

Sales And Market Share

Definition

Market share can be defined as the percentage of all sales within a market that is held by one brand / product or company.

Sales figures do not necessarily indicate how a firm is performing relative to its competitors. Rather, changes in sales simply may reflect changes in the market size or changes in economic conditions.

The firm's performance relative to competitors can be measured by the proportion of the market that the firm is able to capture. This proportion is referred to as the firm's **market share** and is calculated as follows:

$$\text{Market Share} = \text{Firm's Sales} / \text{Total Market Sales}$$

Sales may be determined on a value basis (sales price multiplied by volume) or on a unit basis (number of units shipped or number of customers served).

While the firm's own sales figures are readily available, total market sales are more difficult to determine. Usually, this information is available from trade associations and market research firms.

Reasons to Increase Market Share

Market share often is associated with profitability and thus many firms seek to increase their sales relative to competitors. Here are some specific reasons that a firm may seek to increase its market share:

- **Economies of scale** - higher volume can be instrumental in developing a cost advantage.
- **Sales growth in a stagnant industry** - when the industry is not growing, the firm still can grow its sales by increasing its market share.
- **Reputation** - market leaders have clout that they can use to their advantage.
- **Increased bargaining power** - a larger player has an advantage in negotiations with suppliers and channel members.

Ways to Increase Market Share

The market share of a product can be modeled as:

$$\text{Share of Market} = \text{Share of Preference} \times \text{Share of Voice} \times \text{Share of Distribution}$$



According to this model, there are three drivers of market share:

- Share of preference - can be increased through product, pricing, and promotional changes.
- Share of voice - the firm's proportion of total promotional expenditures in the market. Thus, share of voice can be increased by increasing advertising expenditures.
- Share of distribution - can be increased through more intensive distribution.

From these drivers we see that market share can be increased by changing the variables of the marketing mix.

- **Product** - the product attributes can be changed to provide more value to the customer, for example, by improving product quality.
- **Price** - if the price elasticity of demand is elastic (that is, > 1), a decrease in price will increase sales revenue. This tactic may not succeed if competitors are willing and able to meet any price cuts.
- **Distribution** - add new distribution channels or increase the intensity of distribution in each channel.
- **Promotion** - increasing advertising expenditures can increase market share, unless competitors respond with similar increases.

Reasons Not to Increase Market Share

An increase in market share is not always desirable. For example:

- If the firm is near its production capacity, an increase in market share might necessitate investment in additional capacity. If this capacity is underutilized, higher costs will result.
- Overall profits may decline if market share is gained by increasing promotional expenditures or by decreasing prices.
- A price war might be provoked if competitors attempt to regain their share by lowering prices.
- A small niche player may be tolerated if it captures only a small share of the market. If that share increases, a larger, more capable competitor may decide to enter the niche.
- Antitrust issues may arise if a firm dominates its market.

In some cases it may be advantageous to *decrease* market share. For example, if a firm is able to identify certain customers that are unprofitable, it may drop those customers and lose market share while improving profitability.

SALES

DEFINITION

A sale is the act of selling a product or service in return for money or other compensation. It is an act of completion of a commercial activity.



SALES TECHNIQUES:

A sale can take place through

- Direct sales (involving person to person contact)
- Proforma sales
- Agency based
 - Sales agent (for Ex- in real estate or in manufacturing)
 - Sales outsourcing through direct branded representation
 - Transaction sales
 - Telemarketing
- Traveling salesman
 - Door to door methods
 - Hawking (selling in road sides)
- Request for proposal- an invitation for suppliers through a bidding process to submit a proposal on a specific product or service.
- Indirect, human mediated but with indirect contact.
 - Mail- order
 - Vending machine

SMART OBJECTIVES

All business needs to set objectives for themselves or for the products or services they are launching.

Setting objectives are important. Doing so , focuses the company on specific aims over a period of time and can motivate staff to meet the objectives set.

Examples of smart objectives:

There are a number of business objectives, which an organization can set:-

- Market share objectives: objectives can be set to achieve a certain level of market share within a specified time.
Ex- obtain 3% market share of the mobile phone industry by 2004.
- To increase profit: an objective may be to Increase sales by 10% from 2003-2004.
- To survive: an objective may simply be to survive the hard times that befalls a business.
- To grow: the business may set an objective to grow by 15% year on year for the next 5 years.
- To increase brand awareness: a business may set an objective of increasing brand awareness over a specified period of time



SMART

A simple acronym used to set objectives is called SMART. Smart stands for:

- Specific- objectives should specify what they want achieve.
- Measurable- you should be able to measure whether or not you are meeting the objectives (evaluating, whether you can measure)
- Achievable- are the objectives you set , achievable and attainable?
- Realistic- can you realistically achieve the objectives with the resources you have?
- Time-when do you want to achieve the set objectives?

ADVERTISING PROFIT:

Definition:-

Advertising is a form of communication use to encourage or persuade an audience to continue or take some new action

Any paid form of non-personal, one way communication presenting ideas, goods, and services by identified sponsors.

Advert Theory:-

It clarifies the objectives of an advertising campaign and for each individual advertisement. The model suggests that there are six steps a consumer or a business buyer moves through when making a purchase. *The steps are:*

Awareness

The first job of an advertisement would be to publicize the company's existence along with that of that the product. This is perhaps the most basic and foremost aspect of an advertisement.

Knowledge

Now that the awareness of the existence of the product and company has been established, it's time to register the details in. Specifics such as logo, brand, franchisees, product information, advantages and superiority have to be briefed.

Liking

Knowledge alone cannot reach the aspired goal of an advertisement. The audience will have to culture a liking towards the brand and product.



Preference

The liking stage gives way for more opportunities. The audience now have to prefer your product over your competition.

Conviction

Conviction perhaps is the hardest step, once the target audience reach an inclination to buy the product, they must be convicted to do the same over and over again.

Purchase

Purchase, of course is the output, the result of all the above going into a seamless motion, for the advertisement has achieved its goal.

Types of Advertisement:-

Television/Music:

Television is costliest and most cost effective way of advertising sports like cricket and soccer attract most attention. The match between CSK and RCB was slotted to advertisers for \$3million per 30 second slot.

Infomercials:

Infomercial is a long format AD dressed is a show or news program. The popular sliming products such as the sauna-sliming belts or the raashi stones have their own time slots as big as TV shows.

Internet Advertisement:

Search engine result pages, banner Ads, rich media, socialist, email. Face book and Google alone stand clearance to a Shopping \$2.8 Billion every year for online ads.

Product Placement:

Also called as covert or gorilla Advertising, brand or product are embedded in media in which the adverts are to be placed. The movie Blade Runner is perhaps the best example as the whole movie stops to show an advertisement for Coca-Cola.

Press Advertisement:

Box Ads, half page, full page , paid news. Press adverts are very common, automobile and real-estate are the leading advertisers in this medium.

Bill Board:

Large structure of banners located on street views. [Electronic bill boards]-back lit boards.



In-Store Advertisements:

Walls, roofs, TV screens, dolls and mats of the interior of a franchised store carry the name, logo or product of that particular brand. (Clothing store are widely famous for this.)

Celebrity branding:

Celebrity branding can take several different forms, from a celebrity simply appearing in advertisements for a product, service or charity, to a celebrity attending PR events, creating his or her own line of products or services, and/or using his or her name as a brand. Ex-Actor Madhavan propels airtel, in the way, Surya promotes aircel.

Media and advertising approaches

Increasingly, other media are overtaking many of the "traditional" media such as television, radio and newspaper because of a shift toward consumer's usage of the Internet for news and music as well as devices like digital video recorders (DVRs) such as TiVo.

Niche marketing

Another significant trend regarding future of advertising is the growing importance of the niche market using niche or targeted ads. Also brought about by the Internet and the theory of The Long Tail, advertisers will have an increasing ability to reach specific audiences. In the past, the most efficient way to deliver a message was to blanket the largest mass market audience possible. However, usage tracking, customer profiles and the growing popularity of niche content brought about by everything from blogs to social networking sites, provide advertisers with audiences that are smaller but much better defined, leading to ads that are more relevant to viewers and more effective for companies' marketing products.

Crowd sourcing

The concept of crowd sourcing has given way to the trend of user-generated advertisements. User-generated ads are created by consumers as opposed to an advertising agency or the company themselves, most often they are a result of brand sponsored advertising competitions. For the 2007 Super Bowl, the Frito-Lays division of PepsiCo held the Crash the Super Bowl contest, allowing consumers to create their own Doritos commercial the resulting ads were among the most-watched and most-liked Super Bowl ads. In fact, the winning ad that aired in the 2009 Super Bowl was ranked by the USA Today Super Bowl Ad Meter as the top ad for the year while the winning ads that aired in the 2010 Super Bowl were found by Nielsen's Buzz Metrics to be the "most buzzed-about".

