Press Release  
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Managers Overestimate Market Share as a Guarantee for Success – Study Points to Alternative Marketing Strategies

The higher the market share, the better? This widespread mantra of increased sales has become outdated among managers. This has been shown in a current study led by Alexander Himme, Associate Professor of Management Accounting at Kühne Logistics University (KLU), Hamburg, and marketing expert, Dr. Alexander Edeling, University of Cologne. They have found that the impact of market share varies greatly depending on the industry, market segment and global region. What is more important for profit are the previously underestimated key figures on image, brand equity and customer loyalty.

The researchers have analyzed the impact of sales and therefore the market share on the profitability of companies worldwide. "This is an incredibly strategic question that is often discussed at the highest level of management," explains Alexander Himme of KLU. "The market share is easily measured, concise and competitive. Therefore, it is still a popular indicator and usually a part of the key figure system in corporate analysis. However, our results may astound some managers." The study shows that if the market share increases by one percentage point, the average profit increases by only 0.13 percentage points.

Effectiveness of market share is a misconception
"Market share-financial performance elasticity is proving to be drastically lower than generally assumed," explains Himme. The majority of consultants and decision-makers in business assume that more market share will reliably lead to significantly higher profits. "We demonstrate that this is a misconception. Contrary to popular belief, the market share is a weak component. Managers should question the focus placed on it." Other key figures have long gone underestimated. According to the study, improved customer loyalty has six times more impact on a company's profits than the percentage of the market share; a more distinguished brand may perform three times as strongly.
Customer relationships and strong brands increase profits more effectively
"Marketing teams should not focus on market share, but on building strong brands and retaining profitable target groups," advises Himme. On that account, allocating around ten percent of the marketing budget is sufficient to increase market share in order to boost profits along these lines. Around 60 percent should flow into customer relations and another 30 percent into brand development. These recommendations are based on averages across all industries, segments and geographical regions.

Market share scores here: material goods, B2C and Western Europe
Companies ought to take a closer look. Firstly, it has been found that the market share in production carries more weight than in the service sector. Apparently, market leaders in the manufacturing industry benefit from greater efficiency and market power in relation to competitors. Secondly, the market share plays a greater role in sales to private individuals (business-to-consumer, B2C) than in business relationships between companies (business-to-business, B2B). Private consumers are prepared to pay more for the market leader's product. Market share is regarded here as an indicator of quality. By contrast, purchasing decisions by companies are based on rational structures such as procurement teams or tenders. A third distinction is made with regard to geography. In Western European and emerging markets, market share bears more influence than in the highly competitive United States, where higher market shares can even reduce profits. Massive price reductions are often intended to boost sales. These price wars make the company less profitable.

Meta-analysis compiles 45 years of market share and business success research
Himme and Edeling’s meta-analysis is based on almost 90 studies conducted over 45 years, taking all relevant industries on several continents into account. The research team successfully averaged approximately 860 different degrees of dependence on market share and profit while applying filters for roughly 30 contextual factors such as industry, country and/or methodology. In context, they show specifically the varyingly important role market share has played, thus developing a vital tool for conducting future research.
In the 1970s, the highly-regarded US PIMS (Profit Impact of Market Strategies) analyses claimed market share to be the most important profit driver. In 1993, the first meta-analysis confirmed this hypothesis. However, since then, the world economy has changed radically, becoming digitalized, globalized and service-oriented. Himme and Edeling’s analysis presents the first generalizable statements about the role of market share in today’s world.

The article *When Does Market Share Matter? New Empirical Generalizations from a Meta-Analysis of the Market Share-Performance Relationship* has been published in the *Journal of Marketing*, the internationally leading scientific journal for business administration and marketing.

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**About KLU**

Kühne Logistics University – *Wissenschaftliche Hochschule für Logistik und Unternehmensführung* (KLU) is a private university located in Hamburg’s HafenCity. The independent, state-certified university focuses on the areas of logistics and management. With one BSc and three MSc degree programs, a doctoral program, and a part-time Executive MBA, KLU offers its 330 full-time students a high level of specialization and excellent learning conditions. In open, customized management seminar series, industry specialists and managers benefit from the application of academic findings to practical issues.

KLU has an international team of 23 professors who teach in English. The programs are oriented toward students from Germany and abroad. Research at KLU is concentrated on the Key Competence Areas of *Digital Transformation, Creating Value*, and *Sustainability* for the benefit of transportation, global logistics, and supply chain management.

In 2017, KLU was granted the right to confer PhD degrees, making it one of only 15 among the 118 private universities in Germany permitted to confer their own PhDs. In the newest CHE university rankings, KLU obtained the highest ranking in all major criteria.

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