



**Business Virtual Learning**

# **HS/Marketing**

**April 23, 2020**



## Lesson Topic - Understanding Market Share

### Objective/Learning Target:

Lesson: April 23

1. Understand contribution margin
2. Calculate contribution margin
3. Understand and analyze market share

# Contribution Margin

Contribution margin, or dollar contribution per unit, is the selling price per unit minus the variable cost per unit.

"Contribution" represents the portion of sales revenue that is not consumed by variable costs and so contributes to the coverage of fixed costs.

## Formula:

Contribution Margin = Sales price per unit – Variable costs. (79.99 – 11.99 = 68) \$68 is the *contribution margin*.

This is the amount of revenue available to pay the fixed costs for a business.

# Example:

A start-up company has the following expenses:

Rent = \$1,100

Utilities = \$265

Material and assembly of product = \$12.65 per unit

Monthly labor = \$625

Which are fixed costs?

Which are variable costs?

If its product sells for \$29.99 per unit, how many units must it sell to break even?

$$\frac{1990}{(29.99-12.65)} = \frac{1990}{17.34} = 114.76 \text{ or } 115$$

# Goals of Pricing

**Gaining Market Share**

**Return on Investment**

**Meeting the Competition**

# Gaining Market Share:

**When a business is trying to take business away from its competition, it is trying to increase its market share.**

**Market share** is a percentage of the total sales volume generated by all competitors in a given market.

# Understanding Market Share

Go to the investopedia website

(<https://www.investopedia.com/terms/m/marketshare.asp>) watch the video and read through the article.

# Market Share

Market share is the portion of a market controlled by a particular company or product.

## Market Share Formula

$$\text{Market Share} = \frac{\text{Total Sales of the Company}}{\text{Total Sales of the Market}} \times 100$$

$$\text{Market Share} = \frac{\text{Total Number of Units Sold by the Company}}{\text{Total Number of Units Sold in the Market}} \times 100$$



# Market Share Formula– Example #1

Take the example of a beverage company that has recently launched a new line of non-alcoholic beers. Last year the company booked total sales of \$50 million. Calculate the market share of the company if the total market size of the non-alcoholic beverage industry is \$500 million.

	A	B
4		
5	Particulars	Value (million)
6	Total Sales of the Company	\$50
7	Total Sales of the Market	\$500
8		

**Answer:  $50/500 = .1 \times 100 = 10\%$**

# Market Share Formula– Example #2 - your turn!!

Take the example of four companies – company A, company B, company C, company D, that form the entire industry. During Fiscal Year 19 (FY19), company A, B, C, and D clocked total sales of \$55 million, \$75 million, \$35 million and \$45 million respectively. calculate the market share of each company based on the available information.

**Email your teacher your answer showing how you figured the answer. Feel free to create a google slide with formulas if you know how to do that**

	A	B
5		
6	Particulars	Value (million)
7	Total Sales of the Company A	\$55
8	Total Sales of the Company B	\$75
9	Total Sales of the Company C	\$35
10	Total Sales of the Company D	\$45
11		