

Product/ Market Evolution- Matrix and Profit Impact of Market Strategy (PIMS) Model

Profit Impact of Marketing Strategy or PIMS is an ongoing study of strategies that drive business profitability, cash flows, and revenues and help companies gaining and sustaining competitive advantage in the industry.

The Profit Impact of Market Strategies (PIMS) is a comprehensive, long-term study of the performance of strategic business units (SBUs) in thousands of companies in all major industries. The PIMS project began at General Electric in the mid-1960s. It was continued at Harvard University in the early 1970s, and then was taken over by the Strategic Planning Institute (SPI) in 1975. Since then, SPI researchers and consultants have continued working on the development and application of PIMS data.

The main function of PIMS is to highlight the relationship between a business's key strategic decisions and its results. Analyzed correctly, the data can help managers gain a better understanding of their business environment, identify critical factors in improving the position of their company, and develop strategies that will enable them to create a sustainable advantage. PIMS principles are taught in business schools, and the data are widely used in academic research. As a result, PIMS has influenced business strategy in companies around the world.

PIMS Model in Strategic Management

The full PIMS service is available to subscribing companies (i.e. clients). Each client is asked to subscribe more than 100 data items for each 'business', which is defined as an operating unit that:

- Sells a distinct set of products or services;
- Sells to an identifiable set of customers;
- Is in competition with a well-defined set of competitors.

Using a special data form, the client answers questions on factors such as:

- The market environment;
- The state of competition;
- Strategy pursued by the business;
- Operating results;
- Assumptions as to the future in terms of prices, sales, etc.

Criticisms and Limitations of PIMS

Although PIMS is useful, there is some criticism. The findings are given as conclusions from empirical research, but many of them are self-evident. O'Shaughnessy believes that 'the findings cannot distinguish between causal factors and factors in a state of mere co-existence'. He goes on to say: 'without supporting explanations and appropriate tests, the findings can be misleading in tempting management to deal with symptoms rather than causes'.

Limitations-

- 1. Interpreting and utilizing PIMS findings:** PIMS has been used to predict profitability. This should not be so because the model does not tell us about causality.
- 2. Specification problems:** i.e. whether the regression models have omitted important variables and have been properly structured.
- 3. Measurement error:** this happens because of eliminating outliers, standardized inputs etc. Research by Doyle,¹³ although not specifically aimed at criticizing the PIMS system, has shown that perhaps the database does not give sufficient importance to certain facets of marketing strategy. In particular, Doyle's research illustrates that there is significant potential impact of the brand and its management on company profitability; an aspect which the PIMS data tends to understate.