



Chapter 3

Market Opportunity Analysis

e-Commerce Strategy Formulation Process

Six interrelated, sequential decisions to strategy:

Framing the
Market
Opportunity

Business
Model

Customer
Interface

Market
Communication
and Branding

Implementation

Measure
Performance

Market Opportunity Analysis

❑ *Issues addressed:*

- **Is market-opportunity analysis different for online firms?**
- **What are the two generic “value types”?**
- **What is the framework for market opportunity analysis?**
- **How do you identify unmet and/or underserved needs?**
- **How does a company identify the specific customers it will pursue?**

Market Opportunity Analysis

❑ *Issues addressed:*

- **How do you assess advantage relative to competitors?**
- **What resources does the company need in order to deliver the benefits of the offering?**
- **How do you assess readiness of the technology needed to deliver an offering?**
- **How do you specify opportunity in concrete terms?**
- **How do you assess the attractiveness of an opportunity?**

- ❑ ***Online opportunity analysis is different from traditional sectors because:***
 - **Competition can occur across industry boundaries.**
 - **Ex: Expedia.com offers air, hotel, and car travel options**
 - **Competition can occur between alliances of companies rather than between individual companies.**
 - **Ex: Amazon.com and Target.com**
 - **Competitive developments and responses occur at an unprecedented speed**
 - **Ex: Microsoft , Netscape**

- ❑ ***Online opportunity analysis is different from traditional sectors because:***
 - **Unique ways to bring value to consumers and change behavior.**
 - **Ex: online forms for obtaining real-time customer product specifications**
 - **Napster.com ,mp3.**
 - **Industry Value Chains and Value Systems are rapidly being reconfigured.**
 - **Ex: Dell.com , PC**

Traped Value

□ *Enhance Existing Value:*

- **Create more efficient markets by lowering searching and transaction costs.**
 - **Ex: Ebay.com**
- **Create more efficient value systems.**
 - **Ex: lowering employee , time , costs**
- **Enable ease of access.**
 - **Ex: 24/7 online customer service**
- **Disrupt current pricing power.**
 - **Ex: Priceline.com**

New to the world Value

□ *Creating New Value:*

- **Customize offerings**

- Ex: ebags.com , myyahoo

- **Radically extend reach and access**

- WebMD.com enables access to medical information

- **Build community**

- Ex; iVillage.com

- **Enable collaboration**

- Ex: MeetingWorks.com

- **Introduce new functionality or experience**

- Ex: coca cola , i.moode , vending machine

Market Opportunity Analysis Framework

1: Identify Unmet and/or Underserved Customer Need



2: Identify Specific Customers a Company Will Pursue



3: Assess Firm's Advantage Relative to Competition



4: Assess Firm's Resources to Deliver the Offering



5: Assess Market Readiness of Technology

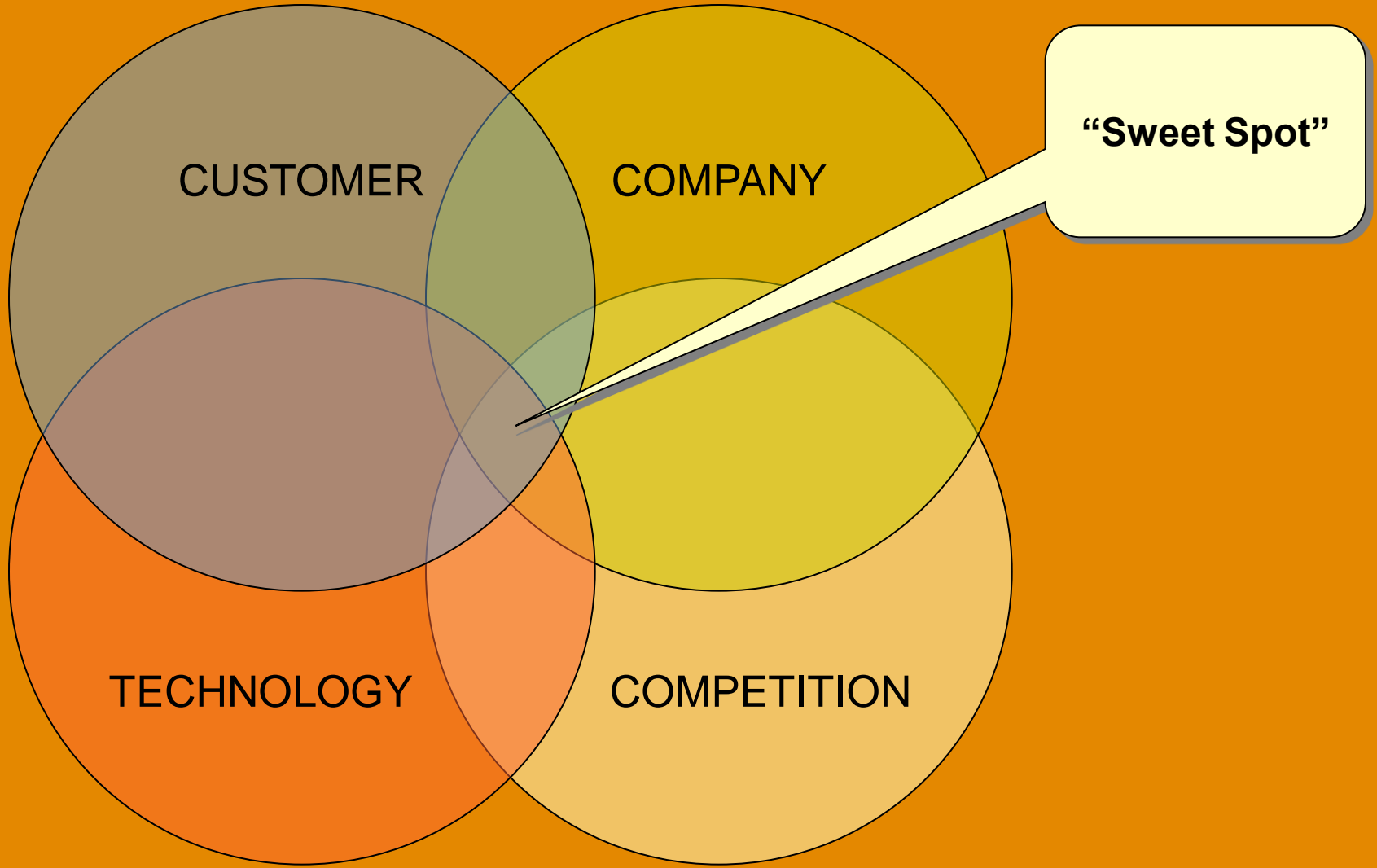


6: Specify Opportunity in Concrete Terms



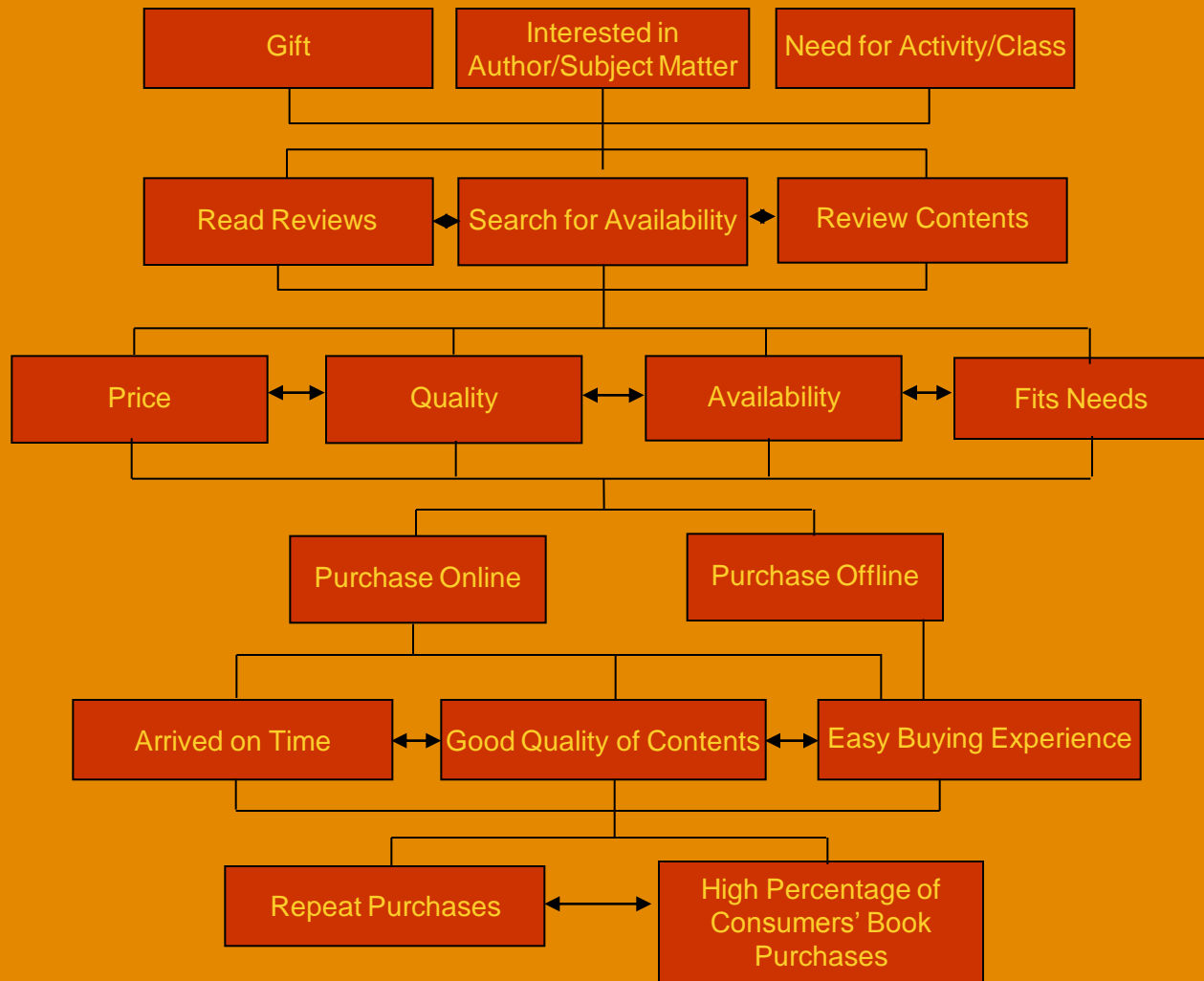
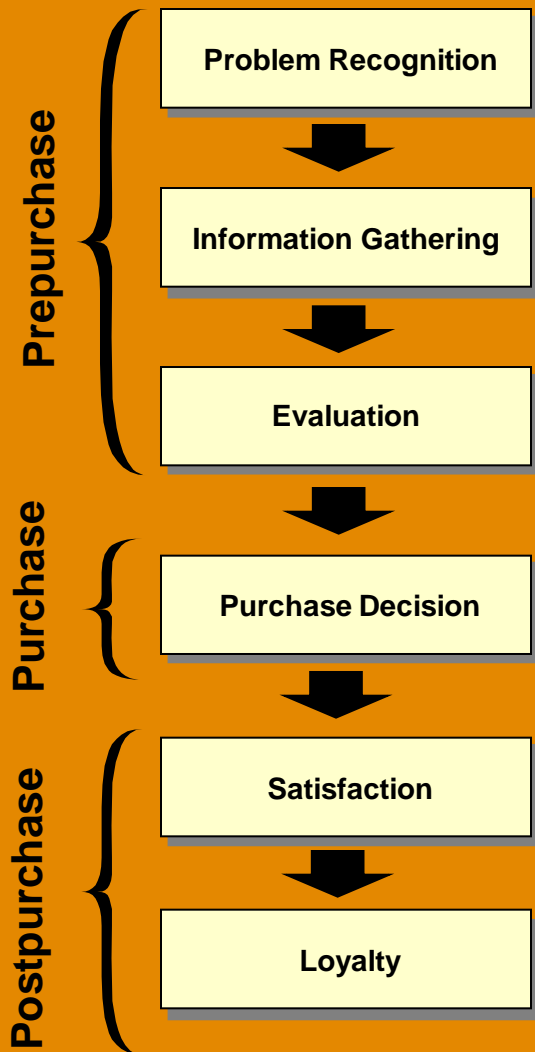
7: Assess Opportunity Attractiveness

Four Key Environments: The “Sweet Spot” for Market Opportunity



1: Identify Unmet and/or Underserved Customer Needs

Understand the Customer's Buying Process



2: Identify Specific Customers a Company Will Pursue: 12

Segmentation Approaches

Segmentation Type	Description	Examples - Variables
Geographic	<ul style="list-style-type: none"> Divides the market into different geographical units 	<ul style="list-style-type: none"> Country / region / city
Demographic	<ul style="list-style-type: none"> Divides the market on the basis of demographic variables 	<ul style="list-style-type: none"> Age, gender, income
Firmographic	<ul style="list-style-type: none"> Divides the market on the basis of company-specific variables 	<ul style="list-style-type: none"> Number of employees, company size
Behavioral	<ul style="list-style-type: none"> Divides the market based on how customers actually buy and use the product 	<ul style="list-style-type: none"> Website loyalty, prior purchases
Psychographic	<ul style="list-style-type: none"> Divides the market based on lifestyle and / or personality 	<ul style="list-style-type: none"> Personality (laid back, type A), lifestyle
Benefits	<ul style="list-style-type: none"> Divides the market based on benefits or qualities of product 	<ul style="list-style-type: none"> Convenience, economy, quality

2: Identify Specific Customers

- ❑ Actionable Segmentation: *Realistically achievable.*

Actionable segments must be:

- **Easy to identify**
- **Readily reached**
- **Describable in terms of their growth, size, profile, and attractiveness**

2: Identify Specific Customers

- ❑ **Meaningful Segmentation: *Must help describe and explain why customers behave in a specific way.***

Meaningful segments:

- **consist of groupings of customers who behave similarly (customers in different segments behave differently)**
- **correspond with how customers currently buy or use the product or service**
- **are large enough to warrant a different set of actions (for each segment) by a company**

3: Assess Firm's Relative Advantage

- ❑ Direct Competitors: *Firms that offer products or services that are close substitutes for each other.*

- ❑ Indirect Competitors: *Firms that are reaching and attracting the same customers or*
- ❑ *Firms that are developing a technology or offering that might compete with your offering.*

3: Competitor Profiling for Kodak

● Direct Competitor

◐ Indirect Competitor

○ Not a competitor

	Kodak	Canon	Fuji	Shutterfly	Snapfish/ MotoPhoto	Yahoo
Purchase Camera	●	●	●	○	○	○
Purchase Accessories	●	●	●	○	○	○
Purchase Film	●	○	●	○	○	○
Look for Picture-Taking Advice	●	○	●	○	○	◐
Digitally Manipulate Pictures	●	○	○	●	●	○
Download and Choose Pictures to Print	● Ofoto	◐	○	●	●	◐
		●	◐	○	●	●
Print and Receive Pictures	●	○	○	●	●	◐
Share Pictures	●	○	○	●	●	○
Store Pictures on CD						

3: Assess Firm's Relative Advantage

- ❑ Competitor Mapping to Selected Segments: ***Assess competitive intensity by mapping out where current competitor companies are participating and***
- ❑ ***determine their effectiveness in delivering benefits to the target customer.***

This analysis will help the company do the following:

- ***determine underserved areas in the market***
- **Identify the companies it will compete against**
- **Spot companies that could be potential collaborators**

3: Competitor Mapping to Selected Segments for Kodak

Target Segments	Kodak	Canon	Snapfish
<p>Cost-Conscious</p>	<ul style="list-style-type: none"> • Disposable cameras • Low-end film and digital cameras • No deals on developing 	<ul style="list-style-type: none"> • Limited low-end cameras • No services 	<ul style="list-style-type: none"> • Deals on services • No products
<p>Middle-Income Families with Children</p>	<ul style="list-style-type: none"> • Mid-line cameras • Film • Photo services; developing, sharing 	<ul style="list-style-type: none"> • Mid-range cameras • No services 	<ul style="list-style-type: none"> • Services—developing, sharing, gift cards
<p>High Income/Tech Savvy</p>	<ul style="list-style-type: none"> • High-quality accessories (film, paper, CDs) • Products are less sophisticated 	<ul style="list-style-type: none"> • High-tech products • Software • Printers—consumers don't need to process 	<ul style="list-style-type: none"> • Services, though limited

 High performance level

 Medium performance level

 Low performance level

4: Assess Firm's Resources Available to Deliver the Offering

- ❑ **Company Resources:** *Identify at least 3 or 4 resources that can be leveraged into the selected online space.*

First requires a full understanding of the following:

- **The selected value system in which the company will be participating.**
- **The key stages of the target's customer decision process and the benefits sought/value trapped at each stage.**
- **The target customer segments.**

4: Assess Firm's Resources Available to Deliver the Offering

- ❑ **Resource System:** *Is a discrete collection of individual and organizational activities and assets that together create organizational capabilities to serve customer needs.*

The resources can be classified into the following three groupings:

- **Customer-facing:** Include brand name, well trained sales force, and multiple distribution channels.
- **Internal:** Associated with the company's internal operations. Examples: technology, product development, staff
- **Upstream:** Associated with the company's relationship to its suppliers.

5: Assess the Market's Technological Readiness

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- ❑ **Technology Vulnerability: *Assess the opportunity's vulnerability to technology***
 - **The penetration of enabling technologies.**
 - **The effect of new technologies on the value proposition.**

- ❑ **Technology Adoption**
 - **Is there sufficient penetration of the technologies (e.g., cable or DSL modems) that enables the customer to take advantage of offering?**
 - **What penetration is necessary to make the offering financially viable?**
 - **When is the minimum penetration likely to be met?**

5: Assess the Market's Technological Readiness

3-22

- ❑ Technology Vulnerability – Extent of **Adoption** and **Impact**
- ❑ Technology Adoption
 - **Is there sufficient penetration of the technologies (e.g., cable or DSL modems) that enables the customer to take advantage of offering?**
 - **What penetration is necessary to make the offering financially viable?**
 - **When is the minimum penetration likely to be met?**
- ❑ Impact of New Technologies
 - **What new technologies could radically alter the economics of delivering an offering or require adjustment of the actual features and functionality of an offering?**
 - **How likely is it that your target segment or competitors will use these technologies?**

6: Specify the Opportunity in Concrete Terms

□ Opportunity Story

- **Describe the target segment(s) within the value system**
- **Articulate the high-level value proposition**
- **Spell out the expected elements of customer benefits**
- **Identify the critical capabilities and resources needed to deliver the customer benefits**
- **Explain “reasons to believe” opportunity will be a source of relative advantage over the competition**
- **Categorize critical capabilities (and supporting resources) as in-house, build, buy, or collaborate**
- **Describe how company will monetize the opportunity**

7: Assessing Opportunity Attractiveness

□ Rational estimates of:

- **Unconstrained Opportunity - Amount of white space that is still apparent in the marketplace.**
- **Segment Interaction - Level of reinforcing activity that generates more purchase and usage.**
- **Growth Rate - The percentage of annual growth of the underlying customer market.**
- **Market Size - The dollar value of all the sales generated in a given market.**
- **Profitability - The profit margin that can be realized in the market.**

7: MarketWatch.com - Opportunity Attractiveness

