

## UNIT SUMMARY: MKC2130

- **market share analysis (1)**
  - hierarchy of effects
  - customer satisfaction and loyalty, NPS
  - market share and its composition
  - penetration, share of wallet, usage
- **product management (4)**
  - utilities, multi-attribute framework
  - market share prediction, Logit model
  - new product design using conjoint analysis
  - new product diffusion, Bass model
  - trial and repeat model
- **communication (8)**
  - promotions, evaluating promotional impact
  - marketing mix response models
  - media metrics — GRP, TARPS, reach
  - advertising elasticity and response models
  - web and online advertising metrics
  - social media metrics
- **profitability and pricing analysis (12)**
  - customer profitability, lifetime value
  - prospect value, acquisition vs retention
  - demand curves, price elasticity
  - optimal pricing, residual price elasticity
- **marketing and finance (14)**

## MARKET SHARE ANALYSIS

- how can firms measure their brand performance before it is reflected in their sales?
- how can a firm measure if its customers are satisfied?

### HIERARCHY OF EFFECTS

- **AAU: awareness** —> **attitudes** —> **usage**
- sequence of stages through which customers pass in developing their brand association

	definition	metrics
<b>awareness</b>	knowledge of brand's existence	<ul style="list-style-type: none"><li>- <u>top of mind recall</u> (comes to mind first)</li><li>- <u>total unprompted recall</u> (comes to mind without prompt)</li><li>- <u>unprompted brand recall</u> (do you recall the brand name for the ad that shows...?)</li><li>- <u>prompted brand recognition</u> (have you heard of this brand?)</li></ul>
<b>attitudes</b>	beliefs about brand	<ul style="list-style-type: none"><li>- <u>liking/image</u> (relevance to consumer)</li><li>- <u>perceived value for money</u> (perceived value rating)</li><li>- <u>perceived quality/esteem</u> (quality perception rating)</li><li>- <u>purchase intentions</u> (likelihood of purchase)</li></ul>
<b>usage</b>	trying product	<ul style="list-style-type: none"><li>- purchase frequency</li><li>- purchase volume</li><li>- brands held</li></ul>

### CUSTOMER SATISFACTION

- indicates how likely a customer will be to purchase in the future — indication of long-term performance
- strong link with profitability
- **measurements:**
  - % of customers satisfied
  - willingness to recommend (soft metric)
  - willingness to search (search to avoid switching brands, hard metric)
- **challenges:**
  - respondent bias — more likely to rate a bad brand
  - dissatisfied customers can defect over time, inflating satisfaction index
  - expectations can change over time, affecting product evaluations
- **Net Promoter Score (NPS):**
  - degree to which current customers will recommend product/service
  - considered an important customer feedback metric, good predictor of growth — however, scale is not driven by theory (e.g. if NPS = 0, are there 50% promoters and 50% detractors or is everyone passive?)

Using a 0-10 scale, where 0 means not at all likely and 10 means extremely likely, how likely is it that you would recommend X to a friend or colleague?

- Interpret 9 or 10 as 'Promoter'
- Interpret 0 – 6 as 'Detractor'
- Net promoters (%) = Promoters (%) – Detractors (%)

## MARKET SHARE

$$\text{Unit Market Share of Brand A (\%)} = \frac{\text{Unit sales of Brand A (\#)}}{\text{Total Market Unit Sales (\#)}}$$

$$\text{Revenue Market Share of Brand A (\%)} = \frac{\text{Sales Revenue of Brand A (\$)}}{\text{Total Market Revenue (\$)}}$$

- market share depends on the market definition — should specify the category, timer period and region. Should not be too broad (dilutes focus and creates unrealistic goals) or too narrow (may lead to missed opportunities)
- market share can change when there is no change in sales (e.g, if competitor enters/exits), so does not always mean change in performance
- market share is a good goal, but should still focus on profitability too as dominating companies are not always most profitable
- **relative market share:** used in BCG matrix, benchmarks performance against leading competitor

$$\text{Relative Market Share (\%)} = \frac{\text{Focal Brand's Market Share}}{\text{Largest Competitor's Market Share}}$$

### MEASURING COMPETITIVE INTENSITY

- **3 or 4 firm concentration ratio (%)** = sum of MS of top 3 or 4 firms in the market. Higher means less competitive (i.e, top 3-4 firms dominate the market)
- **Herfindahl Index** = sum of squared MS of all brands. High means higher concentration/less competition. More accurate when making comparisons as shows difference in market share between top brands.

### DRIVERS OF MARKET SHARE

	definition	formula
<b>penetration share</b>	brand's popularity/reach within its category for a specific period	$\text{Penetration share} = \frac{\text{No. of customers who purchased the brand}}{\text{No. of customers who purchased in the category}} = \frac{\text{Brand penetration}}{\text{Market penetration}}$
<b>share of wallet</b>	market share of a brand among its buyers	$\text{Revenue Share of Wallet} = \frac{\text{Brand Purchases (\$)}}{\text{Total Category Purchases by Brand buyers (\$)}}$ $\text{Unit Share of Wallet} = \frac{\text{Brand Purchases (\#)}}{\text{Total Category Purchases by Brand buyers (\#)}}$
<b>heavy usage index</b>	relative intensity of usage. < 1 means light user, >1 means customers purchase more from category than customers of other brands, = 1 means purchase same as average user	$\text{Heavy Usage Index} = \frac{\text{Avg. total purchases in the category by brand customers (\# or \$)}}{\text{Avg. total purchases by all customers in that category (\# or \$)}}$

### DECOMPOSITION OF MARKET SHARE

$$\text{Market Share} = \text{Penetration share} * \text{Share of Wallet} * \text{Heavy usage index}$$

- enables marketers to understand the underlying causes for any changes in makes share
- **strategic response:**
- if change is due to penetration share, consider coverage — promote awareness, improve distribution, product development
- if change is due to SOW, consider depth of relationship — cross-sell to existing customers, improve price, product development
- if change is due to heavy usage index, consider usage intensity — target customers with higher usage, product development, price promotion