

# Chapter 1

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## **First, You Must Attack Market Share**

*Are You Merely Striving for Average?*

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Do you want to settle for 1 to 2 percent growth in the recovery?

Even the best-informed economists believe the current market may grow at a rate of between 1 and 2 percent. That's hardly a snapback recovery, is it? But will your stakeholders and board members settle for 1 percent? Of course they won't.

What if your particular segment happens to be in a declining market? That is to say, demand for what you sell is declining. Should you give up; simply roll over and blame the economy or the competition? No, you shouldn't; that would be ridiculous. If you want to grow in a slowly recovering economy, a stagnant economy, or even a declining market, your best—and truly, *only*—plan is to “steal” market share from your competitors.

Maybe you don't like the word *steal* and prefer to use *win*. Whatever term you use, know that your survival depends on wresting business away from other companies that do what you do and provide what you provide.

This is a lesson we learned from none other than fast-food linchpin McDonald's. The company noticed there was probably a wild growth opportunity in the specialty coffee and smoothie business and that people were increasingly enamored of places like Starbucks and Juice It Up, which were growing at impressive rates. Though McDonald's had actually tested its McCafé concept many years earlier, the company didn't officially launch the initiative until early 2009. By doing so, it charged Starbucks full bore, and Starbucks had already begun to cut prices in some markets due to the economy. McDonald's, which saw and took advantage of the

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vulnerability in Starbucks' market share, acted on a fundamental truth: Capitalizing on a competitor's weakness is always a solid recovery strategy. McDonald's plan was to roll out the McCafé concept to 11,000 of the company's 14,000 locations, with a goal of pulling in a projected \$1 billion in revenue. It worked. In the second quarter of 2010, McDonald's raked in \$420 million, thereby making its billion-dollar target a reality.

It's important for you to absorb the fact that McDonald's did not *create* a fresh billion dollars in coffee consumption. Rather, it *stole* a staggering amount of business from Starbucks and other coffee specialty stores. Starbucks felt the pressure and, in 2009, closed more than 270 locations.

Subway, with its 34,000 sandwich locations, was also paying attention to these latest developments and decided accordingly to venture into the breakfast business. Since Subway already had most of the necessary ingredients to make sandwiches, it just added English muffins and eggs. Subway, too, was hoping to grab an additional revenue stream of \$1 billion. I was at a launch meeting for this concept, and the hushed murmur making its way through the managerial crowd was, "If we start selling breakfast sandwiches, does that mean we have to get to the store an hour earlier?" I said to myself, "Yeah—but isn't an hour earlier worth an extra billion dollars!?"

A regional director of that chain told me during a recent phone call, "Revenue hasn't [climbed] quite as high as we'd hoped, but [this move] proved we could be nimble and react to our market's needs. Adding breakfast was a very smart move for us . . . although I do have to go to bed a little earlier these days."

Moving from the food service industry to online retail, we have to admire Zappos.com as a pure model of a

company that came to the industry late, yet ramped up its quest to gobble market share. You are probably aware of the Zappos story by now; if you're not, it's fair to say that Zappos.com is the Amazon.com of the retail shoe business. The company started in 1999 with a fairly simple business model: to sell shoes over the Internet. Given that most people (at that time) liked to try on a lot of different shoes in the relative safety of a retail store ("I don't want these . . . but *these*"), ordering shoes over the web—sight unseen and foot unfelt—wasn't an easy behavior to change. Nonetheless, by being overly customer focused, Zappos.com grew from zero to a billion-dollar-plus shoe company in just 10 years.

Again, Zappos.com didn't convince consumers to buy an *additional* billion dollars' worth of shoes. The company recognized that some of its largest competitors assumed that *they* had the discount shoe market cornered. Hubris always makes a competitor vulnerable. Zappos.com identified its softest targets and stole the business from formerly worthy competitors. To wit, Payless ShoeSource had closed 218 stores by 2009.

Guess what else happened? Zappos.com was purchased by the company that inspired its business model. In July 2009, Amazon.com bought Zappos for \$928 million.

The same take-it-from-your-competition strategy was used by home electronics industry behemoth Best Buy. Recognizing that its largest competitor, Circuit City, had a customer service Achilles' heel, Best Buy painted its target and devised a strategy. Through a studied regimen of offering extreme customer service—and by installing a new employee work model (called ROWE, which we'll discuss in detail later in this book)—Best Buy applied so much market pressure that Circuit City was forced to shut down 567 stores. Others fell as well: Sam Goody buttoned

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up 340 locations, and Good Guys lost 71. Even Crazy Eddie succumbed, with more than 40 closures. Best Buy performed a serious, tactical theft of market share that resulted in significant and lasting company growth.

### Who Says Geeks are Meek?

The companies who specialize in computer data storage, storage clouds, visualization, and so on, work in what some call a brutally competitive, one trillion dollar market. Leaders in this industry include EMC, IBM, Hitachi Data Systems, 3PAR, NetApp, Brocade, and at least a dozen others. But don't kid yourself. These companies are on fire; some growing from 20 to 50 percent in 2010. With that much money at stake, these storage sharks can smell blood several continents away.

I attended a meeting where Data Storage Company "A" announced, without apology, that they were targeting the biggest money customers in the world—and laying out the tactics necessary to win market share from giant Data Storage Companies A, B, C, D, and E. They had grown nearly 30 percent during the recession and were intent upon world domination. They also wanted to emphasize extreme customer attention matters . . . in that their current clients were equally vulnerable to a takeover.

As an example, a senior executive told the crowd of 2,000 salespeople that Data Storage Company "B" had been taking "secret" meetings with one of Storage Company "A's" biggest customers. When Storage Company "A" found out, they went to Defcon 1 (in military terms, Defcon 1 is the highest level of defense: it literally means "pistol cocked—war is imminent"). Company "A" took this threat seriously and were not about to lose this major customer without a fight.

Company “A” calmly got their client to give them a grace period to defend their work. During this time-out, Company “A” put 20 of their smartest people in a room to hammer out what it would take to retain the business. No ethics were breached. Just plain old-fashioned shoulder-to-shoulder creativity and high-level honing of their value proposition. After all, this was war.

In the end, Storage Company “A” was able to keep the client. But it was a blaring \$100 million dollar wake up call for them to remain ever vigilant and informed about their clients’ needs. (And, when possible, be more anticipatory.)

For you, this is an object lesson in exactly how fragile your market can be. There are no guarantees your best customer and clients will stay with you forever. Their needs change. Sometimes overnight. Their management team may change and old friends like working with old friends. If your clients detect even a tinge of feelings taken for granted (or unloved by you) they *will* listen to your competitor’s offer.

Please insist that your sales team read this story. The longevity of your company and their individual paychecks depend upon retaining hard won customers. We can never be complacent with people who pay us money because in order to score more market share it’s not enough to take business away from a competitor. You must be ready to competitively defend your reason for living—so you don’t grow lazy enough to lose your invaluable current clients.

### **Grabbing Share Is *Not* a Cakewalk**

In all of the preceding cases, the organizations that acquired more market share took the process very seriously

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and approached it very deliberately. Each one started with a financial target and identified specific competitors. They knew the realistic size of the opportunity. They designed a timeline, a strategy, and a set of variable tactics to take some of that business away from their competitors.

However, it's equally critical to understand that even the best-executed plans don't *automatically* win market share. No matter what the strategy, they have to *earn* the business. In order to do so, the winners had to do a better job than their competitors with regard to customers, team members, products, services, marketing—and keep themselves open to course corrections when new information became available.

Chapter 2 offers a more surgical approach. You'll learn exactly who and what you need to study in order to get more market share. But for now, let's build a foundation.

### Homework

- ◆ Which of your competitors have a vulnerable market share?
- ◆ What is a realistic percentage increase you could expect?
- ◆ What would be the projected timeline to accomplish such a “heist”?
- ◆ How much overall revenue would that percentage of market share represent?
- ◆ How much will it cost you in cash, workers, and other resources to achieve that percentage?
- ◆ Can you get the rest of your team on board? If not, what can you do to convince them? (Here's an idea: Send them this book!)