

Share maintenance

In evaluating their market positions, some companies will find that they are in fact operating at an optimal share level. The cost or risk of increasing their share would cancel out any gains. On the other hand, a decline in their current share would reduce their profitability. These companies are intent on maintaining market share.

Such organizations find, however, that stabilizing their share is almost as challenging as expanding it. Underdog competitors are constantly chipping away at the stable company's share. They introduce new products, sniff out new segments, try out new forms of distribution, and launch new promotions. One of the most annoying and common forms of attack is price cutting. The high-share company is always wrestling with the question of whether to meet price cuts and maintain its share or give up a little share and maintain its margins. If the high-share company maintains its prices, it loses share. If it loses more than it expects, it may discover that rebuilding costs more than the gains from holding prices.

In general, the best defense for maintaining market share is a good offense—product innovation, the same strategy that works so well for the underdog. A dominant company must refuse to be content with the way things are. It has to anticipate its own obsolescence by developing new products, customer services, channels of distribution, and cost-cutting processes.

A second line of defense is *market fortification*. The dominant company plugs market holes to prevent competitors from moving in. This is the essence of the *multibrand strategy* perfected by P&G. P&G will introduce a number of brands competing with each other; the effect is to tie up scarce distribution space and lock out some of the competition.

A third and less attractive defense for share maintenance is a *confrontation strategy*. Here the dominant company defends its empire by initiating expensive promotional or price-cutting wars to discipline upstart competitors. It may even resort to harassment—pressuring dealers and suppliers into ignoring upstarts to avoid losing the dominant