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Distribution & Pricing Techniques

THE EXECUTIVE SUMMARY

Data – Information and Capturing Market Share

Why is market share important? Because year-over-year changes in market share, in units, are a very effective measure of a company's growth potential. Why in units? Because they are a more reliable metric than sales dollars which can be manipulated via changes in channel mix, discounting, etc.

In recessions or periods when demand is flat the only way to grow is to increase your market share. There are three B2B strategies that have been proven successful in doing this:

- **Buying additional share.** This means either purchasing a competitor or discounting your products.
- **Innovating.** Developing and introducing a product that is both different and superior to those of your competitors.
- **Displacing your competitors.** This can occur either in the channels or in key accounts.

Innovating is the most effective and profitable, but it is long-term as is acquiring a competitor. Discounting will erode your profit margins at best and at worst provoke a price war.

This leaves the third option, displacing your competitors in the channels or in key accounts...and this is where you need data and information.

You have to know where your competitors are enjoying their most profitable sales. What products? In what accounts? In which geographic or vertical markets? You need solid data and information to mount an effective market share initiative.

When seeking data and information many sales and marketing professionals think of market research. It is excellent for identifying customer preferences, competitive selling prices, etc. Competitive intelligence, however, is what is needed.

Competitive intelligence no longer consists of "cloak and dagger" or "dumpster diving" activities or just asking your distributors for a competitor's price list. Thanks to sophisticated interviewing and internet search techniques, it can identify your competitors' largest accounts, their largest selling products, their applications, the channels/vehicles that have been most successful for them, etc.

In short, competitive intelligence has become a science. SCIP (Society of Competitive Intelligence Professionals) conducts seminars and certification courses, and is the author of the ethical guidelines for conducting competitive intelligence research.

Where Do You Start?

- I. Select a competitive intelligence firm.** You can Google one, but it's better to ask your colleagues for recommendations. These firms come in all sizes and shapes and their skills vary widely as do their specialties.
- II. Craft the specific question(s) you want answered.** For a market share initiative you will at minimum need to:
 - *Select the competitors* you would like to target.
 - *Select the geographic or vertical market(s)* to be included.
 - *Select the product categories* you believe you "match up best against."
- III. Solicit a formal proposal.** It should include the objective, deliverables, methodology, timing and fees, and a confidentiality statement. References are difficult to obtain as most of these firms work under confidentiality agreements and as such cannot reveal their clients' identities.
- IV. Have a non-disclosure clause in the agreement.** Law and accounting firms claim to be able to build a "Chinese wall" between different sets of client information. It is much more difficult for competitive intelligence firms.
- V. Require their methodology be consistent with the ethical principles of SCIP (Society of Competitive Intelligence Professionals).** This will keep you out of legal difficulty.

The Point: To grow in a recession you need to capture market share. Reliable data and information is necessary to target specific competitors, products, and markets. Get the data and information first or your sales resources may be inefficiently employed.



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