



"STRATEGIES FOR MARKET LEADERS. A CROSS-INDUSTRY ANALYSIS TO DETERMINE THE MOST EFFECTIVE STRATEGIES TO MAINTAIN MARKET SHARE FOR LEADERS IN MATURE INDUSTRIES"

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How can leaders maintain their leadership in mature industries? What are the most effective strategies they should adopt? Product Innovation is the clear answer to such questions.

This is what emerges from the analysis of 36 global market leaders in 34 different mature industries in the last 5 years (2015-2019).

Specifically, the research aims to understand which strategies award leaders a faster pace than their industries; that is, which strategies are effective to maintain (or increase) market share in mature industries. We chose a specific metric to capture this: Net Growth, computed as the spread between leader's and industry's Year-Over-Year Sales growth rate.

The first step consisted in mapping all the possible top-line growth alternatives and cluster them in specific yet complete strategies. Hence, we identified seven strategies: Backward Integration, Forward Integration, Product Innovation, Promotion & Price Reduction, Industry Diversification, Entrance in New Geographies, Development of New Brands.

We then needed to understand which strategies have been adopted by the leaders. To do so, we examined their Annual Reports (149 in total) and we linked their Net Growth performance with the adoption (or non-adoption) of the studied strategies.

The analysis encompassed regression models and analyses of means, and it clearly crowned Product Innovation as the most effective. Indeed, leaders that provide new or augmented products or services (i.e. they innovate) enjoy a higher sales growth rate than the whole industry, hence strengthening their leadership. Moreover, the benefit of such a strategy is not limited to the year of adoption: innovating leaders consistently outperform the market in the following years.

Additionally, a further element emerges from the conducted research: the concept of the market leader's disadvantage. This consist of the fact that being a leader is by no means associated per se with faster growth than the overall market, but it is the opposite. Indeed, such a concept states that if leaders do not apply any of the studied strategies, they are doomed to see their market share decreasing.

The main implication of such an analysis is simple yet powerful: market leadership is a dynamic and unstable equilibrium. The leader has no guarantee it will remain so, and its leadership position does not ensure higher revenue growth per se. On the contrary, if mature leaders do not actively adopt top-line strategies, they are doomed to grow at a slower pace than their followers, jeopardizing their leadership. Therefore, we may affirm that leaders need to fight every day to keep their leading position. In other words, leaders and followers all compete in a race where every day and every year they begin from the starting blocks, and whoever came first the previous year carries only the fame, which is of no actual support in racing. During this fight in the competitive arena, leaders have several weapons at their disposal (i.e. different strategies), but this research project assessed that, in mature industries, the most effective is the most dangerous too, the weapon which may kill the leader and its business: Product Innovation.

In fact, such a strategy encompasses both incremental and disruptive innovation. Although the former is not usually linked to new and revolutionary business models, the latter is. In other words, just like any other player in the industry, leaders need to compete to win, but, more than their competitors, they also need to be ready to sacrifice part of their product portfolio for the sake of innovation. Then, borrowing the famous sentence contained in *The Leopard* by *Giuseppe Tomasi di Lampedusa*, leaders of mature industries should fiercely bear in mind that sometimes "everything must change so that everything can stay the same".