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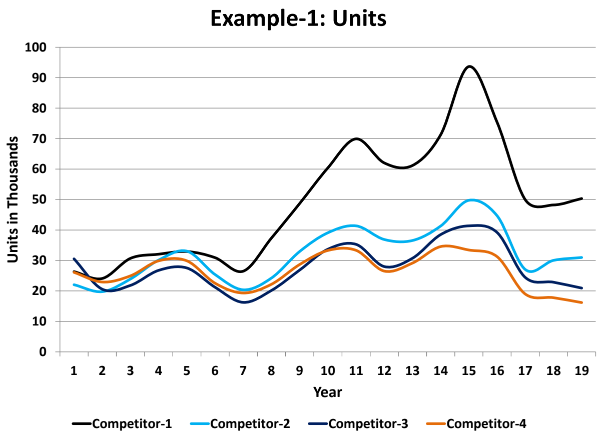
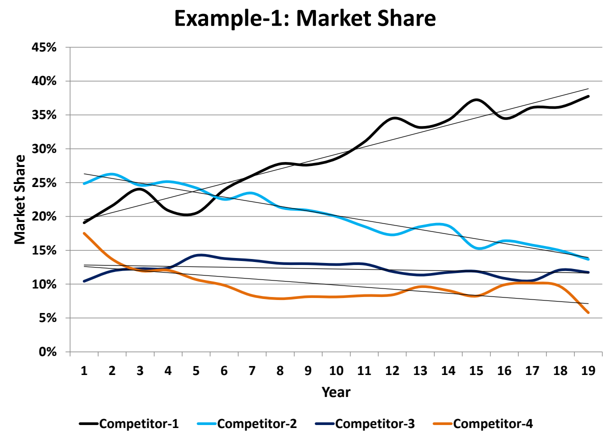
Confessions of a Market Share Convert

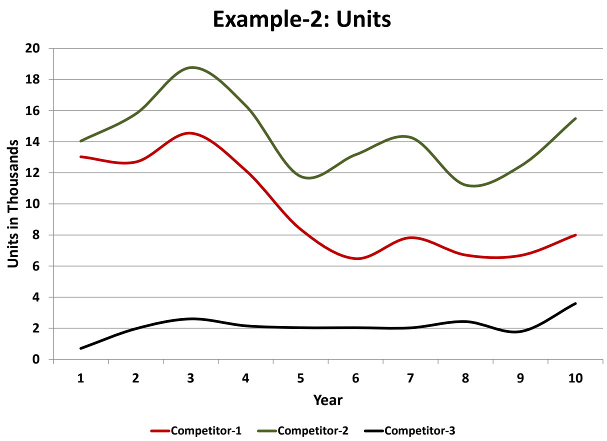
I came late to my now strongly held belief in the importance of keeping a close eye on the market share trend of one's company's market share(s). My circuitous career path, beginning in engineering, into finance, then to operations, and then to marketing strategy, gave me a bias toward volume for economies of scale and a margin focus for maximization of near-term profits. Certainly I was not alone in that perspective.

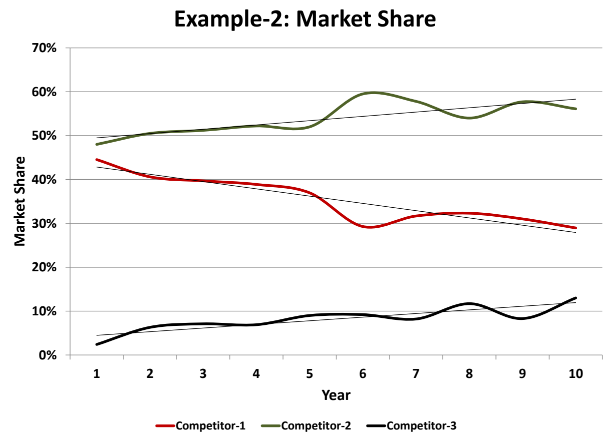
But time and time again, once I was working market strategy projects, the unit volumes of all the competitors bounced up and down wildly with the economic and industry cycles. Two very powerful drivers are completely outside the control of any of the individual competing players. All stakeholders in each competing company were delighted when volume was up driven by forces that they had nothing to do with. And equally upset when outside factors drove volume down, but here they had something to blame for it. And in looking at the unit volumes bouncing up and down, it was impossible to tell with any certainty, who was gaining and who was losing [see unit graphs on the left for Example-1 and Example-2].

However, every time when one converted the unit volumes to market share, one ended up with almost straight line trends that were either continuously rising or continuously falling [see market share graphs below on the left for Example-1 and Example-2].



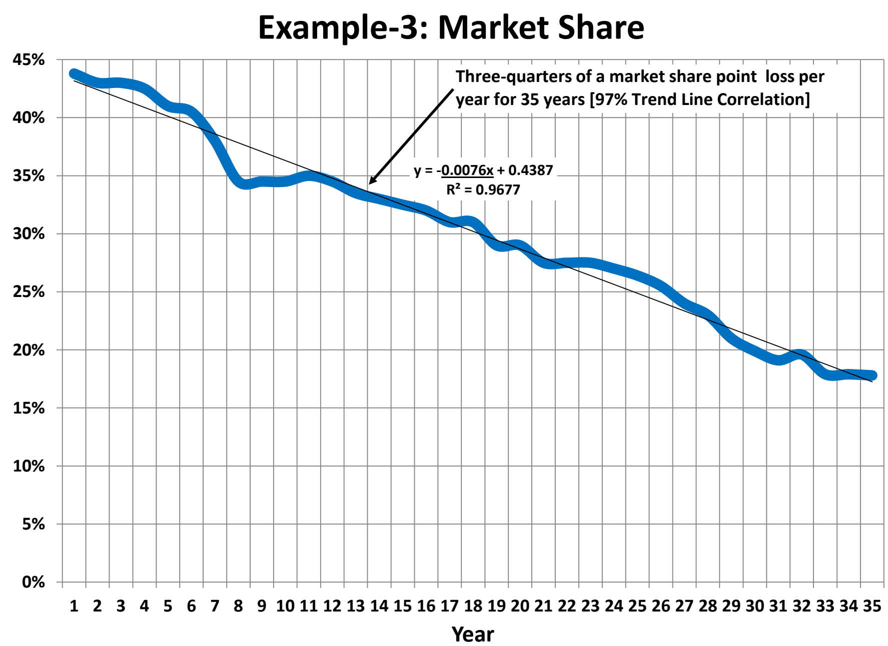






These two examples are actual historical data that have been deliberately disguised to maintain confidentiality. They are but two of a great many I have experienced across many industries and products. And as they show above on the right, while most cases involve occasional share swapping between two or more competitors for a year or two, as in example-2 where Green in the 6th year took some action to go for share at the expense of Red. But notice how both of them then return to the trend again by the following year. Similar short back-and-forths occur in Example-1 in years 12 and 15, between Black and most of the others. But again return to trend immeadialy thereafter.

And then there is the granddaddy of them all below.



Over a 35 year period, including 5 economic cycles in which it and industry unit volume swung significantly up and down, this very large and well known company went from 44% market share to 18% market share on a virtually continuous basis. It lost an average of three-quarters of a point of share per year with a 97% correlation to a straight line decline.

Again, these 3 examples are not exceptions. I have found them to be the norm. If your company is not gaining share continuously, then it is almost guaranteed to be losing share continuously as one or more of your competitors is gaining on you.

My conclusions from this and all the other work I've done and read regarding best in class business-to business-industrial companies are:

- Permanent and continuous market share gains can only be achieved by developing and providing products, services, and support that not only meets expectations, but also surprise and delight the end customers, as well as every partner between you and the end customer. They cannot be achieved with gimmicks like incentives or the promotional program de jour. Those are the kind of methods that merely created those one-year blips referred to above.
- Market share trends have very powerful inertia. Once they are going in a particular direction they do not reverse direction easily.
  - If your trend is up you can never sit back and slack off. You must continue to continuously raise your performance ever higher to maintain that.
  - If your trend is down, it will take monumental change over a substantial period of time to stop the downward inertia let alone to reverse it.

- And it is amazing how long and slow the rate is in either direction.
    - Don't give up if your annual gains are small as long as they are continuous.
    - And never be complacent and console yourself because you only lost a small amount of share this past year. That will make you a 'boiling frog' before long. A small loss each year, adds up. And once the slide gains inertia it is terribly difficult to turn around.

Bottom Line: There are many business metrics that you must monitor concurrently. But never take your mind off your market share. Do everything possible to feed and nurture all the best-in-class practices to keep raising the bar on your products, services, and customer support to keep your market share trending up. For once it is trending down the inertia can eventually kill you.

Jon T. Gabrielsen is President & CEO of J.T. Gabrielsen Consulting, LLC. http://www.jtgabrielsenconsulting.com/ The primary mission of the firm is upon Uncovering the Market Growth and Cost Reduction Opportunities for Your Manufacturing Company's Competitive Success.

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