

1b Reading

Read the following text and write short headings for each paragraph.

MARKET LEADERS, CHALLENGERS AND FOLLOWERS

1

In most markets there is a definite market leader: the firm with the largest market share. This is often the first company to have entered the field, or at least the first to have succeeded in it. The market leader is frequently able to lead other firms in the introduction of new products, in price changes, in the level or intensity of promotions, and so on.

2

Market leaders usually want to increase their market share even further, or at least to protect their current market share. One way to do this is to try to find ways to increase the size of the entire market. Contrary to a common belief, wholly dominating a market, or having a monopoly, is seldom an advantage: competitors expand markets and find new uses and users for products, which enriches everyone in the field, but the market leader more than its competitors. A market can also be expanded by stimulating more usage: for example, many households no longer have only one radio or cassette player, but perhaps one in each room, one in the car, plus a minidisc player or a Walkman or two.

3

In many markets, there is often also a distinct market challenger, with the second-largest market share. In the car hire business, the challenger actually advertises this fact: for many years Avis used the slogan 'We're number two. We try harder.' Market challengers can either attempt to attack the leader, or to increase their market share by attacking various market followers.

4

The majority of companies in any industry are merely market followers which present no threat to the leader. Many market followers concentrate on market segmentation: finding a profitable niche in the market that is not satisfied by other goods or services, and that offers growth potential or gives the company a differential advantage because of its specific competencies.

5

A market follower which does not establish its own niche is in a vulnerable position: if its product does not have a 'unique selling proposition' there is no reason for anyone to buy it. In fact, in most established industries, there is only room for two or three major companies: think of soft drinks, soap and washing powders, jeans, sports shoes, and so on. Although small companies are generally flexible, and can quickly respond to market conditions, their narrow range of customers causes problematic fluctuations in turnover and profit. Furthermore, they are vulnerable in a recession when, largely for psychological reasons, distributors, retailers and customers all prefer to buy from big, well-known suppliers.

1c Comprehension

Which of the following three paragraphs most accurately summarizes the text, and what is wrong with the others?

First summary:

In most markets there is a definite market leader, with the largest market share, which frequently helps other firms to introduce new products. In many cases, there is also a market challenger, which wants to replace the leader, and various market followers, which seek out particular niches that do not interest the leader. Other followers merely imitate the products of larger companies, but this is a dangerous strategy during recessions.

Second summary:

In most markets there is a leader that strongly influences other firms in the introduction of new products, price changes, promotions, and so on. There is frequently also a market challenger, with the second-largest market share, which can attempt to increase its market share by attacking either the leader or some market followers. Market followers often concentrate on profitable niche products that are in some way differentiated from the products of larger companies.

Third summary:

The first company in a particular market nearly always becomes the market leader, a position it will try to keep by regularly attacking distinct market challengers and followers. Most followers can either concentrate on small market segments or niches, or follow the safer strategy of imitating the leader's products.

1d Vocabulary

Find words in the text which mean the following.

- 1 a company's sales expressed as a percentage of the total market
- 2 short-term tactics designed to stimulate stronger sales of a product
- 3 the situation in which there is only one seller of a product
- 4 companies offering similar goods or services to the same set of customers
- 5 a short and easily memorized phrase used in advertising
- 6 the division of a market into submarkets according to the needs or buying habits of different groups of potential customers
- 7 a small and specific market segment
- 8 a factor which makes you superior to competitors in a certain respect
- 9 a business's total sales revenue
- 10 a period during which an economy is working below its potential