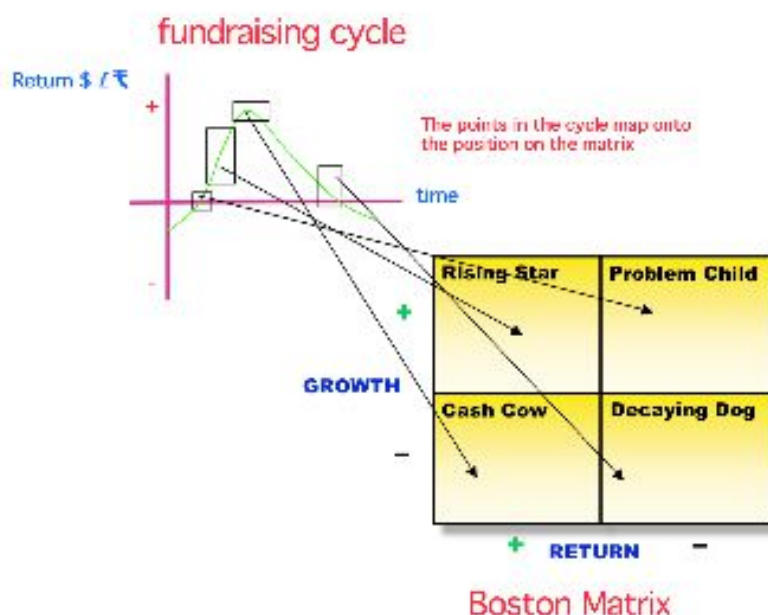
Boston Matrix Principles

The matrix – the **=mc** Boston Matrix – is a snapshot of your current portfolio, whether it's all your fundraising activities or your donor clusters.

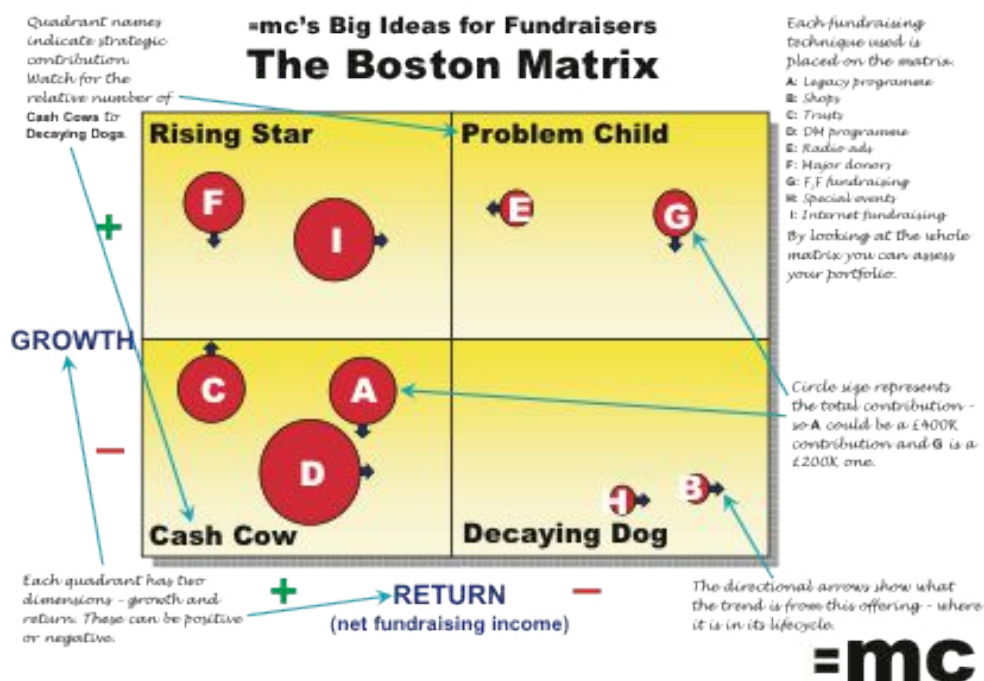
To do this, the **=mc** Boston Matrix takes two dimensions in the cycle diagram and puts them on the axis of a box – see below. The dimensions are:

- growth potential: this is based on either research into other competitors' activity or your 'perception' of the market for that activity. It can be + or –
- contribution/return: this establishes the financial net or gross return of any activity or donor cluster. Again you need to be clear on how you will measure if it is + or –

Mapping the points on the cycle onto the four distinct quadrants creates the matrix. In the diagram below we've shown how a fundraising activity at four distinct points in its life cycle could appear in different quadrants.



You can map all your fundraising activities onto one matrix. In the example below the charity has placed a total of 10 different programmes it is currently running onto the matrix. Each of these activities is in the quadrant that reflects where it is in its lifecycle. And the relative contribution of each activity to the overall target is represented by a different sized circle.





How to create a Boston Matrix

Let's recap after quite a bit of theory. To create a Boston Matrix you need to work through six steps:

- decide the return measure you want to track – is it RoI (Return on Investment), net income, or gross income? All of these measures and others are suitable, but you need to be consistent if you are to get a genuine comparison. And choose the period over which you want to take the portfolio 'snapshot.'
- list the various fundraising offerings – e.g. DM or F2F – or donor clusters – e.g. major donors or monthly givers – that you currently have and want to compare in terms of performance against this return measure.
- place them into one of the matrix quadrants – this is an indication of where they are in their life cycle. Most offerings begin as problem children, then move to rising stars, then cash cows, and end up decaying dogs
- make a blob or circle for each of these – and make the blob size in proportion to their relative gross or net contribution to your overall income. (You can do this in Excel or another spreadsheet programme.)
- put an arrow on each of the offerings – the arrow should show the direction – i.e. the next quadrant – the offering is currently heading in without any additional action.
- review the appropriateness of the portfolio – do you have too many problem children, a worrying number of aging cash cows, and not enough rising stars?

Remember the matrix is only a snapshot at a specific moment in time – for example financial year 2010-11, or 3rd quarter of this financial year. So you need to carefully choose the timeframe.

How the quadrants got their names

The names of the quadrants are designed to reflect the status of the activities or clusters in them.

Problem children

These are offerings where others are achieving significant results. But you're not achieving those results and success is uncertain. Problem children often occur at the start of their life cycle.

An example might be a new fundraising initiative for a charity – like opting into DRTV. Others are doing it and achieving results. So you believe you should be able to do so too. But you have to invest significant money to make an impact. The results aren't spectacular. So you're unsure about whether to invest more or pull out and cut your losses.

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Rising stars

These are offerings that are becoming more mature. They seem to be working out and demand is growing. But they still need significant investment of time and probably money to fully develop. It is also not yet clear when demand will stop.

An example might be a new approach adopted by a charity that is producing good results. Let's say they get into F2F fundraising with a local test. The results are very encouraging, so much so that they decide to invest more heavily with a regional test. Results continue to be positive. If they carry on investing and go to a national roll-out will they achieve proportionately better results? And when will the programme peak?

Cash Cows

These are mature offerings or fundraising efforts: demand has stopped growing – though it may still be high. But all development costs and concerns have been met so, in return terms, a cash cow produces very good results. Will this continue?

A cash cow could be a fundraising gala event and auction that always attracts 200 people to a £500 a seat dinner. It produces good results and has done for the last 5 years. But how long will it continue? Lots of competitors are now modelling their dinners on this successful offering.

Decaying Dogs

These are fundraising offerings that have outlived their usefulness. They have a low return and a negative growth rate. These are a drain on resources and management energy.

A membership scheme that has a very low membership is an example. It was popular several years ago but is no longer and the servicing costs for the scheme are high per person. Really this scheme has no hope of recovery – so the only question is how to close it down with the minimum of fuss from the existing members.

How to assess your portfolio

To make full use of the Boston Matrix you need to analyse your portfolio carefully. The overall question is: are enough of your offerings heading in the right direction

Some more specific questions you might like to ask:

- are you looking after your cash cows? If any activity or donor cluster is a cash cow for you, you can be sure your competitors are keen to take 'market share'. Watch for signs of competitor action. Are your cash cows heading towards dogs? Classically this is what happens – but at what rate? What will the effect of this be?
- do you have too many or too few problem children? If you have too many it can feel very stressful since that requires a lot of management time and skill. Are you being tough enough? These approaches may have seemed like good ideas but is it time to cut your losses? As important, do you have enough problem children? (That is, are you coming up with enough new ideas?)

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- are you supporting your rising stars appropriately? What level of investment do they need? How much financial and how much managerial investment do they need? Have you enough stars and will they replace your cash cows in time? Sometimes you can 'burn out' a rising star by promoting it too quickly.
- what action are you taking to get rid of your decaying dogs? First check they are dogs – what are your metrics? Or are you just bored with this? Is this a long-term decline or just a blip? To call something a decaying dog means there is no hope of recovery. Who are the key stakeholders for the dogs? They may need to sign off or sanction your decision.

Taking action from your matrix

Analyzing your portfolio is only the beginning. You then need to ask some questions about what action to take. To do this take each quadrant and ask different strategic action questions about activities or donors in that quadrant. Some typical questions are:

Quadrant	Return & Growth	Key strategic questions
Cash Cow	+ return but – growth	These are your key dependable contributors – but they're not growing, so how long will they last and how stable is their income? Can you do anything to put them back up into the Rising Star quadrant – i.e. help them to grow again?
Rising Stars	+ return and + growth	These are relatively new, fast-growing elements of your portfolio – but how do you pay for investment in them and maximise return? And will they become stable cash cows at some point or burn out quickly and move swiftly into decaying dogs?
Problem Children	– return but + growth	These are your most challenging elements – why can't you seem to make these donors or activities deliver results? There's potential for growth since others are making money on them, but not you. Which should you persevere with and which should you reject?
Decaying Dogs	– return and – growth	These elements are losing money and not growing. Worse, there's no hope of improvement – so how can you quickly close down these low-contributing activities? The challenge is these activities are often the 'pet' of a key stakeholder.

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