

Macro Roundup Article

Headline: [Market Share and Profitability](#)

Article Link: <https://mailchi.mp/verdadcap/market-share-profitability?e=7b209e1099>

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Tweet: After examining all US and Canadian private and public firms with >\$10mm in sales, @verdadcap concludes that the relationship between a firm's market share and return on assets/equity is "virtually non-existent."

Summary: Market share is not a consistent indicator of firm performance. This finding holds true across industries, with many illustrating a negative relationship between market share and profitability. Companies earn their market share through a better product, better pricing, better service, or a litany of other firm-specific strategic decisions. It's actually quite rare to see the number-one company in an industry earning far above-market profit margins. In our dataset, 90 companies—or 56% of the industry-leading public firms—have margins below the industry median.

Related Articles: Rising Markups and Declining Business Dynamism: Evidence From the Industry Cross Section and Surging Business Formation in the Pandemic: Causes and Consequences? and The Economics of Inequality in High-Wage Economies

Primary Topic: Financial Markets

Topics: Cronyism, Database, Financial Markets, GDP, Important!, Op-Ed/Blog Post, Productivity

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