

Using Market Concentration (Market Shares)

Review the following table, which shows the unit market share and the market concentration for a market with 15 brands in the marketplace - and then answer the questions at the end.

Brand	Unit Sales	Unit Market Share	Market Concentration
A	10,000	25.0%	
B	9,000	22.5%	
C	5,000	12.5%	Top 3 brands/firms 60.0%
D	4,000	10.0%	Top 4 brands/firms 70.0%
E	3,000	7.5%	Top 5 brands/firms 77.5%
F	2,000	5.0%	
G	1,000	2.5%	Herfindahl Index 0.151
H	1,000	2.5%	
I	1,000	2.5%	Herfindahl Index Minimum 0.067
J	1,000	2.5%	
K	1,000	2.5%	
L	500	1.3%	
M	500	1.3%	
N	500	1.3%	
O	500	1.3%	

Student Discussion Questions

- Given that there are 15 brands in this market, do you think that there is a heavy, medium or light degree of market concentration in this market?
- Which metric - for a 15 brand market - is more suitable for measuring market concentration (top 3, 4 or 5 brands)?
- Would your choice of the most appropriate metric for market concentration (from Q2) make a significant difference to your response to Q1 above?
- How is the Herfindahl index measured? What advantage does this index have over the other market concentration metrics?
- If a market is heavily concentrated - then what are the marketing implications for:
 - retailer/distribution access,
 - role of brand equity, pricing,
 - product range/mix?
- How can a smaller player/brand successfully compete in a highly concentrated market?