



Reaching Market Share Threshold #2: 25%-30%

Growth is Now Your Responsibility

The [first article](#) in the “Growth is Now Your Responsibility” series provides the context for understanding the unique growth challenges companies face to reach different market share levels where profit peaks —10%-15%, 25%-30%, 40%-45% and up to 70% (market share ceiling). The strategies required to get to the next profitable threshold depend on the position the company is starting from.

Strategies to reach the first market share threshold, 10%-15%, are discussed in the [second article](#) in this series. Devising the right channel strategy to deliver substantial **market coverage** of your target customer segments is key to securing an initial defensible (and profitable) position as a secondary brand. Often multiple new players are able to capture 10%-15% share...getting to the next level is more challenging.

Market Share Threshold #2

At 25%-30% market share, companies reach the next threshold where profitability can be maximized. To get there, an emerging brand must **create distance between themselves and other secondary players** by focusing on innovation and differentiation.

For brands trying to attain the second share threshold, it is important to acknowledge that primary brands have an extensive advantage over them in both channel coverage and channel relationships. Leading brands also have a larger end-user base that is aware of—and likely already experienced with—using their brand. Given this reality, the challenge for the up and comer wanting to reach the next tier status is to take share away from other secondary players. This can be accomplished by having a strong head-to-head value proposition and specific use cases that can be used to win business from a smaller competitor’s installed customer base. These success stories can also attract prospective buyers that are new to the category and seeking alternatives.

Companies who have successfully attained market share position #2 often describe themselves as the “*preferred alternative*” in the market. What this means is that the brand has created enough value to make them the default choice when an end-user’s primary brand is not available. Growth strategies that create this position are almost always rooted in differentiation and innovation that add value in channel and/or end-user relationships.

Channel. Every channel partner has some discretionary business where the user defers the brand selection decision to the channel. The intent of a differentiation strategy targeted at channel partners is to motivate them to direct discretionary business to your brand. The way to accomplish this is to make the channel partner more successful and/or reduce risk.

#2: Become the “Preferred Alternative”

Examples of programs that can differentiate your brand in the channel include:

- Generating marketing leads that increase traffic to the channel's business
- Supplying products that are not available through other channels
- Guaranteeing allocation / product availability
- Increasing channel turns and ROI on the brand via best-in-class logistics
- Creating “entanglements” through service and support offerings

End user. End users often revert to the path of least resistance when purchasing products. Inertia leads them to favor products they are familiar with and vendors/brands that offer tangible benefits. The “preferred alternative” brand uses end user inertia to their advantage. These brands offer differentiation through:

- Innovative products (e.g., features, function) that complement the user's primary product purchases
- Application knowledge and support that reduce the end user's risk of making a poor brand choice
- User groups that help the brand team identify areas of innovation or unmet user needs. What is critical here is that the company follows through on feedback received from user groups

At a tactical level, a strong marketing focus is needed to get the best and fastest return on the strategies outlined above. Effective marketing tactics include case studies, testimonials and other proof points that can elevate your brand above other secondary players.

Lynn Cullotta Consulting has spent decades helping clients devise profitable growth strategies to get to the next market share level. We invite you to schedule time with us to talk about the market share position you are starting from and the challenges in getting to where you want to go. Please reach out to Carl Cullotta at cpc@lynncullotta.com or 224.239.2525.