

## Market Share Probability Chain

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## Customers Flow through Purchase Process Probability Tree

- 100% of Your Potential Served market
- % Aware of Your Brand
- % Prefer Your brand
- % Intention To Buy Your Brand
- % Find Your Brand (Product Availability)
- % Purchase Product (Market Share)

## Customers Flow through Probability Tree

- 100% of Potential Served Market
- % Aware of Your Brand
- % Prefer Your brand
- % Intention To Buy Your Brand
- % Find Your Brand
- % Potential Purchased Product (Market Share)



## Customers Flow through Probability Tree

- 100% of Potential Served Market
- % Aware of Your Brand
- % Prefer Your brand
- % Intention To Buy Your Brand
- % Find Your Brand
- 25% Potential Purchased Product (Market Share)

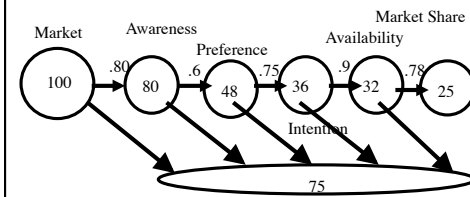


## Customers Flow through Probability Tree

- 100% of Potential Served Market
- 80% Aware of Your Brand
- 48% Prefer Your brand
- 36% Intention To Buy Your Brand
- 32% Find Your Brand
- 25% Potential Purchased Product (Market Share)



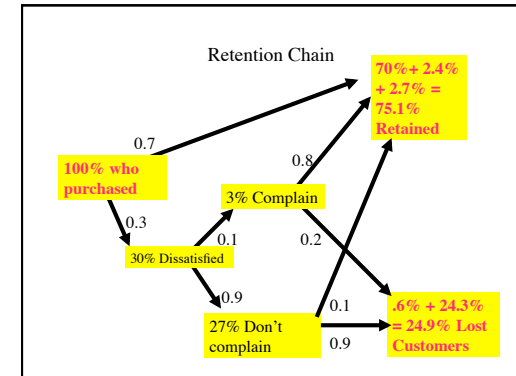
## Flow of 100 Potential Customers



### To improve Market Share

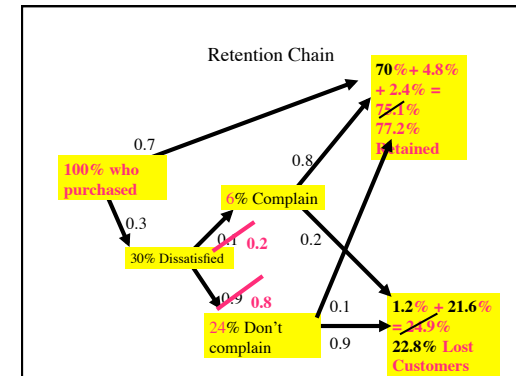
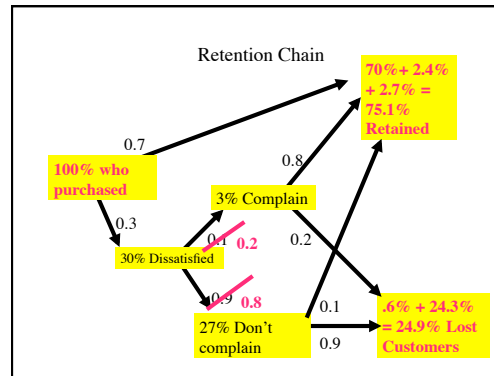
- Share =  $.8 \times .6 \times .75 \times .9 \times .78 = 25\%$
- In Your Dreams =  $1 \times 1 \times 1 \times 1 \times 1 = 100\%$
- Let's Work on POP promotions.  
Share =  $.8 \times .6 \times .75 \times .9 \times .94 = 30\%$
- Work on Advertising to build awareness
- Share =  $.9 \times .6 \times .75 \times .9 \times .78 = 28.4\%$

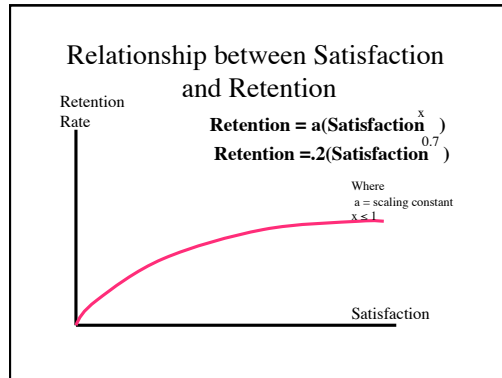
### The Chain can be expanded to Handle Retention and Satisfaction



### Improve Retention

- You improve your complaint gathering procedures and the number of complaints doubles.
- What is your new retention rate?





Current Satisfaction is 6.  
What is the retention rate?  
What is the life of a customer?

**Retention = a(Satisfaction<sup>x</sup>)**  
**Retention = .2(Satisfaction<sup>0.7</sup>)**

**Retention = .2(6<sup>0.7</sup>)**  
**Retention = .2 (3.505) = 0.701**

Life = 1/(1-retention rate) = 1/ (1-.701)

Life = 1/(1-retention rate) = 1/ (0.299) = **3.34 years**

Current Satisfaction is improved to 7.  
What is the new retention rate?  
What is the new life of a customer?

**Retention = a(Satisfaction<sup>x</sup>)**  
**Retention = .2(Satisfaction<sup>0.7</sup>)**

**Retention = .2(7<sup>0.7</sup>)**  
**Retention = 0.781**

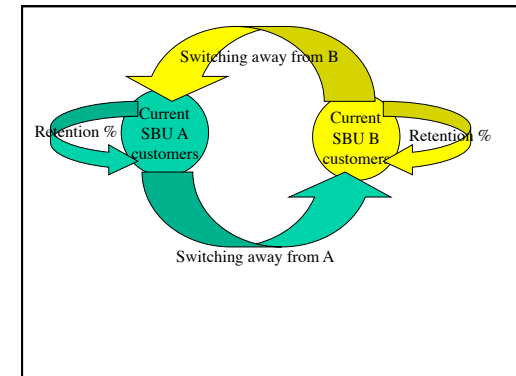
Life = 1/(1-retention rate) = 1/ (1-.781)

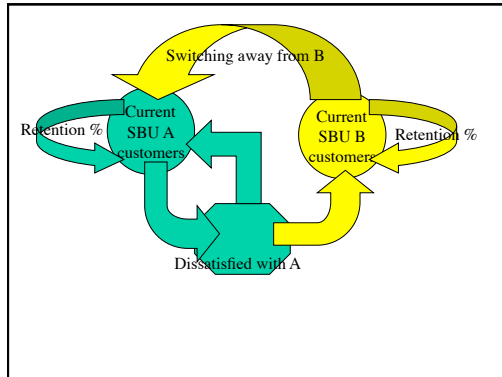
Life = 1/(1-retention rate) = 1/ (0.219) = **4.566 years**

### Implication

- A small increase in satisfaction results in a large change in the expected life of the customer and the value of the account.

### Expanding the Switching Matrix





Any Questions?