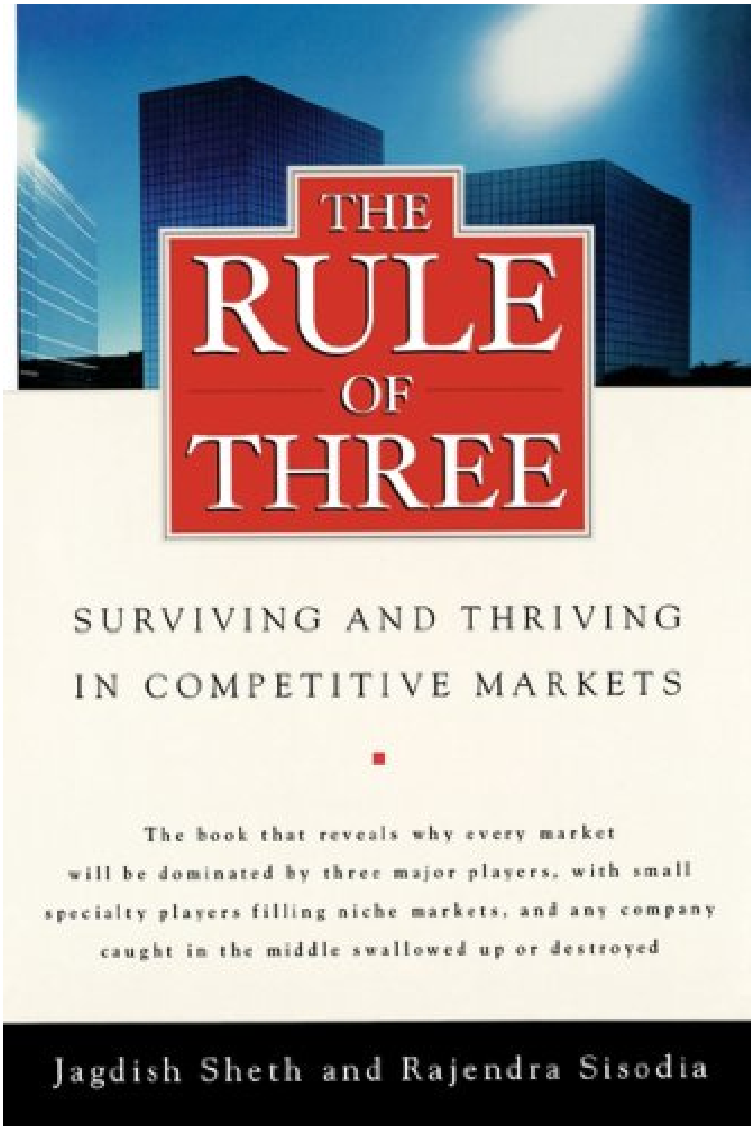
The Rule of Three: Surviving and Thriving in Competitive Markets

Jagdish Sheth, Rajendra Sisodia



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Jagdish Sheth, Rajendra Sisodia : The Rule of Three: Surviving and Thriving in Competitive Markets before purchasing it in order to gage whether or not it would be worth my time, and all praised The Rule of Three: Surviving and Thriving in Competitive Markets:

1 of 1 people found the following review helpful. Simple but powerful conclusion for fairly mature industriesBy JackalI came to this book through the article "An Empirical Examination of the "Rule of Three": Strategy Implications for Top Management, Marketers, and Investors" in an academic journal. The authors of the article are testing some of the ideas in the book and they find support for the conclusions in the book.The book's key thesis is that mature markets with three big companies are the most profitable. Two big companies are no good because they will not be innovative.

Four big companies are not good because they will not have big enough scale economies. The number 3 is supposed to rule in all industries.The evidence in the book is qualitative case studies and the book is written in a very informal management style. I would have liked much more rigour, but at least the ideas in the book have largely been validated by a more robust study. In some cases the book is straightout annoying because everything is shoehorned into fitting their rule of three. The book is also annoying because the authors' fact checking is so poor. There was no Nordic Telecom driving the GSM standard. William Hill and Ladbrokes are not publishing houses. They are betting houses. So many detailed facts are wrong. Such sloppiness is not acceptable.The chapter on the strategy of #1, #2, and #3 is especially well written and interesting. The chapter on the strategy of niche players is poor. The final chapter on disruption is an afterthought and very poor.Three stars because I think the authors are onto something. Reduction in points for shoehorning and getting so many facts wrong. Recommended if you read a lot in the area.0 of 0 people found the following review helpful. CEO's need to read thisBy Wayne LynnThis book has been around for a while but I just heard about it a couple of months ago. I read it because someone who read a white paper I wrote on What THey Think.com suggested it.The reason most CEO's would benefit from reading it is that the book does a good job of summing up what is happening to the markets of industries that are maturing and consolidating. THe authors not only explain this phenomenon but prescribe helpful advice for wherever you find yourself in a consolidating industry. It was worth my time.0 of 0 people found the following review helpful. Two StarsBy jbrewer3Old - not current or relative now

Name any industry and more likely than not you will find that the three strongest, most efficient companies control 70 to 90 percent of the market. Here are just a few examples: McDonald's, Burger King, and Wendy's General Mills, Kellogg, and Post Nike, Adidas, and Reebok Bank of America, Chase Manhattan, and Banc One American, United, and Delta Merck, Johnson Johnson, and Bristol-Myers Squibb Based on extensive studies of market forces, the distinguished business school strategists and corporate advisers Jagdish Sheth and Rajendra Sisodia show that natural competitive forces shape the vast majority of companies under "the rule of three." This stunning new concept has powerful strategic implications for businesses large and small alike. Drawing on years of research covering hundreds of industries both local and global, The Rule of Three documents the evolution of markets into two complementary sectors -- generalists, which cater to a large, mainstream group of customers; and specialists, which satisfy the needs of customers at both the high and low ends of the market. Any company caught in the middle ("the ditch") is likely to be swallowed up or destroyed. Sheth and Sisodia show how most markets resemble a shopping mall with specialty shops anchored by large stores. Drawing wisdom from these markets, The Rule of Three offers counterintuitive insights, with suggested strategies for the "Big 3" players, as well as for mid-sized companies that may want to mount a challenge and for specialists striving to flourish in the shadow of industry giants. The book explains how to recognize signs of market disruptions that can result in serious reversals and upheavals for companies caught unprepared. Such disruptions include new technologies, regulatory shifts, innovations in distribution and packaging, demographic and cultural shifts, and venture capital as well as other forms of investor funding. Years in the making and sweeping in scope, The Rule of Three provides authoritative, research-based insights into market dynamics that no business manager should be without.

.com The Rule of Three, by Jagdish Sheth and Rajendra Sisodia, offers an innovative take on corporate development that could help leaders put their own operations into a new context that improves competitive strategies and boosts market performance. Sheth and Sisodia, consultants and marketing professors, base it on their contention that just three major players ultimately emerge in all markets--such as ExxonMobil, Texaco, and Chevron in petroleum, and Gerber, Beech-Nut, and Heinz in baby foods. These giant "full-line generalists" are eventually surrounded by smaller "specialists" who successfully concentrate on niche products (such as high-end audio gear) or niche markets (like fashions for professional women), along with midsized "ditch-dwellers" who struggle to reach an audience in between (like second-tier airlines that compete with goliaths on price and regionals on service). The authors examine this pattern of market evolution and the "radical disruption" that can occur when technology or regulation changes or a new entry "succeeds in altering the rules" (as Starbucks did by sneaking up on coffee's Big Three). Appendices present helpful examples of the way this has shaken out in various industries. --Howard RothmanFrom Publishers WeeklyBusiness school professors Sheth (Emory University) and Sisodia (Bentley College) argue forcefully that competitive forces, free of government interference or other special circumstances, will inevitably create a situation where three companies and only three will dominate any given market. Whether it's U.S. fast food restaurants (McDonald's, Burger King and Wendy's) or South Korean chipmakers (Goldstar, Hyundai and Samsung), three large firms hold most of the market share. To be successful, everyone else is forced to specialize either by product or market segment. Sure, there are the "Big Two" in U.S. soft drinks, and there really aren't three dominant advertising agencies but these are the exceptions that prove the rule. Markets, the authors explain, are inherently efficient, and efficiency's favorite number is three: two companies would lead to monopoly pricing or mutual destruction, while four guarantees consistent price wars. For managers who follow this logic, the implications are clear. Companies faced with three established competitors may want to battle them indirectly by specializing. Sheth and Sisodia also discuss strategies firms should pursue if they are one of the three major players in a field: e.g., the market leader should be a "fast follower" rather than a consistent innovator, while it's the job of the number three firm to create new products to stay competitive. While the writing veers toward the academic, senior managers of all types are bound to be intrigued by these arguments. Agent, Rafe Sagalyn. From Library JournalMarket position supposedly dictates business success, but consultants and marketing professors Sheth (Emory Univ.) and Sisodia (Bentley Coll.) here simplify marketing strategy by showing that the reverse is also true: business success determines market strategy. The title premise is that each industry has its "big three" dominant players its Ford, GM, and Daimler-Chrysler, for instance. Of course, because this is very much a study in forensics, the authors are able to fit the facts to the theory. It is far more difficult to play the strategy game in real time, and the "rule of three" is less likely to be operative in an emerging market. Still, with dot-coms reeling after the recent Internet business plague, a book on strategy is all the more welcome especially one that makes considerable use of examples and whose supplemental information should prove to be a valuable resource. Recommended for strong business collections. Steven Silkunas, Southeastern Pennsylvania Transportation Authority, Philadelphia