

INTRODUCTION

Hermann Simon and his co-authors challenge the deeply entrenched belief that market share is the ultimate driver of business success. Drawing on extensive consulting experience with over 500 companies, they argue that the obsession with market share has destroyed profit potential in mature markets.

The book provides a practical, proven program for companies to extract **1-3% of annual revenue** as additional profit by shifting focus from volume to profitability.

CORE THESIS

The Market Share Fallacy: In mature markets, the traditional logic linking market share to profit breaks down. Incremental gains in share often come at a steep price in eroded profits.

HIDDEN PROFIT POTENTIAL

1-3% of Revenue

Achievable through profit-focused strategies

Two Destructive Cultures:

- ▶ **Aggression:** Pursuing market share through price wars and competitive attacks
- ▶ **Acquiescence:** Surrendering to customer demands to preserve volume

THE 4-PHASE PROGRAM

PHASE 1	PHASE 2	PHASE 3	PHASE 4
Change Mindset	Gather Data	Optimize Mix	Sustain Results

- ▶ **Compete Peacefully:** Differentiate rather than attack
- ▶ **Challenge Assumptions:** Base decisions on facts, not conventional wisdom
- ▶ **Use Internal Data:** Analyze status and response data
- ▶ **Research Customers:** Understand preferences and willingness to pay

PRICING STRATEGY

The Profit Curve: Every product has an optimal price point that maximizes profit. Prices above or below this summit sacrifice earnings.

Avoid Pricing Shortcuts

Cost-plus pricing and competitive benchmarking ignore what customers will actually pay. Use data-driven analysis to find your profit-maximizing price.

Price Increases Can Take Many Forms: Direct increases, reduced discounts, service level changes, modified pricing structures, or stricter terms.

KEY FRAMEWORKS

Competition Map

Identify where you have comparative advantage. Pick your fights intelligently. Concede market share where you can't compete profitably.

Price Response Analysis

Estimate competitive reactions before making pricing decisions. "Do the math" to understand profit implications of every market move.

Value-Based Segmentation

Segment by preferences and willingness to pay—not just geography and volume. Match products/services to segment needs.

PRACTICAL APPLICATIONS

Product Bundling

Transfer excess willingness to pay between products

Service Pricing

Charge explicitly for value-added services

Sales Incentives

Reward profit contribution, not just volume

Market Communication

Clear, consistent signals to prevent price wars

CRITICAL PRINCIPLES

- ▶ **Peaceful Competition:** Strive for differentiation, not domination
- ▶ **Strategic Restraint:** Resist retaliation; concede unprofitable share
- ▶ **Data-Driven Decisions:** Replace gut feeling with analysis
- ▶ **Customer Intelligence:** Understand what customers value and will pay for
- ▶ **Aligned Incentives:** Ensure sales teams pursue profit, not volume
- ▶ **Controlled Communication:** Avoid market uncertainty and competitive escalation

FINAL TAKEAWAYS

The Profit Renaissance: Companies can achieve sustainable profit increases by abandoning market share obsession and implementing this systematic approach.

"Market share should be a means to an end, and not the end itself."

Implementation Success Factors:

- ▶ Quick, affordable implementation with existing resources
- ▶ Many small but powerful steps—not one big initiative
- ▶ Focus on the windfall, not blame for past oversights
- ▶ Holistic program execution, not cherry-picking

The program works—companies have achieved profit improvements of 1-3% of revenue across industries including industrial supply,

