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Own Your Chosen Market

By Alan Bagg

The company that owns its markets enjoys a special place that competitors can only dream about. Consider the following benefits of market ownership. The market leader:

Is the First Choice

The company that owns its market is usually "brand dominant"—the first to be considered. It is the "logical choice" or one of only a few considered in the purchase process. This is the company that is usually thought of as the category leader for a particular product or service type or generally thought of as best for solving a specific problem. If a particular company or product is on everyone's lips, it clearly owns the market. The company with a strong image dominates its chosen markets.

Selects New Customers

The dominant company can afford to be selective in picking its new business partners. While most companies want rapid growth or very high market shares, the company that owns its market may continue its growth by being selective. Although a company that owns its market may have only a single digit share of the overall product/service category, its "ownership" of its chosen market segment may be 50 to 90 percent. This company restrains its solicitation outside its chosen markets and sticks to a clearly defined market strategy.

Owns Strong Brand Equity

Throughout the sales/service process, competitors have a long way to go to overcome the strong credibility of the company that owns its market. Much more than merely brand awareness, the company that owns brand equity owns the premier spot in the minds of customers and prospects. The company may spend a great deal on advertising, but it uses advertising to enhance its success model and usually spends far less on advertising per dollar of sales than does its average competitor.

It can do so because it carries an image of trust—the perception of being a safe purchase because it follows through on promises. Often, the company with market ownership dominates highly profitable and attractive market segments, leaving the larger companies to compete for the less attractive segments and to do so on the basis of price competition.

Gains Profitability on Customer Loyalty

A company with exceptional customer retention usually has strong market ownership. Even in highly volatile, price-sensitive markets where average customer defection rate may be as high as 20 percent per year, the company that owns its market may lose only five percent of its customers annually. Raising customer retention rate by just five percent can increase the customer lifetime values by as much as 25 percent. In some sectors, an increase of customer loyalty of just two percent is equivalent to a 10 percent cost reduction.

Sees Larger Purchases; Higher Cross-selling Ratios

This high degree of customer loyalty and trust manifests itself in other ways too. The company with market ownership often has deeper relationships that generate both larger sales for existing products and high cross-sell ratios for new ones. While competitors try new cross-selling strategies with only mixed success, the company with market ownership appears to cross-sell effortlessly. Its strategies succeed when most of the industry has written off the cross-sell strategy as a flawed concept.

Gains More Referrals From Existing Customers

Another sign a company owns its market is its higher referral rate. Referral business is highly attractive. The referral customer is a buyer who is strongly predisposed to select the company and undoubtedly believes that he or she is buying the best.

Enjoys Great Corporate Image and Reputation

Much of the company's success in furthering customer relationship is attributable to the "halo effect." Halo effect grants the company's new strategies and product introductions the same credibility and trust earned by the original strategies on its products. This "self-endorsement" has a big impact. Customers who believe they have received high value and reliability in the past automatically believe that new products will deliver the same. In addition, the company with market ownership doesn't have to be the industry innovator.

The market-owner company can wait and learn from the mistakes of the product innovator company. The market leader's customers are willing to wait for its new product release, and once those products are introduced, sales are likely to surpass those achieved by the first product innovators.

The halo effect also extends to the company's perceived quality of service. Customers often believe that the company's capabilities are stronger than they might actually be. This can be very frustrating to competitors who can prove to themselves, through benchmarking their internal performance, that they are better in some areas, yet they still score lower in perception with customers than the company with the halo effect.

If your goal is to become the chosen company in a chosen market, our success model is quite powerful and offers a better way to compete.

Our model is firmly linked to providing higher value to the customer. It can be replicated by companies with insightful leaders who are willing to focus on select market segments and to deliver exceptional value to customers. It requires your commitment to:

- Carefully redefine your business and your chosen market segment(s).
- Research, so you know the market better.
- Focus your existing resources on maximizing customer value.
- Pursue appropriate focused marketing strategies to penetrate the market deeply, and to ensure customer satisfaction and loyalty.

If you want to dominate your markets, I would be happy to explore this process further with you. For more details please call me at 262.633.7772 or email abagg@corporate-images.com

Alan Bagg is President/CEO of Corporate Images, Inc. and works with companies to make them leaders in their markets. He provides intelligent marketing solutions to get powerful results by utilizing proven results-driven processes. He can be reached at abagg@corporate-images.com or by calling (262) 633-7772.