Being the market leader is not everything

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The market share of a company does not have a strong influence on its financial performance, a new study in marketing at the Faculty of Management, Economics and Social Sciences of the University of

Cologne shows. Companies should instead invest in building customer relationships and a strong brand. If the market share increases by 1 percent, the financial performance of companies only increases by 0.13 percent on average. To arrive at these results, the researchers examined the relationship between market share and financial profitability using 89 published studies from six different continents published between 1972 and 2017.

Other studies show a much stronger financial effect of other metrics, such as customer satisfaction and brand equity. In fact, customer relationships deliver six times the effect and the brand almost three times the effect of market share gains alone. Dr. Alexander Edeling from the University of Cologne and Professor Dr. Alexander Himme from Kühne Logistics University in Hamburg published their findings in their article, "When Does Market Share Matter? New Empirical Generalizations from a Meta-Analysis of the Market Share-Performance Relationship," in the *Journal of Marketing*.

"Many CEOs still consider market share to be the most important indicator of business success," says Edeling. "But in today's digital market, small companies can often produce cost-effectively and sell to a global audience. That allows them to compete with the industry's leading companies."

Together with his co-author, Edeling suggests distributing budgets accordingly. Slow and steady investments in the expansion of products, the improvement of customer service and the development of a brand with a potential target customer base are the key to the growth and future security of a company for the authors.

More information: Alexander Edeling et al, When Does Market Share Matter? New Empirical Generalizations from a Meta-Analysis of the Market Share–Performance Relationship, *Journal of Marketing* (2018).

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