

Gauging market share

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“We are expanding services into a new market, similar delivery, but to a different target. This will be the third service we offer. How can we get an idea of what our market share might be for each of the three services we sell?”

Market share is defined as that portion of the goods or services provided by one or more companies to a target market. Expand your search to include market profits, growth rates, compensation and analysis of industry leaders to get a well-rounded picture of what your industry is up to. Knowing about your market can help you assess the challenges or opportunities of attempting to grow.

Get the facts

So where do you get market data? Lots of places – trade associations, marketing lists, researchers, indexing services, colleges and universities, and government databases often have facts. Trade shows, surveys, vendors and sales reps can provide anecdotal information.

When looking up industries, you'll find classification codes are useful. Try an Internet search. Start with the SIC (Standard Industrial Classification) code, and its more recent cousin, the NAICS (North American Industry Classification System). NAICS is more reflective of our increasingly service-based, non-manufacturing economy.

The U.S. Census Bureau site provides information about taxable and exempt businesses by category, including numbers of companies, gross revenue, number of employees and annual payroll. Using this information, you can determine where your company sits versus the average firm in your industry.

Analyze the data

Once you find data about the size of a particular market, what do you do?

Use it to make some decisions. Here are some questions you might want to ask before deciding what to do next.

- Who are the top three competitors in my market?
- How much of the market do they hold?
- Is their market share increasing or decreasing?

If the big guns are increasing share, the market may be going to consolidation. Get out fast. If big players are getting out, or if they're losing share because it's not a core focus for them, there may be opportunity to jump in and take away a slice. Make sure it's profitable enough to be worth the effort.

- Who are the three competitors just ahead of my company?
- Are they growing or declining?
- How does my company compare?

If the next closest competitors are growing faster than the market, watch out, they may be formidable. If they are declining faster than the market, you may be able to step in. Or, the market may be collapsing and it's time to get out – find out why they're declining. If any company is over 30 percent of market share, it may be time to look elsewhere for growth. If it's your company that has 30 percent share, start another niche to become less dependent on one market.

Other considerations

Is the size of the target market growing or declining overall? How about profits? Are there any anomalies within the market that are bucking the trends? What niches exist close to what my company does, but different?

Look for markets with profits at or above what your company earns today. Look for industries with average size, salaries and marketing spend at or below your company's average. Look through the SIC codes or NAICS for ideas on markets that could be underserved. Ask: How would niche-ing my company in a different way make my company more competitive, give my company more opportunity to grow?

How does my company compare to others in the industry in terms of compensation, annual revenue, marketing spend and year-over-year growth? Am I at, above or below industry performance standards?

Be careful if the compensation or marketing spend is unusually high, that may make it harder to compete and retain clients and employees. If your company is performing below industry standard, figure out how to improve or get out. Use comparative stats to help decide where to focus sales and marketing dollars and efforts. Set growth rates in line with the industry, or clearly and factually define how the company will buck industry trends to accomplish its goals.

Looking for a good book? Try, "How To Hire & Manage Market Research Agencies," by Kathryn Korostoff.

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