

How Meaningful Are Your Measurements? Beware the "Market Share"

OPPORTUNITY

Scenario: You are at the annual sales meeting. The president of the company stands at the podium and says, "Today, we congratulate Joe for achieving a 27% market share in Successville, California ... tops in the company!" Then, a summary chart is put up on the screen and your market, MyTown, Indiana, is near the bottom of the list at 16% market share. And you think to yourself, "My stores are just as good as Joe's (probably even better), but heck, he's got a lot more stores than I do!"

Good point! You, and many others like yourself, are a victim of a deceptive measurement "standard" ... the "market share". In most cases, it just isn't apples to apples, often distorting the true performance being achieved (or not achieved). Think of it this way: You are starting a basketball team and one person is listed as 6 feet tall; the other is 198 centimeters. Who would you choose? You would probably have to look a little deeper and do a little conversion to know that the latter is better ... over 5 inches taller. But you wasted a lot of time getting the right answer.

The same goes for retail. Market Share is a good measurement in itself, but in most cases **NOT** a good measurement for comparing performance from market-to-market, district-to-district, or even store-to-store. **WHY?** The factors impacting market share have too many variables: geographic differences (trade area definition), population differences, storing differences, etc.

SOLUTION

Performance vs. Potential is a unique SIRS measurement that levels the playing field by taking into account the differences in storing or subjective geographic trade area definition. It allows you to look across markets, districts, and individual stores to compare performance and evaluate current and future sales opportunities.

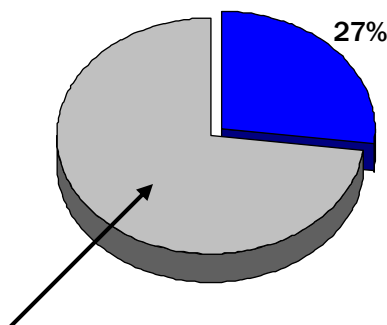
PAYOFF? It enables you to make better strategic decisions. **HOW?** Performance vs. Potential takes into account only the shoppers that consider you as a relevant shopping alternative ... your "Potential Shoppers"... the ones you can reach and convert.

Let's go back to *Successville* and *MyTown* and take a closer look.

Market Share:

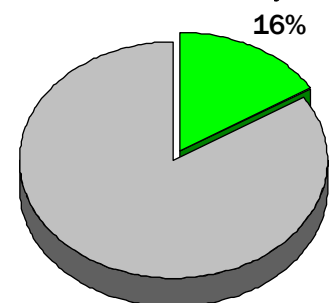
For comparison's sake, let's assume that the *Successville* and *MyTown* markets are the same size. There is **NO** doubt that *Successville* has the more impressive piece of the pie.

Share of Market -- Successville



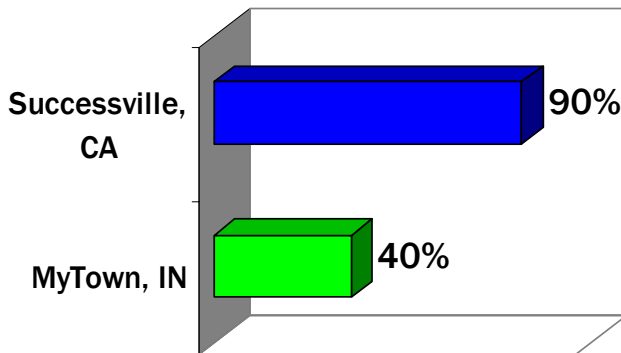
But too many people stop here.

Share of Market -- MyTown



Please read on

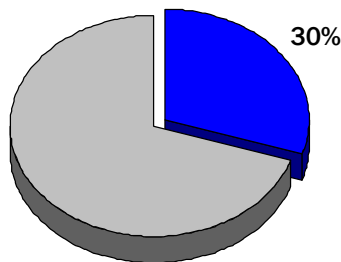
Market Penetration: Defining Your Potential



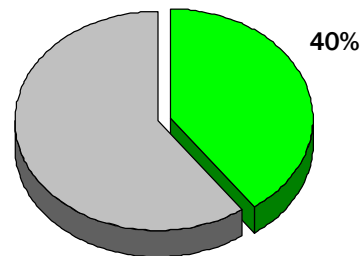
Market Penetration is the percent of shoppers in a trade area who consider a merchant as a relevant shopping alternative. Successville has a huge advantage here with a 90% penetration compared to MyTown's 40%. But, they should!! Successville has 20 stores compared to only 7 for MyTown. Certainly there will be significant areas of the market that are left untapped in MyTown.

Performance vs Potential: So let's even the playing field. How well are the markets performing among the shopper groups they *can realistically expect to attain* (those that consider you as an option to shop). Surprise! MyTown is outperforming Successville. This "performance versus potential" says if you invest in more stores in MyTown, it will be the new company market share leader. **WHY?** They enjoy a stronger conversion rate.

Performance vs. Potential --
Successville



Performance vs. Potential --
MyTown



IS THAT ALL THERE IS? No, many factors impact the level of performance a retailer can achieve, but the performance vs. potential measurement is the fairest way to compare stores, regions, markets that don't share the same borders.

Coming soon... Part II: Is an underperforming store worth future investment?



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