Practitioners' Use of the Directional Policy Matrix (DPM)

Most businesses have more than one product and operate in several markets. This results in the need to prioritise in which markets to focus resources, particularly in terms of sales and marketing activities. Often the 'who shouts the loudest' approach to management meetings wins, or else historical successes with specific clients, products or markets colour the judgement of decision-makers irrespective of current business performance. One effective approach to ensuring that objectivity has an input into such prioritisation is the directional policy matrix (DPM) or GE grid.

Along with the PEST analysis described in Chapter 3, the directional policy matrix is a pivotal tool in strategic business planning. The DPM is useful to marketers as a means for identifying the relative merits of apparently attractive opportunities. Suggested worthwhile opportunities may be benchmarked against a company's existing activities to judge the value of supporting the new ideas. The tool can be used to evaluate the relative merits of individual products or product groups.

The DPM is useful, too, in selecting between market segments (see Chapter 8). The market attractiveness criteria identified for the DPM can easily be utilised to assess the relative merits of market segments.

So, how is a DPM produced? Occasionally, a strategic planner or marketing director may produce such an analysis, but often the variables to be used in order to construct the DPM are selected and weighted by a team of senior decision-makers, often the board of directors, supplemented by marketing managers and analysts who understand the trends and dynamics of individual markets. The steps are as follows.

- Identify a set of opportunity or market attractiveness criteria. These should be a mix of short-term variables (e.g. sales volumes and current profitability) and longer-term variables (e.g. market growth prospects or ability to sustain a differential advantage). In addition, some variables should be internal-facing (e.g. profitability) and some variables must be market-facing (e.g. customer satisfaction or intensity of competition). The aim is to have a balanced set of criteria.

- Allocate 100 points across the selected variables in order to weight them in terms of their relative importance. If a team of managers is involved, each should 'vote' with 100 points, then the whole team's votes should be aggregated.

- Identify business strength variables and – as with market attractiveness – allocate 100 points between these business strength variables for their weighting.

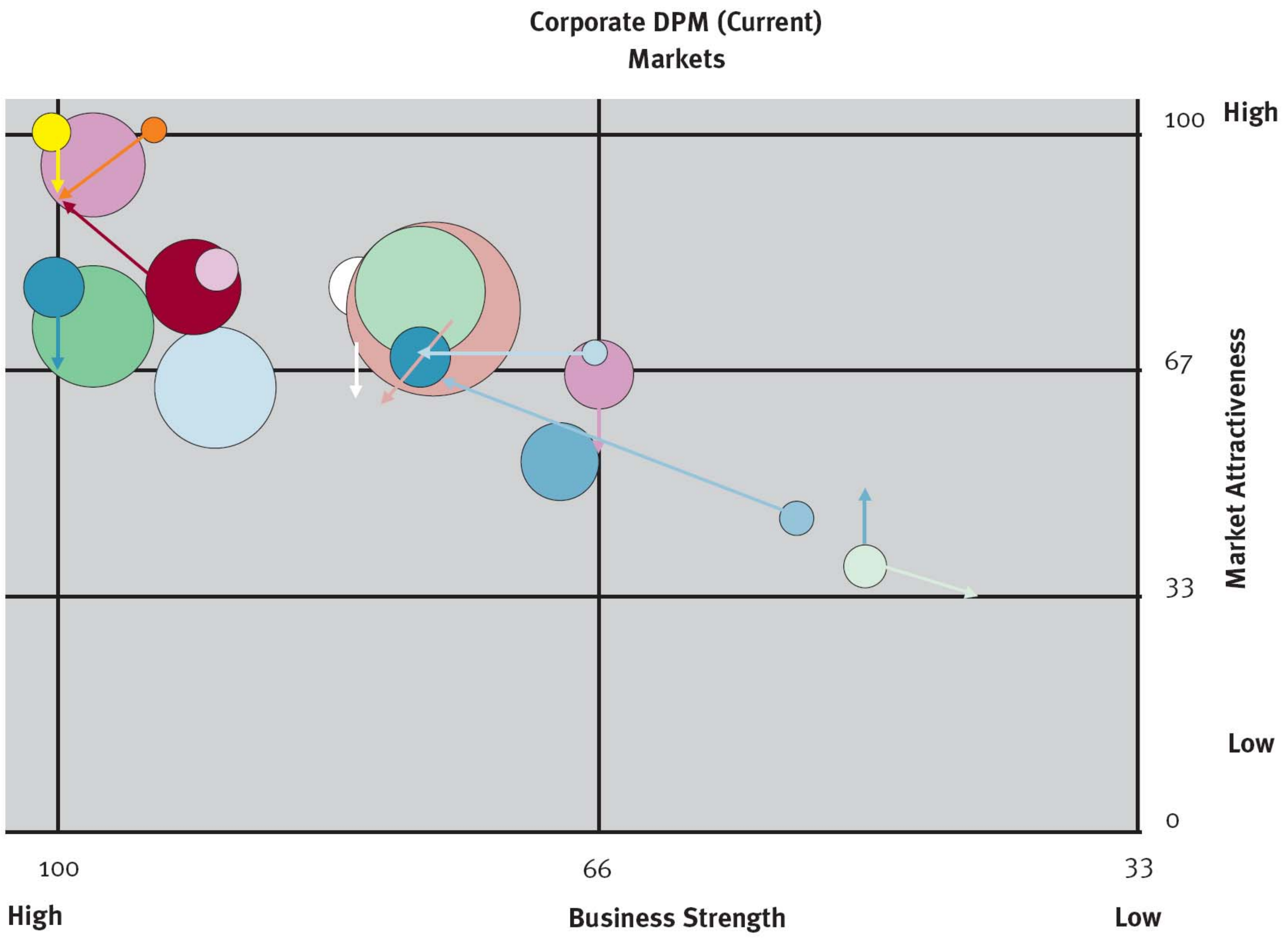
- Then the main task. Score each major product group, market segment or marketing opportunity (given the specific context of the analysis). To score, a simple three-category scoring system is usually adequate: n x 1 = strong/good; n x 0.5 = 'so-so'/average; n x 0 = low/ weak/poor (where n = the selected variable). When scoring, business strength variables are usually taken as being relative to the dominant player(s) in the market, while market attractiveness scoring is usually one market segment versus 'the others' in the company's portfolio.

- Weight x score = total to be plotted. Each product group, segment or opportunity is, therefore, allocated a value between 0 and 100 for market attractiveness and for business strength, so its position may be plotted on the DPM grid. The Y axis represents market attractiveness (0–100), while the X axis represents business strength (0–100).

In the real B2B example depicted on page 365, the company identified 11 market attractiveness criteria and 10 business strength criteria. Each market segment was in turn judged against all 21 variables, warranting 1, 0.5 or 0. For example, market segment 'A' scored 0.5 for 'long-term prospects with the client' (14 x 0.5 = 7) and 0.5 for 'current presence in the client' (8 x 0.5 = 4), and so forth. However, segment 'B' scored 1 for the first variable (14 x 1 = 14). The result is depicted in the DPM chart on page 365.

Having assessed each of its many market segments, this business plotted them on a DPM. In addition, the management team predicted where the segments would head over the following three years. The circle size represents the proportionate income to the company from each market segment.

Marketing Attractiveness	*weighting*	**Business Strengths**	*weighting*
Long-term prospects with the client	14	Clarity and cohesion of message	19
Profitability	14	Thought leadership	16
Strategic fit	12	Easy to do business with/flexibility	15
Size of the opportunity	12	Right people/right support/right milieu	14
(Right) relationship	9	Perceived quality of delivery	12
Ability to deliver the necessary solution	9	Understanding of the market sector	10
How well the opportunity can be defined/realised	8	Referenceability	7
Current presence in the client	8	Price competitive	3.6
Nature of competition	6	Winning business/closure mindset	5
Risk	5	Breadth and depth	2.4
Whether the task can be replicated or referenced	3		


Corporate DPM (Current)
Markets
100
High
67
Market Attractiveness
33
Low
0
100
66
33
High
Business Strength
Low