Ten things you need to know about market size, growth and share

Ian Marcousé provides a framework of ten concepts for your marketing revision

1 Market size (by value)

The value of all the sales by all the businesses in a market sector.

Example: the UK market for wrapped bread was worth £1.4 billion in 2015. That was the market size by value.

Advantage: for a company considering launching into a market, the market size gives an idea of the sales potential.

Disadvantage: things can change fast — 5 years ago gluten-free bread was a tiny sector, now its market size is heading towards £100 million.

2 Market size (by volume)

The quantity of product bought in a market sector, be it the number of cars or eggs, or kilos of chocolate.

Example: in 2015 the £1.4 billion sales of wrapped bread amounted to 1.57 billion packs. So the market size by volume was 1.57 billion loaves.

Advantage: using volume and value enables you to work out price. In 2015 the average wrapped loaf sold for £1,415m / 1,567m = 90p. Warburton's loaves sold for an average of £542m / 336m = £1.61 — a huge and impressive price premium.

Disadvantage: ultimately business is about money, not volumes, so if you had to pick either value or volume, you'd go for value every time.

3 Market growth

The percentage change in market size between last year and this year.

Example: in 2015 the UK market for 'free-from' groceries (such as gluten-free) grew by 19.2%, from £520 million to £620 million.

Advantage: it is easier for a new product to break in to a growing market than a declining one. With 'free-from' sales rising by £100 million in 2015, new niches might emerge yielding new business opportunities.

Disadvantage: market growth is only useful if it is growth by value. In its declining years, Nokia sold more and more mobile phones, but at lower and lower prices.

4 Influence?

Market growth is largely a function of economic trends and consumer tastes, but some companies with large market shares try to boost the market (as they will get the bulk of the benefit).

Example: Fairy has a 69% share of the UK market for washing-up liquids. But Finish has a 56% share of the bigger market for dishwasher powders. For Reckitt Benckiser, producers of Finish, persuading people to switch to an automatic dishwasher makes a lot of sense.

Advantage: if the market expands by 5%, the biggest producer is likely to enjoy a large chunk of the growth.

Disadvantage: boosting the market as a whole risks boosting the sales of your rivals — at your cost.

5 Market decline

When a market's sales by value are falling year on year (usually measured as a percentage).

Example: in 2015 sales of vegetables fell by 6.4% in the UK, from £4,963 million to £4,646 million, a fall of £317 million. The previous year the figure fell by 7.4%, so this represents a downward trend.

Advantage: knowing trends is vital in business. Faced with this evidence a farmer growing potatoes and cabbage might decide to switch to producing raspberries (sales up 12.6% in 2014 and a further 17.9% in 2015).

Disadvantage: the main disadvantage comes to those who ignore the implications of trends such as the move away from vegetables. Even if profit can still be made out of producing veg, it will not be for much longer.

6 Market share

The percentage of the total market held by one company or brand.

Example: in 2015 Heinz had a 67% share (by value) of the UK market for baked beans. Its nearest competitor was Branston, with an 11% share.

Advantage: in any given year, market size can be affected by outside factors such as the economy or changing customer tastes. Market share, though, must overwhelmingly be due to the company's marketing or quality. In 2014 Branston's market share was 8%, so 2015 was a fantastic year for the brand.

Disadvantage: companies with a high market share can get complacent (Nokia, Tesco). Remember Intel boss Andy Grove's great saying: 'Only the paranoid survive'.

7 Boosting market share

Boosting sales of your brand faster than the growth in the market as a whole.

Example: as long as the market size is big enough, boosting the share of a small brand can yield big rewards. In 2011 the chocolate brand Lindor had a 1.5% share of the UK chocolate market. By 2015 it had won 2.4%. That meant the difference between £48.7 million of sales in 2011 and £88 million in 2015 (a rise of 80%).

Advantage: as shown above, brands with a small market share have huge scope for growth.

Disadvantage: achieving the boost to market share may be expensive, e.g. big advertising campaigns.

8 Retaining market share

For businesses with a high share of the market, avoiding a loss of share may be the primary objective.

Example: in 2015 Wrigley held a 94% share of the UK market for chewing gum, with one brand (Extra) taking 75% of the market on its own. For Wrigley, success means nothing happening.

Advantage: holding share is usually much cheaper than fighting to gain share. Customers must be kept satisfied and the business must make sure that it is loved by the shops that retail the product.

Disadvantage: for the staff that work there, a business such as Wrigley may seem all too safe, i.e. little scope for creativity or innovation.

9 Growing a niche

Growing market share with existing brands usually requires heavy and sustained advertising and marketing spend. Far better to build a new rising star.

Example: in 2007 Warburtons had a 29.8% share of the UK bread market. In 2015 it was 34%. Its sales gains have been boosted by new niches such as wraps, thins and giant crumpets.

Advantage: consumers and shopkeepers appreciate innovation from a company. It boosts the corporate image.

Disadvantage: in the UK, no more than one in five new products is a success — an average failure rate of 80%.

10 Declining share

A market share decline means sales rising more slowly than the rise in the market as a whole, or perhaps sales falling while sales elsewhere are rising.

Example: in 2008 Kellogg's Special K had a 7.3% share of the UK market for breakfast cereals. By 2015 the figure was 4.8%. The market share decline was steady and grim.

Advantage: you might decide that your product has reached its 'dog' stage and deserves no more investment. Or you might try a major relaunch — in the USA, Special K is now focused on the 'free-from' sector to achieve new market share growth

Disadvantage: if share continues to decline, retailers will de-list the product, i.e. remove it from the shelves. Then sales will fall even faster.

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