

CHAPTER 12 PROJECT

Market Share Matrix



Assume you are the sales and marketing director for Joe's Java, a coffee shop located on a crowded city street corner. There are two competing coffee shops on this block—Buck's Café and Tweak's Coffee. The management has asked you to develop a marketing campaign to increase your market share from 25% to at least 35% within 6 months. With the resulting plan to meet this goal, you predict that each month

- you will retain 93% of your customers, 4% will go to Buck's Café, and 3% will go to Tweak's Coffee;
- Buck's Café will retain 91% of their customers, 6% will come to Joe's Java, and 3% will go to Tweak's Coffee; and
- Tweak's Coffee will retain 92% of their customers, 3% will come to Joe's Java and 5% will go to Buck's Café.

The current percentage of the market is shown in this matrix:

$$x_0 = \begin{bmatrix} 0.25 \\ 0.45 \\ 0.30 \end{bmatrix} \begin{matrix} \text{Joe's} \\ \text{Buck's} \\ \text{Tweak's} \end{matrix}$$

After one month the shares of the coffee shops are

$$x_1 = Px_0 = \begin{bmatrix} 0.93 & 0.06 & 0.03 \\ 0.04 & 0.91 & 0.05 \\ 0.03 & 0.03 & 0.92 \end{bmatrix} \begin{bmatrix} 0.25 \\ 0.45 \\ 0.30 \end{bmatrix} = \begin{bmatrix} 0.2685 \\ 0.4345 \\ 0.2970 \end{bmatrix}$$

- Construct a table that lists the market share for all of the coffee shops at the end of each of the first 6 months.
- Will your campaign be successful based on this model? (Will you reach 35% market share in 6 months?)
- What actions do you think Buck's Café and Tweak's Coffee will take as your market share changes?
- What effect could their actions have on the market?