

Chapter XIV

Profit Impact on Marketing Strategy and Brand Management: Methodological Perspectives

Rajagopal

Monterrey Institute of Technology and Higher Education, ITESM, Mexico

Amritanshu Rajagopal

Dentalia, Mexico

In developing strategy, both corporate and business unit management need to be able to realistically appraise the level of performance that should be expected for a given business, and to be clear as to what factors explain variations in performance between businesses, and within a business over time. Important guidelines that help address these questions have been developed from the Profit Impact of Market Strategy (PIMS) program¹.

BACKGROUND TO THE PIMS METHODOLOGY

At the heart of the PIMS program is a business unit research database that captures the real-life experiences of over 5,000 businesses. Each business is a division, product line, or profit centre within its parent company, selling a distinct set of products

and/or services to an identifiable group of customers, in competition with a well defined set of competitors, for which meaningful separation can be made of revenue, operating costs, investment, and strategic plans. The business's served market is defined as the segment of the total potential market that it is seriously targeting by offering suitable products and/or services and toward which it is making specific marketing efforts. On this basis each business reports, in standardized format, over 300 items of data, much of it for at least four years of operations. ROI is defined as follows: pre-tax after deduction of corporate expenses but prior to interest charges divided by average investment where this is equivalent to the historic net book value of plant and equipment plus working capital (i.e., total assets less current liabilities). Note that four year averages are used for all figures. The information

Table 1. Key- determinants of ROI in the PIMS database

| Category of factor | Impact on ROI as factor increases |
|-------------------------------------|-----------------------------------|
| Marketplace standing | Positive |
| Market share | Positive |
| Relative market share | Positive |
| Served market concentration | |
| Market environment | Positive |
| Real market growth | Positive |
| Selling price inflation | Positive |
| Market differentiation | Negative |
| Purchase amount immediate customers | Negative |
| Importance of purchase to end user | |
| Differentiation from competitors | Positive |
| Relative product quality | Positive |
| Relative price | Negative |
| Relative direct cost | Negative |
| % Sales new products | Negative |
| Marketing/sales revenueb | Negative |
| R&D/sales revenue | |
| Capital and production structure | Negative |
| Investment/ sales revenue | Negative |
| Investment/ value added | Negative |
| Receivables/ investment | Positive |
| Fixed capital /investment | Negative |
| Capacity utilization | Positive |
| Unionization | Negative |
| Labor effectiveness* | Positive |

17 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/profit-impact-marketing-strategy-brand/22615

Related Content

Can Social Media Make Us More Trusting?

Jeffrey Bohler, John R. Drake, Ravi R. Pauland Eric L. Kisling (2022). *Journal of Electronic Commerce in Organizations* (pp. 1-16).

www.irma-international.org/article/can-social-media-make-us-more-trusting/305738

A Content Based Image Retrieval Method Based on K-Means Clustering Technique

Mohamed Ouhda, Khalid El Asnaoui, Mohammed Ouananand Brahim Aksasse (2018). *Journal of Electronic Commerce in Organizations* (pp. 82-96).

www.irma-international.org/article/a-content-based-image-retrieval-method-based-on-k-means-clustering-technique/196183

Antecedents of Buying Behavior Patterns of E-Consumers: Lessons Learnt From the COVID-19 Pandemic

Gautam Srivastavaand Surajit Bag (2022). *Journal of Electronic Commerce in Organizations* (pp. 1-23).

www.irma-international.org/article/antecedents-of-buying-behavior-patterns-of-e-consumers/300300

B2C Success at Wishlist.com

Delyth Samueland Danny Samson (2008). *Electronic Commerce: Concepts, Methodologies, Tools, and Applications* (pp. 2126-2133).

www.irma-international.org/chapter/b2c-success-wishlist-com/9608

Differentiation through Service Excellence: Empirical Findings on the Role of Self-Service Technology in Retail

Philipp Spreerand Katrin Kallweit (2015). *Successful Technological Integration for Competitive Advantage in Retail Settings* (pp. 191-219).

www.irma-international.org/chapter/differentiation-through-service-excellence/126372