Eva Tomášková
eva.tomaskova@law.muni.cz

Marketing for Lawyers

Determination position in the market

Lesson 6

Market dominance

- Market dominance is a measure of the strength of:
  - a brand,
  - product,
  - service, or
  - firm,
- relative to competitive offerings.

Market share

- The most often used for calculating market dominance
- This is the percentage of the total market serviced by a firm or a brand.
- It is generally necessary to commission market research (generally desk/secondary research, although sometimes primary research) to estimate the total market size and a company's market share.
- Market share is influenced by customers, suppliers, competitors in related industries, and government regulations.
- Relationship between market share and market dominance:
  - A company, brand, product, or service that has a combined market share exceeding 60% most probably has market power and market dominance.
  - A market share of over 35% but less than 60%, held by one brand, product or service, is an indicator of market strength but not necessarily dominance.
  - A market share of less than 35%, held by one brand, product or service, is not an indicator of strength or dominance and will not raise anti-combines concerns of government regulators.

Concentration ratio

- is used as an indicator of the relative size of leading firms in relation to the industry as a whole.

- One commonly used concentration ratio is the four-firm concentration ratio, which consists of the combined market share of the four largest firms, as a percentage, in the total industry.

- The four-firm concentration ratio measures the percentage of total industry output attributable to top four industries. For monopoly the four firm ratio is 100 % while the ratio is zero for perfect competition.
  - The four firm concentration domestic (U.S) ratio for cigarettes is 93%.
  - The four firm concentration domestic (CZ) ratio for mobile operators was 100 % in 2012.
  - The four firm concentration domestic (CZ) ratio for petrol stations is 85 %.

- The higher the concentration ratio, the greater the market power of the leading firms.

Herfindahl=Hirschman Index

- It is a measure of the size of firms in relation to the industry and an indicator of the amount of competition among them.
- It is defined as the sum of the squares of the market shares of each individual firm. As such, it can range from 0 to 10,000.
- The HHI index for perfect competition is zero; for monopoly, 10,000.
- Decreases in the Herfindahl index generally indicate a loss of pricing power and an increase in competition, whereas increases imply the opposite.

Question

- Why is monopol inefficient?
- How are monopols regulated in your country?

Market power

- A firm with market power has the ability to individually affect either the total quantity or the prevailing price in the market.
- Many countries have anti-trust or other legislation intended to limit the ability of firms to accrue market power.
- Such legislation often regulates mergers and sometimes introduces a judicial power to compel divestiture.
- A firm usually has market power by virtue of controlling a large portion of the market.
- Indicators of market power:
  - Market share
  - Barriers to entry (predatory pricing, product typing, creation of overcapacity)

Decision of customers

- Market share of a company is an important decision for customers.
- "Is the company I am buying from stable?"
- Do you prefer buying at smaller companies or at bigger companies? Why?

Brand Positioning

- emotional branding can also be extremely powerful

- Brand managing:
  - from Diagnostics (defining the field of play)
  - Creation (defining the brand architecture)
  - Realization (giving meaning to the brand)
  - Monitoring (if brand fulfills expectation of firms)

Question

- Do you satisfy with a brand?
- Does the brand fulfill your expectations?

Brand managing in dynamic environment

Market share / Market structure	constant	dynamic
constant	McDonalds, Kodak	Jägermeister
dynamic	Nivea, Hugo Boss, Disney	Benetton, Gucci

Brand structure decision

One brand	Family brand	Roof brand
(one product or conception of unique brand)	(spread of product line)	(conception of brands a company)
Advantages: Clear product profile Concentration on defined segments	Advantages: It is possible to brand transfer Concentration on defined segments	Advantages: More effective – it is not necessary to have high invests at new brand or at support of present brands
Disadvantages: Big expenditures for brand profile	Disadvantages: It is necessary to have the similar image Danger of brand erosion	Disadvantages: There is not any clear position There are not known target segments

Strategy of market spread

Decision about market spread

- It is necessary to fulfill whole strategy of a company
- It is necessary to target on choosing segments
- It is necessary to be accepted for choosing segment
- It is necessary to connect product brand with the name of a company
- It is necessary to be different from competitors
- It is necessary to have a long-time conception
- More effective is to concentrate for a few of brands than a lot of brands

Decision about brand structure

- One brand strategy - Henkel: Persil, General, Pril
- Brand family strategy - Beiersdorf: Nivea, Babypflege, Sonnenpflege, Haarpflege, etc.
- Roof brand strategy - Siemens, Apple, Dr. Oetker

Position analysis

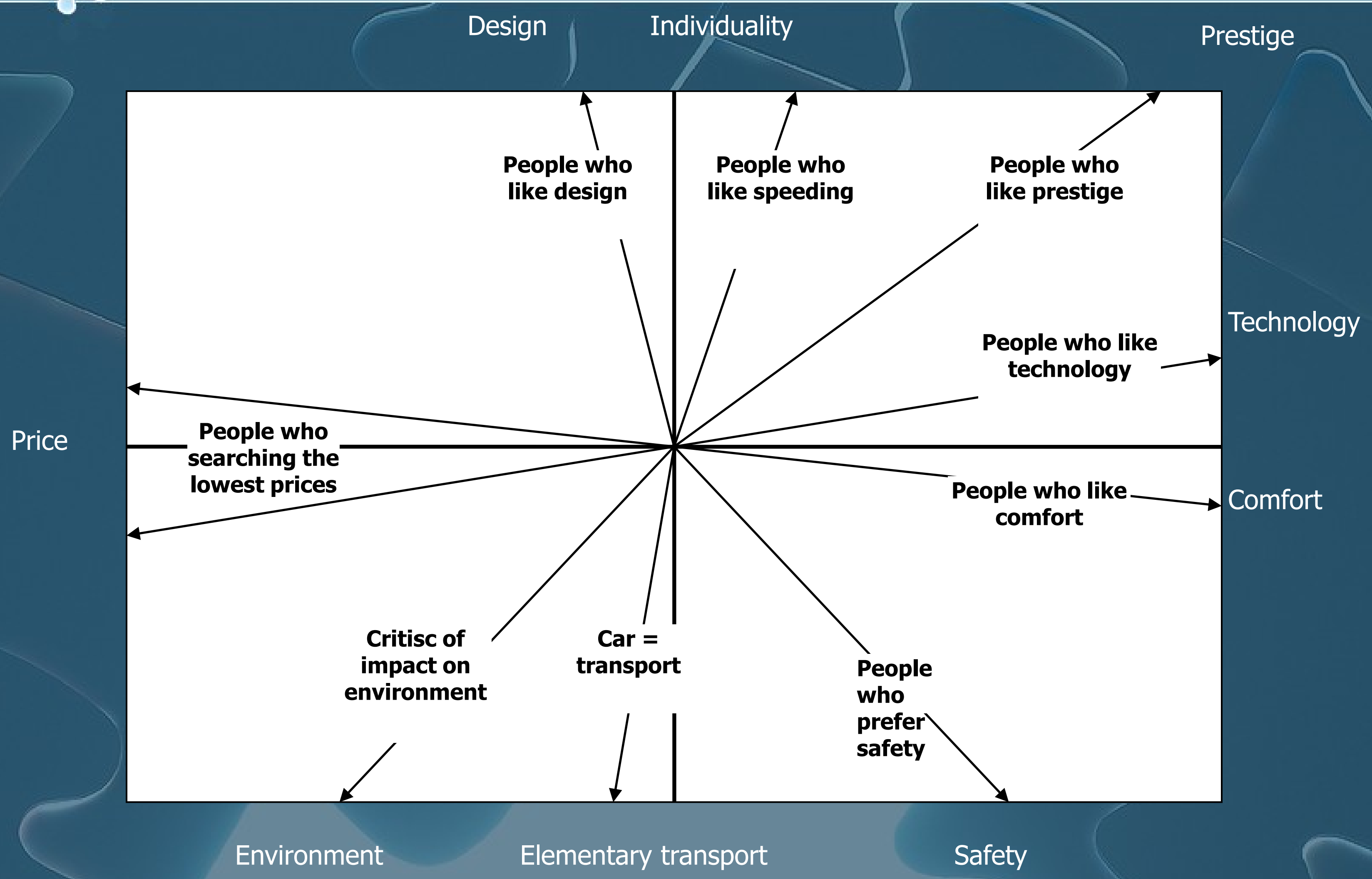
- Psychological model
- Based on brand perception by customers

- Main presumption:
  - To have differences recognizable by customers
  - Customers have to place product of a company and products of competitors to the graph
  - To know the best position for customers
  - To measure differences between ideal position of customers and current position

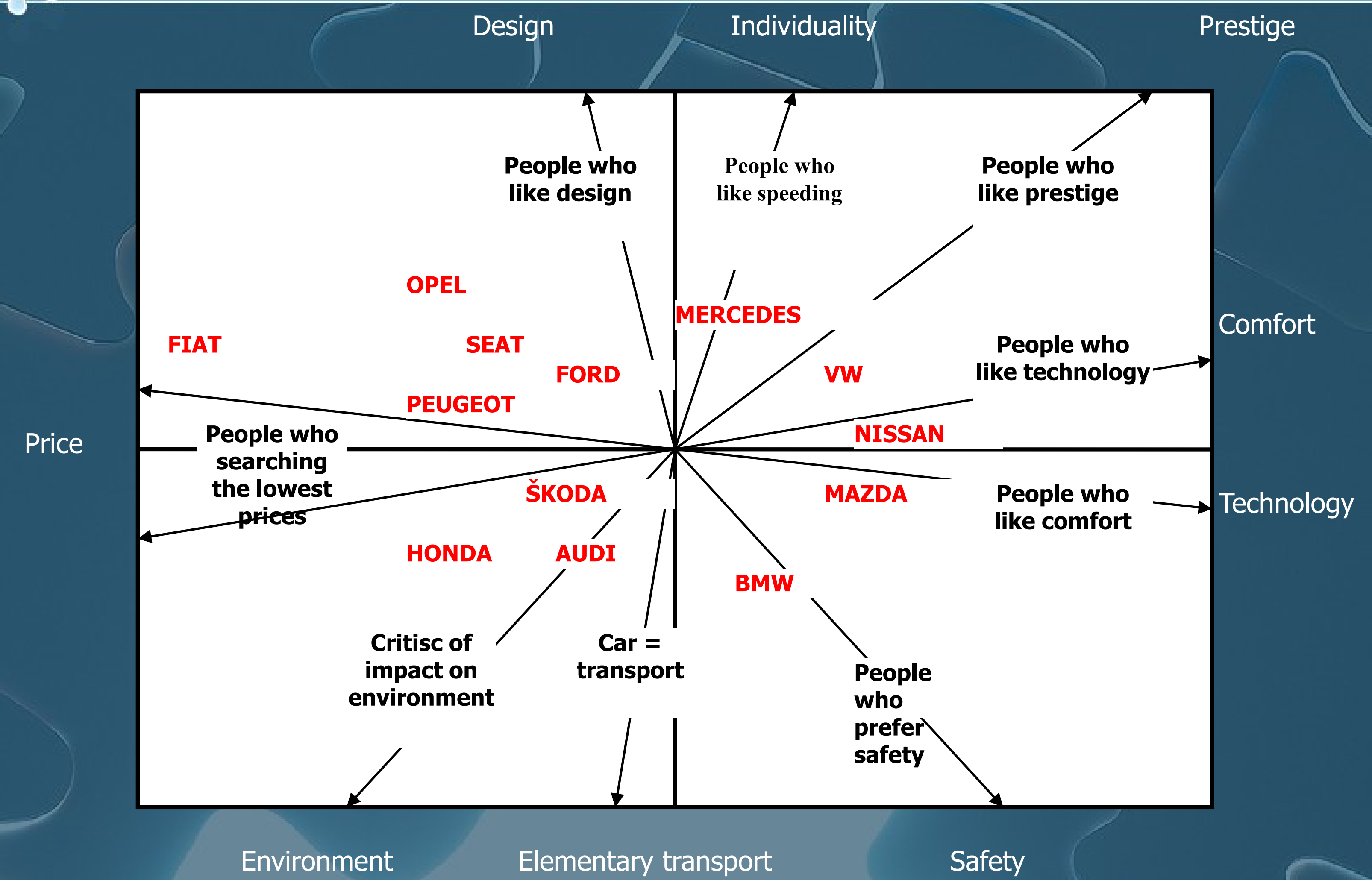
\+ Clear perception and wishes of customers

\- To realize a large research

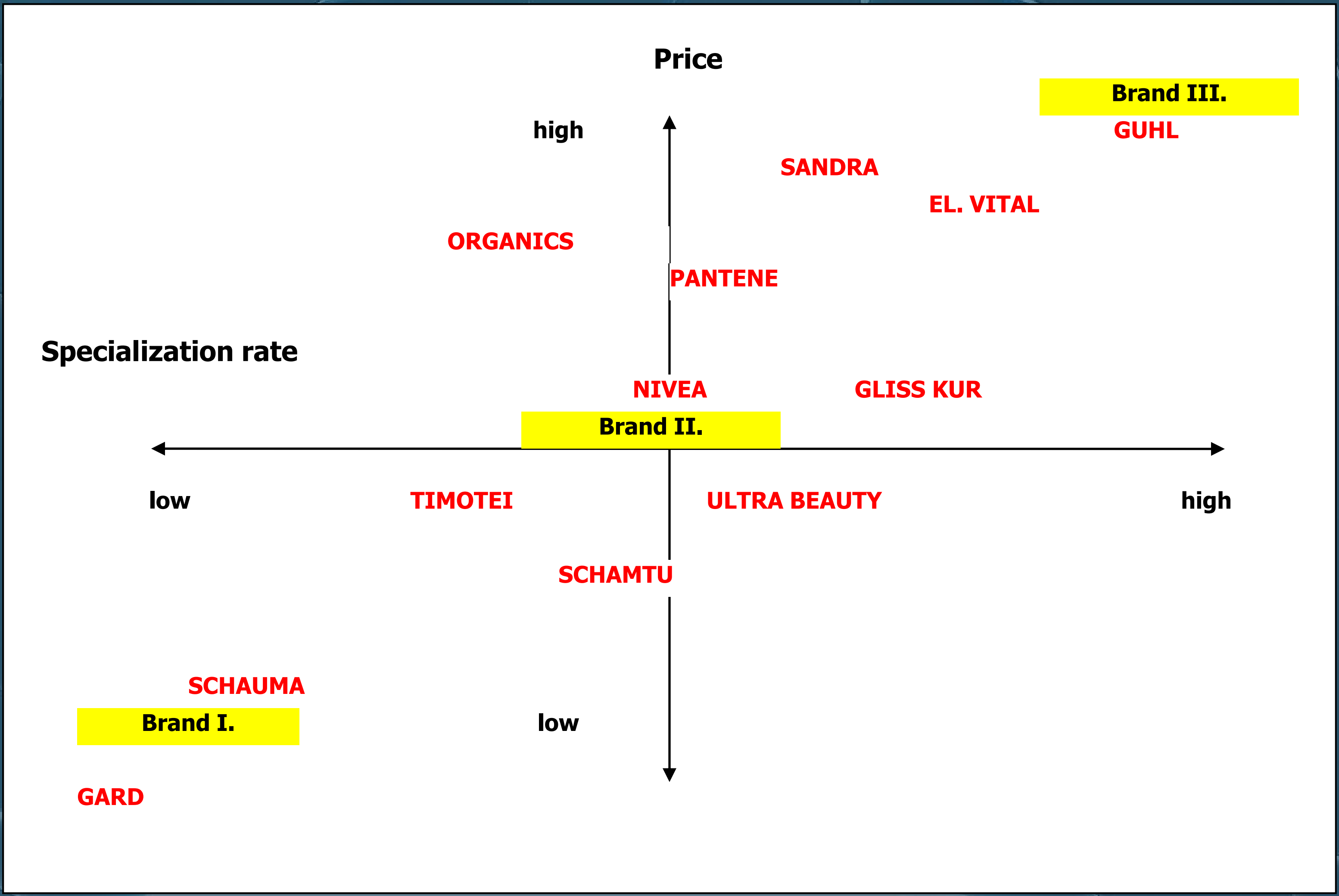
Creation of position graph



Position analysis I.



Position analysis II.



Task

- Choose an industry and create position map