

The market share model that I decided to create was with regards to the market leaders when it comes to infant formula in the United States.

According to IBIS, the top 3 companies with the top market share are:

1. Similac (Abbott Laboratories) 48.1%
2. Enfamil (Mead Johnson) 20%
3. Perrigo PLC 11.6%

Perrigo is the company that manufactures a lot of store brand formulas. To help me conceptualize this example that includes formulas branded by a few stores, I considered the Up and Up brand from Target.

The decision factors that I considered were:

1. Price
- ~~2. Nutrition~~
3. Sensitivity
4. Spit Up Reducers
5. Anti-Colic
- ~~6. Taste~~
7. Packaging
 - a. Powder Box
 - b. Powder Packets
 - c. Premade liquid
8. Volume
9. Organic
- ~~10. Pediatrician Guidance~~
11. Reputation
12. Advertising
13. Internet Rankings

It was interesting because many of these factors had to be eliminated due to them being the same. For Similac and Enfamil, even more of these were the same, BUT because the answers would be different for the store brand/generic company, I was able to keep those decision factors.

However, I needed to take a few minutes to think about how I would differentiate between Enfamil and Similac. If they were mostly the same for these decision factors, how was I to get a result that would be anything close to the market share difference of about 18% market share? After researching around, I discovered something big: the stakeholders were a major factor in the market share of formula.

The stakeholders in this example are:

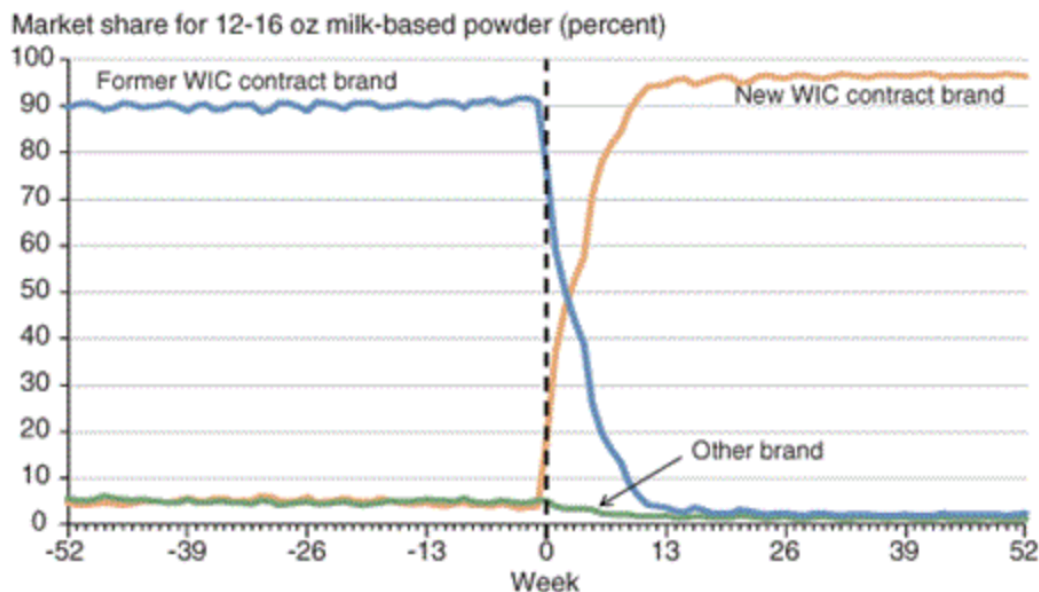
1. WIC

2. Hospitals
3. Consumers

A key point is that WIC is the largest purchaser of formula in the United States and has a huge impact on market share. According to a paper by the Economic Research Service in the U.S. Department of Agriculture:

- “estimated that 57-68% of all infant formula sold in the United States in 2004-06 was purchased through WIC.”
- “When a state switches its WIC contract to a different manufacturer, the market share of the new brand increases dramatically.”
- “California--the State that serves the largest number of WIC infants--switched its WIC contract brand from Abbott to Mead Johnson in August 2007. The impact of this change on market shares of milk-based powder in 12-16 oz containers was dramatic. Abbott's market share in the State fell from about 90 percent in the year before the contract change to about 5 percent in the year after the change. On the other hand, Mead Johnson's market share increased from about 5 percent to about 95 percent.”

In California, the market share of the new WIC formula brand jumped to 95 percent following August 2007 contract change

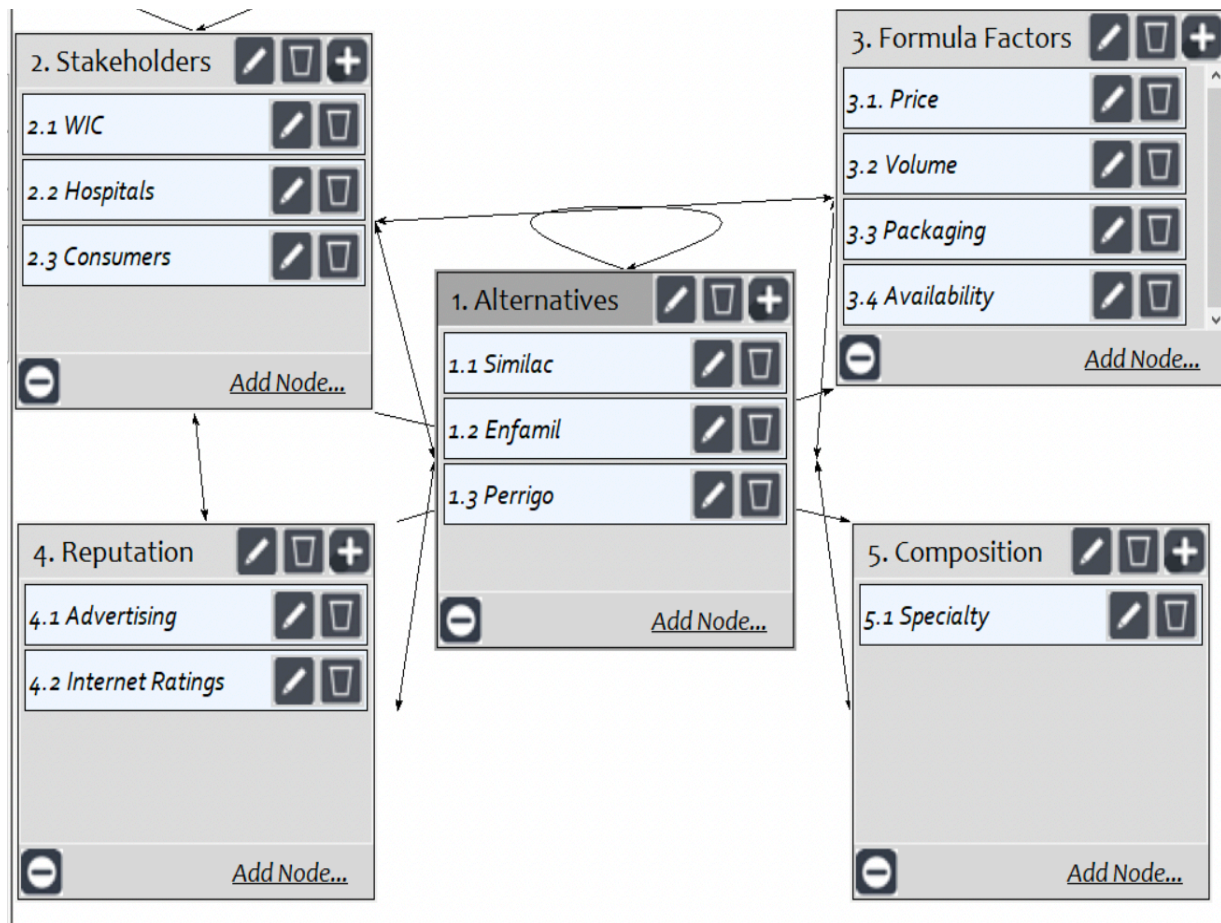


Notes: The week the contract changed was designated as week 0 (indicated by the dashed line), and the other weeks were numbered sequentially from that point. For example, week -26 refers to 26 weeks *prior* to the change and week 26 refers to 26 weeks *after* the change.
Source: USDA, Economic Research Service calculations based on Nielsen supermarket scanner data.

Clearly, from the above, WIC as a stakeholder would play a huge role in market share. The current formula supported by WIC is Similac. So I needed to note this. Hospitals are also major

purchasers of formula. However, it was much more challenging to determine which hospitals purchase what. From research, it seemed that the number 1 purchased formula by most hospitals was Similac. Many hospitals also purchased Enfamil. Because Perrigo is store brand formulas, they were never purchased by hospitals.

After removing the decision factors that were the same among all formula companies, I grouped the decision factors into clusters. My network is below.



I connected the alternatives to all the decision factors and the decision factors back to the alternatives. Other connections included Hospitals to Consumers as hospitals influence consumers with regards to formula. I connected WIC to advertising and availability since whichever formula they choose benefits from being advertised as the WIC product. This requires it to be advertised in specific ways and to be available.

I connected Similac to Perrigo, and I also connected Enfamil to Perrigo. Because branding matters in this industry, the Similac and Enfamil name are big factors in the consideration of factors impacting market share. Some consumers might buy Enfamil simply because it is a brand name vs. a generic formula created by a store.

Other connections were:

- Price to WIC and Hospitals
 - When it comes to purchasing these products, market price is the main factor in why WIC and hospitals choose the formula company they partner with.

When making judgements, I viewed each alternative and considered: With respect to Similac, which is the most important formula factor so far as gaining marketing share is concerned? With respect to Enfamil, which is the most important reputation characteristic as far as market share is concerned?

Graphical Verbal Matrix Questionnaire Direct

Comparisons wrt "1.1 Similac" node in "3. Formula Factors" cluster

3.1. Price is equally to moderately more important than 3.2 Volume

1.	3.1. Price	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con
2.	3.1. Price	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con
3.	3.1. Price	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con
4.	3.2 Volume	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con
5.	3.2 Volume	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con
6.	3.3 Packagin~	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No con

Normal

Hybrid

Inconsistency: 0.19544

3.1. Price		0.42118
3.2 Volume		0.08987
3.3 Packa~		0.16284
3.4 Avail~		0.32611

The other comparisons considered the factors vs the alternatives. With regards to packaging options, which formula company has the better packaging options? And by how much? Moderately more, more, a lot more? In the example below, you can see that Perrigo is much worse than Similac and Enfamil. This is because Perrigo products usually only come in powder. They do not come in premade liquid, individual packets, and multiple sizes like Similac and Enfamil.

Comparisons wrt "3.3 Packaging" node in "1. Alternatives" cluster																					
1.1 Similac is equally as important as 1.2 Enfamil																					
1.	1.1 Similac	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No comp.
2.	1.1 Similac	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No comp.
3.	1.2 Enfamil	>=9.5	9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	>=9.5	No comp.

Inconsistency: 0.00000	
1.1 Similac~	0.45455
1.2 Enfamil~	0.45455
1.3 Perri~	0.09091

After making all the comparisons, I synthesized the report and got the below.

Name	Graphic	Ideals	Normals	Raw
1.1 Similac		1.000000	0.567661	0.220540
1.2 Enfamil		0.461137	0.261770	0.101699
1.3 Perrigo		0.300477	0.170569	0.066267

And here are the priorities.

Here are the priorities.				
Icon	Name		Normalized by Cluster	Limiting
No Icon	1.1 Similac		0.56766	0.220540
No Icon	1.2 Enfamil		0.26177	0.101699
No Icon	1.3 Perrigo		0.17057	0.066267
No Icon	2.1 WIC		0.48683	0.151336
No Icon	2.2 Hospitals		0.24721	0.076847
No Icon	2.3 Consumers		0.26596	0.082675
No Icon	3.1. Price		0.30537	0.047329
No Icon	3.2 Volume		0.06285	0.009741
No Icon	3.3 Packaging		0.09406	0.014579
No Icon	3.4 Availability		0.53772	0.083341
No Icon	4.1 Advertising		0.33453	0.048722
No Icon	4.2 Internet Ratings		0.16521	0.024062
No Icon	5.1 Specialty		0.50026	0.072861

To determine how close my priority vector would be to the actual priority vector of the companies, I found the compatibility index.

Market Share Normalized Values	Superdecision Normalized Values	Compatability Index
.60351	.567	
.25094	.261	1.008
.14555	.171	

Because the value is relatively close to one, this is a good sign as the farther from 1, the less close the vectors.

One way that I would improve my model in the future is to consider adding a category called rebates. Price is the factor that greatly influenced stakeholders. However, the price paid by consumers is not equal to the price paid by WIC. Perrigo's prices are better, but I needed to ensure that Similac's prices were closer than where I would have like them since Price was weighted so heavily. Perhaps by adding a characteristic like rebates that has heavy weight, it would allow me to capture the different prices that are experienced by each stakeholder.