### MARKET SHARE WORKSHEET

Review the following table, which shows the unit market share and the revenue market share for the five brands in the marketplace – and then answer the questions at the end.

<table>
<thead>
<tr>
<th>Brand</th>
<th>Unit Sales</th>
<th>Unit Market Share</th>
<th>Sales Revenue</th>
<th>Revenue Market Share</th>
<th>Price Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10,000</td>
<td>32.3%</td>
<td>10,000</td>
<td>30.3%</td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>9,000</td>
<td>29.0%</td>
<td>11,000</td>
<td>33.3%</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>5,000</td>
<td>16.1%</td>
<td>6,000</td>
<td>18.2%</td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>4,000</td>
<td>12.9%</td>
<td>4,000</td>
<td>12.1%</td>
<td></td>
</tr>
<tr>
<td>E</td>
<td>3,000</td>
<td>9.7%</td>
<td>2,000</td>
<td>6.1%</td>
<td></td>
</tr>
</tbody>
</table>

1. Which brand is the market leader according to UNIT market share?

2. Which brand is the market leader according to REVENUE market share?

3. Why is there a difference between these market share rankings?

4. What is the total unit sales volume of this market?

5. What is the average sales revenue volume of this market?

6. Do you think it would be better to be the UNIT or the REVENUE market share leader? **Why?**

7. Use the Price Premium information on the back side of this document to calculate the Price Premium for each brand above.
   - A-
   - B-
   - C-
   - D-
   - E-
   Which brand has the highest Price Premium?

8. What does the price premium tell us about the relative strength of the brands?
WHAT IS THE PRICE PREMIUM METRIC?

Price premium refers to the brand’s price to the consumer relative to a key competitor’s price or relative to the average price charged in the marketplace.

This particular marketing metric is often of interest to firms with strong brand equity that are looking to charge a price above the marketplace – and price premium is a metric that compares the brand’s price to key competitors. It would also be of interest to brands that tend to price their products at a discount to most other competitors in the marketplace.

The price premium metric is also an important marketing metric when there are frequent pricing changes in the market, and price points are far more dynamic. This may occur in industries where there is seasonality, substantial use of sales promotions and discounting, or other frequent special offers.

PRICE PREMIUM AS AN INDEX

The output of price premium is expressed as index. For example, 1.20 indicates that the brand has a price premium of 20% (above the market), whereas the 0.75 indicates that the brand sells at 25% below the average price.

Therefore, do not be confused with the terminology of “price premium” as some brands will sell below the market price, effectively as a discount to their competitors.

PRICE PREMIUM CALCULATION USING MARKET SHARES

The easiest way to calculate price premium is to have access to both revenue market shares and unit market shares. If this information is available, then the formula for price premium is as follows:

\[ \text{Price premium} = \frac{\text{revenue market share}}{\text{unit market share}} \]

As an example, if a brand has a 25% revenue market share and a 20% unit market share, then their price premium would be \( 25\%/20\% = 1.20 \) – indicating that they have a 20% price premium over the marketplace.

As another example, a brand that has a 10% revenue market share and a 20% unit market share would have a price premium = \( 10\%/20\% = 0.50 \) – indicating that they have a price that is 50% below the average in the market.