



# THOUGHTS OF THE SALMON™

## Market Share: hair and make-up

Market Share is one of the best indicators for understanding the competitive position, and, therefore, the economic performance of a company.

Several years ago, Bruce Henderson, a man who wanted to change the world, with a second-order intuition, said that relative market share was the key: my market share compared to that of the leader. A high relative market share is a good indicator of my cash generation capability.

So, let's pay attention to our market share (absolute or relative) and we will be better off.

Then, if possible, let's also pay attention to two other simple things:

- how we define the "market":
  - if in a very narrow way ("we are in the men's chino pants business, button fly, reverse pleats, khaki color..."), for sure I am going to have an amazingly high market share...and I am going to impress my shareholders, my colleagues, those top (asleep) financial analysts.
  - if in a very broad sense ("we are in the telecom business"), for sure there is still much space to grow, for sure there is no dominant position...and I can prove that the best one is not that good; or I can go on in my monopolistic practices regardless of those top (asleep) antitrust agencies.

So: be aware of too low or too high numbers, a slicker could be around.

- Geography: in various businesses what matters is a high market share on a smaller area, for example a region, because there is a cost or revenue advantage on a regional rather than national basis. It is much more profitable to be strong with a 30% market share on a few areas, with a rather low national average, than spread my efforts on a wider territory, being happy to define myself as a "national player", and being bust. This applies also to nations, or even continents. How many already shaky companies have opened overseas subsidiaries just to feel international....

Wrapping up:

- 1) let's start asking/looking at/analyzing my market share numbers.
- 2) too low or too high numbers...be aware of hair and make-up number 1.
- 3) once we're more sophisticated, let's start asking if in our economics some cost or revenue driver is linked to a different geographical scale.

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