

A Short Intro to PIMS

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The PIMS Study (Profit Impact of Marketing Strategies)

- Started By General Electric (Circa 1961) For Measuring The Profitability Of Its Business Units

The PIMS Study (Profit Impact of Marketing Strategies)

- The Objective (1972)

The PIMS Study (Profit Impact of Marketing Strategies)

- The Objective (1972) was to find the key variables that explained business success!

The PIMS Study (Profit Impact of Marketing Strategies)

- The Objective (1972)
- The Tool

The PIMS Study (Profit Impact of Marketing Strategies)

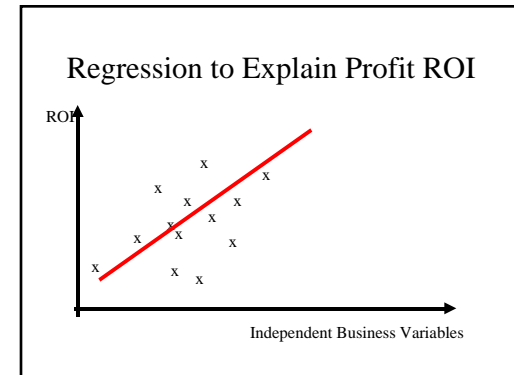
- The Objective (1972)
- The Tool was a huge survey and a large multiple regression model

The PIMS Study

- The Objective (1972)
- The Tool
- Dependent Variable was ROI

The PIMS Study

- The Objective (1972)
- The Tool
- Dependent Variable was ROI
- Independent variables That would explain and predict high profit. ???



- Independent Variables (Predictor Variables)
- Market Share
 - Growth Of The Market
 - Quality of Products
 - New Products
 - Product Pricing
 - Brand Awareness
 - Marketing Expenditures
 - Research & Development
 - Vertical Integration

Regression

$$ROI = a(\text{market share}) + b(\text{growth}) + c(\text{quality}) + d(\text{New Prdts})....$$

The PIMS Study

- The Objective (1972)
- The Tool
- Dependent Variable was ROI
- Independent variables That would explain and predict high profit. ???

Units of Measurement

- Business Entities
– SBU's

Result

Needed to simplify a Big Business Like GE into small parts. Thus we have Mission statements, SBUs... etc.

The Birth of Strategic Marketing

Strategic Business Units (SBU's)

- It can be treated as single business
- Own Customers (Target Markets)
- Own Competitive Set
- Own Resource Set
- Own CEO
- More Than A Profit Center

Variables

- Started with Hundreds of Variables
- Finished With 37 That Explained Most (80%) of The Story

Two Major PIMS Findings

- Business Strength
- Market Attractiveness

Business Strength

- Market Share
- Quality of Products
- Price Competitiveness
- Sales Capabilities
- Information System
- Management Strength

Two Major PIMS Findings

- ✓ Business Strength
- Market Attractiveness

Market Attractiveness

- Growth
- Size
- Competition
- Market Fluctuations
- Profit Margins
- Social Concerns

Two Major PIMS Findings

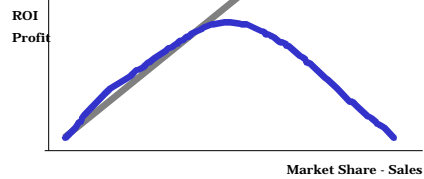
- ✓ Business Strength
- ✓ Market Attractiveness

The Market Share Issue In PIMS

ROI
Profit Increases With Market Share!



The Market Share Issue In PIMS



Why The Market Share Relationship?

- Economies of Scale
- Bargaining Power
- Learning Curve
- Hiring Power

PIMS Today

- Become Part of Pool Of Data for Corporate Management
- Provides a Par for each of your businesses

Weakness in PIMS

- 1 ROI is not the key objective for all firms

Weakness in PIMS

- ✓ 1 ROI is not the key objective
- 2 ROI confounds independent and dependent variables
 - Investment is a predictor of return

Weakness in PIMS

- ✓ 1 ROI is not the key objective
- ✓ 2 ROI confounds variables
- 3 Criteria for similar businesses is not clear

Weakness in PIMS

- 4 Data is collected subjectively (consistent?)
 - “high market share implies high quality”

Weakness in PIMS

- ✓ 4 Data is collected subjectively
- 5 Share of Market defined by manager’s view of competitor’s products.

Weakness in PIMS

- 4 Data is collected subjectively
- 5 Share of Market defined by manager's view of competitors
- 6 SBU's share common resources
 - Marketing Sources of Competitive Advantage
 - e.g., common channels, sales force, family branding

Modern Marketing Management
Starts With A PIMS TYPE of
Perspective