



PIMS Associates, Inc., N.A

applying knowledge
to business

www.pimsonline.com

an SPI Program



This web site allows access to the experiences of more than 3000 businesses in the PIMS database to help strategists answer two questions: What's expected? and What if?

PIMS Profit Impact of Market Strategy

© 2005 The Strategic Planning Institute

About the PIMS database

The PIMS (Profit Impact of Market Strategy) program is a large-scale research study designed to better understand and to quantify the relationship between business strategies and business performance. A key output of the study is the PIMS business-strategy database. The database describes, in statistical terms, the markets, competitors, strategies and performance of some 3000 North American and European businesses. By comparing successful with unsuccessful businesses, research on the PIMS database and other cross-sectional databases shows clearly that performance is a function of strategic positioning. For example, on average, PIMS businesses ranked #1 and #2 in concentrated markets are significantly more profitable than their counterparts in fragmented markets. PIMS "general findings" such as these are widely taught and extensively quoted.

But PIMS goes beyond the general to situation-specific findings. Business strategists use the experience of groups of comparable businesses drawn from the database to estimate, for specific market/competitive situations and strategies: 1) what results are expected, and 2) what would be expected if the situation or strategy changed. The situation-specific insights are used to help management develop and reality-test strategies, and set performance benchmarks.

An Unforgiving World

Today, strategists live in a fishbowl. Their every decision is second-guessed by directors, investors and customers. Any perceived gap between business performance and potential is an invitation for takeover... for new management to move in, trash the current thinking and impose its own radical new vision on the business. To hold their own, strategists must willingly examine their thinking with the same objectivity, creativity and impatience as their internal and external critics.

Need: Outside Experience

What's needed to stimulate and reality-test new thinking is outside experience: outside your company and outside your industry. The PIMS (Profit Impact of Market Strategy) database was created to provide exactly that: cross-industry experience. The database contains a description of the market structure, competitive strengths & weaknesses, market strategies and economic results for over 3000 actual business. For years, management teams at leading businesses have used the experience of groups of strategically-comparable PIMS businesses to help provide the outside experience they needed to better develop and reality-test innovative competitive strategies. Here's an example of a PIMS-justified, outside-your-industry strategy:

In the late '90s, Jack Welch pushed GE's core industrial businesses to bolster revenues by grabbing a larger share of related services. To succeed, GE would have to **upsized** its workforce, blowing a hole in traditional measures of industrial productivity. Not to worry! PIMS shows that, despite having lower Sales/Employee, people-intensive businesses have significantly higher ROIs than investment-intensive businesses.

Studies of PIMS comparables have been used by hundreds of management teams. For instance, at conferences sponsored by the PIMS Program, management teams from many leading companies have presented case studies describing how they used the PIMS experience to guide their strategic thinking. Presenting companies included DuPont, Xerox, GE, Milliken, Sprint, Martin Marietta, Sandoz, Ameritech, Weyerhaeuser, Baxter International, John Deere, Johnson & Johnson and Becton Dickinson, to name a few.

pimsonline.com

Until now, the PIMS experiences, a decision–support tool, was only available to members of the Strategic Planning Institute. www.pimsonline.com corrects this. The PIMS strategy experience is now available on line... so managers can explore for themselves the cross-industry experience of strategically-comparable businesses.

Here's how www.pimsonline.com works:

PIMS researchers have:

- Identified key strategic questions.
e.g. What level of profitability is expected?
- Identified factors which both micro-economic theory and the PIMS experience show drive results.
e.g. market share rank

Business management:

- Selects a key question.
e.g. What level of ROI (pre-interest/pre-tax Return on Investment) is expected for my proposed business?
- Estimates the driving factors for this business.
e.g. Our market share rank: #2.

pimsonline.com software:

- Uses these estimates as matching criteria to draw a sample of comparable businesses from the PIMS database.
- Reports the sample averages for a) the matching criteria and b) the matter in question.
e.g. The 20 businesses in the sample were all ranked #2 and their average ROI was 18%.

Business management:

- Uses the insights to help develop and reality-test strategies.

Four key questions

To date, www.pimsonline.com software has been written to address four key questions:

- 1. What level of profitability is expected for this business?*
- 2. What level of market share gain/loss is expected for this business?*
- 3. What level of marketing expense is expected for this business?*
- 4. How does this business rate as an opportunity for generating profitable growth?*

And “What If?” questions

Of course getting the PIMS answer to a question like “What ROI is expected?” is only the beginning. Immediately we want to know what the ROI would be if we improved customer-perceived quality, invested in automation to reduce manufacturing costs, “bought” market share, etc. To explore these questions you simply need to describe the what-if scenario, re-estimate your ROI-driving factors and resubmit the question to pimsonline.com reports.

For More Information

To find out more about this service, visit our web site at www.pimsonline.com