Marketing Strategy:
Deciding Which Markets to Target
Share of Mayonnaise Market

- Large variation by market
- Little variation over time
Share of Coffee Market

Folgers Coffee

Maxwell House Coffee

Kansas City
San Francisco
Pittsburgh

Kansas City
San Francisco
## What Drives Market Share?

<table>
<thead>
<tr>
<th>Brand</th>
<th>Percentage variance across markets</th>
<th>Percentage variance across time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Folgers Coffee</td>
<td>92.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Maxwell House Coffee</td>
<td>94.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Kraft Mayonnaise</td>
<td>98.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Unilever Mayonnaise(^a)</td>
<td>98.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Dannon Yogurt</td>
<td>91.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Yoplait Yogurt</td>
<td>95.0</td>
<td>1.2</td>
</tr>
</tbody>
</table>

\(^a\) Hellmann's in the east of the United States and the Best Foods brand in the west

### Strategy: variation across markets

### Tactics: variation over time

Image by MIT OCW.
Which Markets Should You Enter?

1. Market size

2. Horizontal competition

3. Vertical competition
1. Market Size

How much do customers want the product?

What does it cost to satisfy their needs?

How many customers are in the market?
2. Horizontal Competition

Markets in which you have market power
Few competitors
Differentiated from competitors

Forward looking
Potential competitors
Entry barriers
How Do You Differentiate Yourself?

Requires *Resources*

Is it something that you own or control?

Does it differentiate you from your competitors?

Is the differentiation sustainable?

Does it contribute to satisfying customers?

*Resources are also entry barriers*
Illustrative Examples

A new pricing tactic versus a new distribution system

Landing slots at Denver versus Heathrow

Skill at playing scrabble versus baseball

20:20 vision for an athlete versus a manager
Common Examples

Cost advantages: but loss of other resources

Perceptions: can customers search

Relationships: formal and informal

Proprietary technology: pharmaceuticals

Skilled personnel: David Beckham, Peter Lynch
Market Share

Evidence of market power

Can market share be a resource?

– Costly to switch (WordPerfect)?
– More valuable if more people use it (Word, fax)?
– Economies of scale (Blockbuster)