

# THE MARKET MAKERS

How Leading Companies Create and Win Markets

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**MAIN IDEA**

Market makers create and manage consumer markets for goods and services. They operate the market mechanisms of exchange, and create added value by providing confidence, convenience, market structure and transactional services. That is, market makers do whatever is required to lead their industry and win their markets.

Market makers operate from a position of strength, and out perform their competitors. Companies win their markets by building the most effective bridges between consumers and suppliers. This enables the market leader to become the focal point for the industry by continuing to introduce innovative transactions and by delivering superior performance. As a result, market makers achieve lower transactional costs, encourage innovation and stimulate economic growth for all companies within the market.

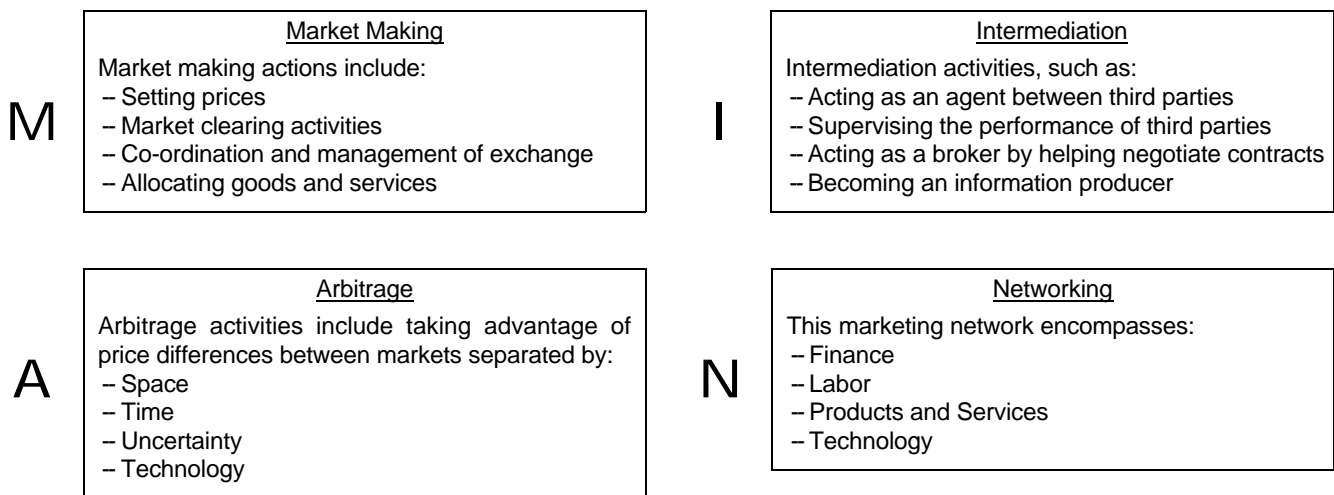
The greatest and most sustainable levels of profitability are achieved by companies which build and dominate new industries based around products and services they offer to consumers.

**1. THE VALUE OF WINNING MARKETS** . . . . . Page 2

Winning a consumer market is important enough to be the sole corporate objective. Any company that creates and wins a sizable mass consumer market maximizes its long-term value, thereby creating the greatest possible amount of incremental shareholder value, but these are flow-on effects from winning the market. The key to winning a market is to excel at building market bridges that connect customers and suppliers. The company that best achieves this creates and operates the market.

**2. THE STRATEGIC FRAMEWORK FOR WINNING MARKETS: BUILDING MARKET BRIDGES** . . . . . Pages 3 - 5

Creating and winning a consumer market is achieved by whichever company best creates market bridges between customers and suppliers through efficient business transactions. Market makers are intermediaries which create added value by building efficient market bridges which are composed of four components called the MAIN framework:



**3. MARKET MAKING STRATEGIES** . . . . . Pages 6 - 8

Corporate strategy includes determining which markets to enter and exit. Long-term success is built on a foundation of connecting supplier and customer markets in new and innovative ways.

The four basic forms of competitive market entry strategies are:

1. Go-between -- To provide a centralized exchange between buyers and sellers
2. Bring together -- To offer the convenience of one-stop shopping
3. Bypass -- To cut out middlemen and get closer to customers and suppliers
4. Connect -- To merge with suppliers or distributors

The four basic forms of indirect strategies are:

1. Economy of force -- Servicing unexploited market niches
2. undefended markets -- Identifying customer needs competitors do not presently anticipate satisfying
3. The path of least resistance -- Persuing a business approach which is sufficiently differentiated
4. The line of least expectation -- Surprising competitors through innovation, speed and deception.

Market participants can sustain a competitive advantage by acting for their customers and suppliers as:

1. A market maker -- Providing better deals and more coordination than competitors
2. An arbitrageur -- Moving faster than competitors to take advantage of temporary price differentials
3. An intermediary -- Reducing transactional costs for customers and suppliers
4. A network organizer -- Forging broader and stronger networks than competitors

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