

Directional Policy Matrix (DPM) Model

The essence of strategy is that it is a choice between two or more good options.

In developing a marketing strategy the choice to be made is of which segments of the market you should develop tactics to pursue.

The Directional Policy Matrix (DPM) is a tool for helping you determine what your preferred segments are. In completing a DPM you understand what you should invest in and the direction your organization should take. The directional policy matrix helps you determine whether decisions made in the day-to-day running of the organization are in its best interest.

The Directional Policy Matrix measures the attractiveness of a segment and the capability of the organization to support that segment.

The directional policy matrix is a way of categorizing and prioritizing opportunities; It can be customized to unique content and made relevant to the individual strategic position of the company in its market place.

Attractiveness of a Market Segment

Evaluating the attractiveness of a segment should include but not be limited to, these variables:

- Size of the segment (number of customers, units or \$ sales)
- Growth rate of the segment (a very important variable)
- Profit margins of the segment to the sales organization
- Ongoing purchasing power of the segment
- Attainable market share given promotional budget, fragmentation of the market and competitors' promotional expenditures
- Required market share to break even.

The directional policy matrix suggests tactics for each of nine sectors, as shown in the figure below.

		Segment attractiveness		
Capability	Strong	Cash generation	Growth leader	Leader
	Average	Try harder	Custodial growth	Phased withdrawal
	Weak	Disinvest	Phased withdrawal	Double or quit
		Unattractive	Average	Attractive

The tactics for each sector descriptor are:

1. **Leader** – Focus your resources on segments in this sector.
2. **Growth leader** – Grow by focusing just enough resources here.
3. **Cash Generator** – Milk segments in this sector for expansion elsewhere.
4. **Phased withdrawal** – Move cash to segments with greater potential.
5. **Custodial** – Do not commit any more resources to segments in this sector.
6. **Try harder** – Determine if there are ways in which you can build your capability for segments in this sector for low levels of cash.

7. Double or quit – Invest in your capability or get out of segments in this sector.

8. Divest – Liquidate or move assets used in segments in this sector as fast as you can.

Limitations of the Shell Directional Policy Matrix

The Shell directional policy matrix has been criticized on the grounds that, like the BCG approach, it assumes that the same sets of factors are universally applicable for assessing the prospects of any product or business.

Critics believe that the relevant factors and their relative importance will vary both according to the firm's products and the individual characteristics of each company. In addition, the matrix does not provide any guidelines on how to implement the strategies suggested in each cell of the matrix.