



# Growth is Now Your Responsibility

## Achieving Success at Key Market Share Thresholds

### Introduction

The last five years (2020-present) represented a unique time for business leaders. Uncertainty was high. Strategic priorities shifted dramatically. Traditional growth strategies were shelved for good reasons.

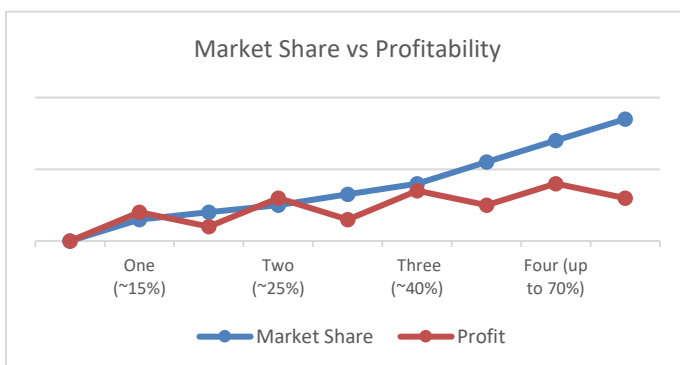
- For companies facing extreme supply chain challenges, growth only exacerbated the challenge of serving and satisfying customers
- A variety of economic incentives and stimulus dollars changed end user behaviors of both business buyers and consumers and fueled rapid growth in demand in many industries
- Faced with unexpectedly high levels of demand, many companies reached their output capacity and faced product and service allocation issues
- Increases in market prices alone often delivered the financial results the business was seeking

While potential supply chain disruptions linger, it appears those days are largely behind us. Companies must go back to designing and executing profitable growth strategies. This may be a more daunting task than before as many industries move into a new, slower growth phase to catch up with overheated demand. In a series of short articles, we offer a fresh perspective that may be useful in framing the specific growth challenge your team faces and aligning their thinking about how to deliver the next level of profitable growth for your company.

Lynn Cullotta Consulting believes that *your growth challenge depends on what market share position your company is starting from*. For more than three decades, we have helped clients achieve their profitable growth goals. In this first piece, we explain the context and share commonalities seen among winners at different market share thresholds.

### Market Share Thresholds

The key to building the right profitable growth strategy for your company is to understand your



starting point and the associated strategy and profit implications. Across all markets we've worked in, the competitive landscape consists of a series of market share thresholds: ~15%, ~25%, ~40% and up to 70%. These market share thresholds represent points where supplier profit peaks. Transitioning to the next threshold requires investment ahead of growth in revenue and share—resulting in a decline in profitability as you build to the next level.

# Profit Peaks at Different Market Share Thresholds

Growth strategies also change dramatically as companies transition across market share thresholds. Let's briefly talk about each one.

- **#1: 10%-15% market share player.** The first profit peak in a market represents the point where new market entrants have carved out a sustainable secondary or tertiary market position. These companies have achieved critical mass in both end user awareness and experience with the brand. These companies have achieved enough channel coverage to meet end user service and logistics expectations. Growth strategies to reach the first threshold are centered around *market coverage*.
- **#2: 25%-30% market share player.** The second profit peak represents the point where your brand has separated itself from other secondary players. In fact, the brand is often considered the “preferred alternative” to the primary brand in the market. What this means is that your brand represents a safe and attractive choice over other secondary brands for both customers and channels. Here the market share game is played against other secondary brands in the market. Reaching the second threshold requires growth strategies based on *differentiation and innovation*.
- **#3: 40%-45% market share player.** Market leaders occupy the third profit peak in a market. These companies have a strong installed customer base and virtually 100% brand awareness. Customer retention and repeat purchases are high. Companies seeking to reach this market share threshold experience a big shift in the share game being played. You are now tasked with taking share from the market leader. This can only be accomplished through growth strategies that create *customer loyalty and channel advocacy*.
- **#4: Finding the market share ceiling.** The final (and most elusive) threshold is your market share ceiling. Depending upon the competitive structure and regulatory environment in your industry, the market share ceiling could be anywhere from 45% to ~70%. The first challenge for a company residing at #3 is to find the market share ceiling in your market—and do so profitably. The next step is devising growth strategies that are *surgical*. The nature of surgical growth strategies is that the opportunities to fill gaps are discrete and highly targeted (i.e., customer segments or geographies). It is also important that companies at this point pivot to *market share defense* strategies.

A sure sign that a company has exceeded the share threshold available in its market is when additional share gains produce declining profits. Companies often resort to “buying business”—which has a negative impact on profits. Since companies at their market share ceiling still must deliver growth, they often turn to *adjacency strategies*.

In the coming weeks, Lynn Cullotta Consulting will publish additional short articles that discuss the growth challenge to get to each of these profitable, market share positions in the [content library](#) at [lynncullotta.com](#). If you agree that growth is now your responsibility, we invite you to schedule a meeting to discuss your starting position and where you want to be. Please contact Carl Cullotta at [cpc@lynncullotta.com](mailto:cpc@lynncullotta.com) or 224.239.2525 to set up a convenient time for this conversation.