

Investigating the Effect of Firm Strategy on the Profit Impact of Market Share and Firm Size

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Abstract

Most managers believe that market share is economically valuable, and many firms set goals to assess their performance accordingly. The advantages the firm gains from increases in market share are theorized to be similar to that gained through increases in firm size; and to gain market share, firms often need to grow in size. Yet, whether both market share and firm size are equally valuable in terms of their impact across firms remains unclear. In this study, we examine variance in the economic value (profit) of firm market share and size over a long time period in a large sample of U.S. markets. We find that the profit impact of market share is independent of that obtained from firm size. We also find that the profit impact of both market share and firm size vary widely across firms and show that this is because it is contingent on the business strategy the firm adopts.

Keywords: *Size; Share; Strategy*

Track: Marketing Strategy & Theory