

Estimating Your Market Share

By Joshua Candamo

Your market share is the portion of the total available market that is being serviced by your business. The strong positive relationship between market share and profitability has been widely recognized by executives and consultants in corporate America. Sales figures are a performance indicator of a business, but not an indicator of performance with relation to competitors. That's why market share is one of the most important metrics of performance you could ever use. The pet care industry traditionally focuses on internal metrics like satisfaction, loyalty, and revenue growth; however, all internally focused metrics can be deceiving... Why? Your clientele could be happy, while the business could be way below par in relation to the competition.

In general, increasing market share is desirable, but that's not always true. For instance, to increase market share investments might be needed to increase capacity or productivity, which could lead to lose of profitability if the capacity ends up unutilized. At times decreasing market share could be desirable. For example, dropping unprofitable customers can improve overall profitability by focusing resources on the customers who matter most.

The market share estimate is given by:

$$\text{Market Share} = \frac{\text{Current Customers}}{\text{Total Market Customers}}$$

Current customers are those active within a given period of time. Finding current customers is an easy task, but estimating the total market is a bit trickier.

The population of the United States on April 2000, based on the US Census Bureau, was 281,421,906. The population estimate for 2007 is 301,139,947 (a 7% increase from 2000) and for the year 2010 the estimate is 309,162,581 (a 2.66% increase from 2007).

Let's estimate the total number of households in Apex, North Carolina. You can easily get population estimates at the US Census Bureau website

<http://factfinder.census.gov>. Just enter the desired city or zip code. The population in the last census was 20,212 in Apex, NC. In general, we can determine rough local estimate statistics from national averages. The household average size from the 2004 American Community Survey is 2.6. To find the estimated current total number of households use:

$$\text{Households} = \left(1 + \frac{\text{Grow \%}}{100}\right) \frac{\text{Population}}{\text{Household Avg Size}}$$

$$\text{Households}_{2007} = \left(1 + \frac{7}{100}\right) \frac{20212}{2.6} = 8318$$

The Census Bureau website also provides additional social and economic demographic characteristics statistics for the area of interest.

Race and ethnicity statistics include important profiling descriptions of current or potential customer base. Using the census data, 7.5% African American, 4.3% Asian, and 3.2% Latinos live in Apex. Adding up all these minorities, the total corresponds to about 15% of all the households in Apex.

Income statistics are particularly interesting and useful. In Apex, the median family income was \$71,052 in 1999. Using the historical consumer price index, we can adjust for inflation and determine how much would be equivalent for May 2007, using the following:

$$\text{Income}_{\text{May-2007}} = 1.248193(\text{Income}_{1999})$$

$$\text{Income}_{\text{May-2007}} = 1.248193(71052) = \$88,686$$

Useful statistics of interest to the pet care industry are shown in the following table:

National Household Statistics

Household Type	Percentage
Family Households	68.1
Married Couple	51.7
Female only, no husband present	12.2

Non-Family Households	31.9
Householder living alone	25.8
Householder 65 yrs or older	9.2
Households with person 65 yrs or older	23.4

For instance, the estimated number of family households in Apex is:

$$\text{No. Family Households}_{2007} = \frac{68.1(8318)}{100} = 5664$$

Now let's look at the pet's side. In 2002, based on American Veterinary Medical Association, 31.6% and 36.1% of households own cats and dogs respectively. On average nationally, there are 0.58 dogs and 0.66 cats per household in the United States. Additionally, 58.3% of all American households have at least one pet, and 60% of them own more than 1 pet.

Let's work out a couple of examples. The estimated number of households in Apex with at least one dog in 2007 is:

$$\frac{36.1(8350)}{100} = 3002 \text{ households}$$

How many new households with at least one dog can we expect to see in Apex within the next 3 years? Using the national trend we roughly estimate:

$$1.285(3002) - 3002 = 855 \text{ households}$$

To find the market share of dog owners serviced by your pet care facility in a given year, just divide the number of dog owners that visited during that year by the number of households with at least one dog in the same year.

$$\text{Market Share} = \frac{900}{3002} = 0.29 = 29\%$$

Market Share can also be used in order to set business performance benchmarks or future goals. For example, if there will be approximately 221 new households in Apex in the next 3 years, roughly there will be 73 new

households in 2007. Our goal for a 30% market share is to have 21 new customers, only from new people moving into town.

Identifying opportunities for growth need to become a common practice in the pet care industry. Clearly, revenues and profit margins must also be tracked in order to determine the value of your market share. Even if current performance is acceptable, it's important to always be in the look for ways to develop. Otherwise, you risk your competitors to grow and take away from your share of the market.

About the Author



Joshua Candamo has been involved in the boarding kennel industry, breeding, and show handling all his life. Mr. Candamo is a Computer Science PhD candidate at the University of South Florida, working in the areas of Artificial

Intelligence, Pattern Recognition, and Computer Vision. Joshua has been invited all over the United States to give seminars about applying technology and statistics to the boarding kennel industry, and talks about his research applications.