

e-Learning on Digital Agriculture

Lecture 4. Market research and opportunity analysis

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Market Opportunity Analysis

□ ***Questions answered in this chapter:***

- 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 (cont'd)

□ ***Questions answered in this chapter:***

- 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?

Unique Market Opportunity Analysis for Online Firms

□ ***The opportunity analysis in the marketspace in the networked economy is unique as compared to the traditional sectors for the following reasons:***

- Competition occurs across industry boundaries rather than within industry boundaries.
- Competition occurs between alliances of companies rather than between individual companies.
- Competitive developments and responses are occurring at an unprecedented speed.

Unique Market Opportunity Analysis for Online Firms (cont'd)

- Unique ways to bring value to consumers and change behavior
- Industry Value Chains and Value Systems are rapidly being reconfigured

Two Generic Value Types

- ***The first step is broadly to identify the business arena in which the new business will participate. We need to understand some key terms before we get into the 2 value types:***

Value Chain: Businesses are made up of discrete collections of individual and organizational activities that work together to create and deliver customer benefits via products and services. These integrated services describe a value chain.

Value System: A value system is an interconnection of processes and activities within and among firms that creates benefits for intermediaries and end consumers.

Two Generic Value Types (cont'd)

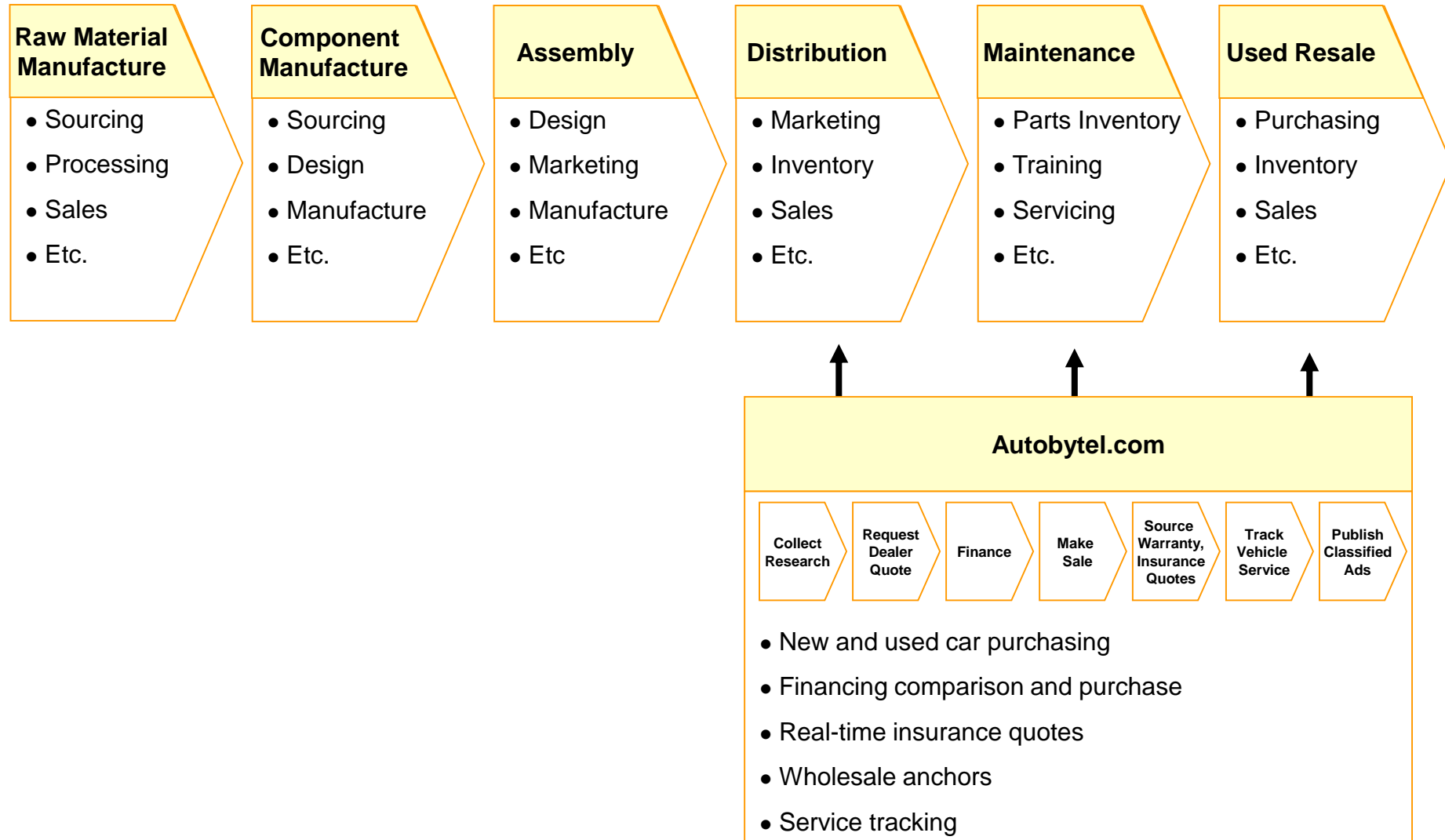
□ ***Firms should look at the value system with a lens that yields ideas about new business possibilities. Specifically a firm looks for the following types of values to be introduced.***

- ***Trapped Value:*** *New economy companies have unlocked trapped value by:*
 - Creating more efficient markets.
 - Creating more efficient value systems.
 - Enabling ease of Access.
 - Disrupting current pricing power.

Two Generic Value Types (cont'd)

- ***New-to-the-World Value:*** *In addition to reconfiguring existing value chains, new-economy companies can create new-to-the-world benefits. These can enhance an existing offering or be the basis for creating a new offering. Companies can do it in 5 generic ways:*
 - Customize offerings
 - Radically extend reach and access
 - Build community
 - Enable collaboration
 - Introduce new-to-the-world functionality or experience

Exhibit 1: Car Manufacture and Sales Value System



What is the Market Opportunity Analysis Framework?

- *The framework consists of seven initial investigative stages of idea creation.*

Identify Unmet and/or Underserved Customer Needs

- The starting point for opportunity identification is often someone with a belief about a value system that can be reinvented or transformed.
- Uncover opportunity nucleus: The company can define the opportunity to increase customer satisfaction or create a new, highly valued customer experience.

What is the Market Opportunity Analysis Framework? (cont'd)

Identify the Specific Customers a Company Will Pursue:

- Identifying and prioritizing the customer leads to a preliminary understanding of the potential the company could seek to serve.

Access Advantage Relative to Competition:

- Reveals the structure of the industry and market, key competitors in the marketspace, and the firm's relative advantage to each of the key players.

What is the Market Opportunity
Analysis Framework? (cont'd)

**Access the Company's Resources to Deliver the
Offering:**

- The company should examine the distinct capabilities and activities it could bring to the offering to achieve advantage, either through its own resources or those of potential partner companies.

Access Market Readiness of Technology:

- Reveals the readiness of a particular technology, as well as any alternative technologies, on which the manager anticipates deploying the firm's offering.

What is the Market Opportunity Analysis Framework? (cont'd)

Specify Opportunity in Concrete Terms:

- Identify the distinct benefits the company would bring to the offering to achieve advantage and win in the market.

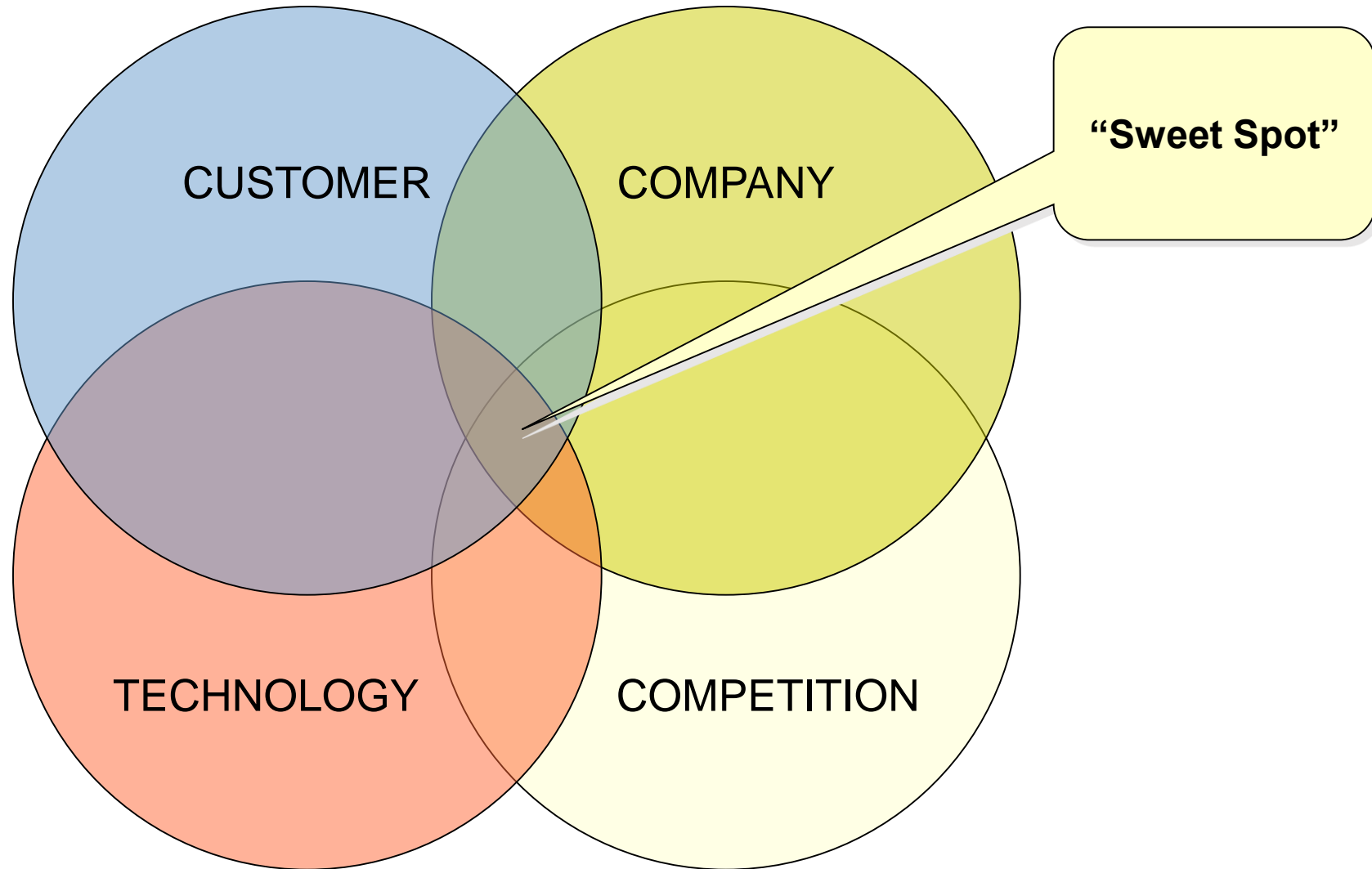
Assess Opportunity Attractiveness:

- The company must assess the market's financial, technological and competitive situations.

Exhibit 2: Framework for Market Opportunity



Exhibit 3: Four Key Environments and the “Sweet Spot” for Market Opportunity



How Do We Identify Unmet and/or Underserved Needs?

□ ***We need to consider the following:***

- **Customer decision process:** The customer decision process maps the activities and choices customers make in accessing a specific experience within value systems.

The following questions will help structure the process:

- What are the steps that the typical customer goes through?
- Who gets involved and what role does he or she play?
- Where does the process take place?
- How much time does the overall process take? How much time is associated with individual steps? Does the customer move through the entire process at once or does he or she take breaks?

How Do We Identify Unmet and/or Underserved Needs? (cont'd)

- What choices do customers do *not* consider? What choices are they unaware of?
- Which customers are not participating in this customer decision process for a specific value system? Why not?

How Do We Identify Unmet and/or Underserved Needs? (cont'd)

- **Revealing unmet or underserved needs:**

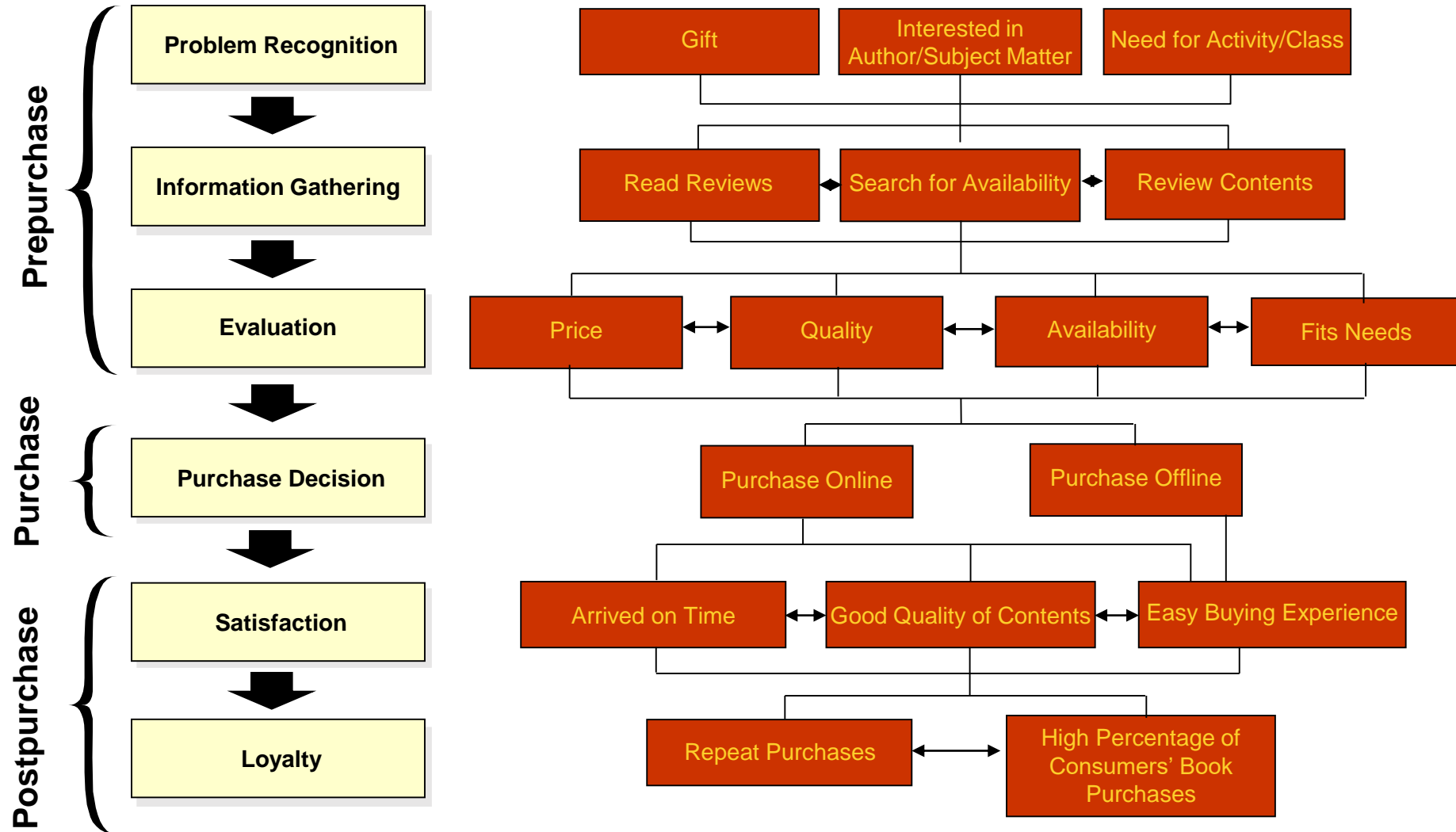
The following questions should be considered:

- What is the ideal experience the customer wishes to receive both functionally and emotionally? How does it vary step-by step in the activity?
- How closely does the actual experience compare to the customer's view of the ideal? What are the key frustration points? What compensating behaviors do we observe (i.e., what actions does the customer engage in to overcome these frustrations)?

How Do We Identify Unmet and/or Underserved Needs? (cont'd)

- Does the experience customers seek vary according to their environment?
- What are the customer beliefs and associations about carrying out this activity? How do they view their relative competence and role? How positively or negatively do they view the current set of company offerings?
- What barriers block some or all participation by potential customers?
- What are the online opportunities to enhance or transform the customers' experience?

Exhibit 4: Consumer Buying Process Tree for Book Purchase



Identify Specific Customers

□ **Segmentation** is the process of grouping customers based on their similarities.

- **Approaches to Market Segmentation:**
- **Geographic:** Country, city, size, density, ISP domain, etc.
- **Demographic:** For individuals, the demographic approach includes grouping by age, gender, occupation, ethnicity, income, family status, life stage, internet connectivity and browser type.
- **Firmographic:** Number of employees, company size.

Identify Specific Customers (cont'd)

- **Behavioral:** Online & offline shopping behavior, web usage, website loyalty, prior purchases, etc.
- **Occasion:** Routine occasion, special occasion, time, location, event, trigger, etc.
- **Psychographic:** Lifestyle, personality, affinity, etc.
- **Benefits:** Convenience, economy, quality, ease of use, speed, information, selection, etc.

Exhibit 5: 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
Occasion (Situational)	<ul style="list-style-type: none"> Divides the market based on the situation that leads to a product need, purchase, or use 	<ul style="list-style-type: none"> Routine occasion, special occasion
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 sought from the product 	<ul style="list-style-type: none"> Convenience, economy, quality

Identify Specific Customers (cont'd)

- **Actionable Segmentation:** *Segmentation must be consistent with how a company can get to market, and it must be able to be sized and described.*

Actionable segments meet the following criteria:

- The segments are **easy to identify**
- The segments **can be readily reached**
- The segments can be described in terms of their growth, size, profile, and attractiveness

Identify Specific Customers (cont'd)

Meaningful Segmentation: *Segmentation must help describe and begin to explain why customers behave in a specific way.*

Meaningful segments meet the following criteria:

- Customers **within** a segment behave **similarly** while customers across segments behave in different ways
- It provides some insight into customer's **motivations**
- It corresponds with how customers currently buy or **use** the product or service
- It correlates to differences in profitability or cost to serve
- The segments and/or their differences are large enough to warrant a different set of actions by a company

Assess 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 are developing a technology, platform, or offering that might compete with your offering.*

Indirect Competitors include two categories of companies:

- **Substitute Producers**—Companies that produce products and services that perform the same function.
- **Adjacent Competitors**—Do not currently offer products and services that are direct substitutes, but they have the potential to quickly do so.

Assess Relative Advantage (cont'd)

- **Competitor Mapping to Selected Segments:** *To assess competitive intensity managers need to map 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:

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

Exhibit 6: 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	●	◐	○	●	●	◐
Print and Receive Pictures	●	◐	○	●	●	◐
Share Pictures	●	○	○	●	●	◐
Store Pictures on CD	●	○	○	●	●	○


Ofoto

Exhibit 7: Competitor Mapping to Selected Segments for [Kodak](#)

Target Segments	Kodak	Canon	Snapfish
Cost-Conscious	<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
Middle-Income Families with Children	<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
High Income/Tech Savvy	<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

Assess the Resources of the Company to Deliver the Offering

- **Company Resources:** *The management team should assess whether or not it can identify at least 3 or 4 resources that it can leverage successfully into the selected online space. The team will already have a strong 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.

Assess the Resources of the Company to Deliver the Offering (cont'd)

- **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.

Assess the Resources of the Company to Deliver the Offering (cont'd)

- **Partners:** *Partnering is an effective alternative to building or acquiring a capability to fill a gap. Potential partners can be grouped into two categories:*
 - **Complementary Partners**—These partners provide offerings that are complementary to those of another company.
 - **Capability Partners**—These give and receive value from partnering with another company.

Assessing Market Readiness of Technology

- **Technology Vulnerability:** *The management team should assess the opportunity's vulnerability to technology trends, both the penetration of enabling technologies and the effect of new technologies on the value proposition.*

Technology Adoption—Questions to help assess this area:

- Is there sufficient penetration of the technologies (e.g., cable or DSL modems) that enables the customer to take advantage of or participate in the offering?
- What penetration is necessary to make the offering financially viable?
- When is the minimum penetration likely to be met?
- Is there an introductory version that could be upgraded as technology penetration increases?

Assessing Market Readiness of Technology (cont'd)

Impact of New Technologies—Questions to help assess this area:

- 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 population or competitors will use these technologies?

Specify the Opportunity in Concrete Terms

- **Opportunity Story:** *The management team should create an outline of the business plan that specifies the opportunity in concrete terms. The opportunity story should:*
 - Briefly 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

Specify the Opportunity in Concrete Terms (cont'd)

- Lay out the critical “reasons to believe” that the identified capabilities and resources will be a source of relative advantage over the competition
- Categorize the critical capabilities (and supporting resources) as in-house, build, buy, or collaborate
- Describe how the company will monetize the opportunity
- Provide an initial sense of the magnitude of the financial opportunity for the company

Assessing Opportunity Attractiveness

- **Opportunity Attractiveness:** *Based on a performance estimate of long-term profitability in the particular industry, as well as the firm's relative competitive position. The manager can determine the character and magnitude of the opportunity through examining the following :*
 - Level of unmet need and the magnitude of unconstrained opportunity.
 - Level of interaction between major customer segments
 - Likely rate of growth
 - Size/volume of the market
 - Level of profitability

Assessing Opportunity Attractiveness (cont'd)

- **Customer and Market Dynamics:** *Five factors to consider:*
 - **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

Exhibit 9: MarketWatch.com:
Unmet and Underserved Needs



Exhibit 10: MarketWatch.com's Customers and Needs

The customer decision process reveals three sets of interconnected unmet and underserved needs.

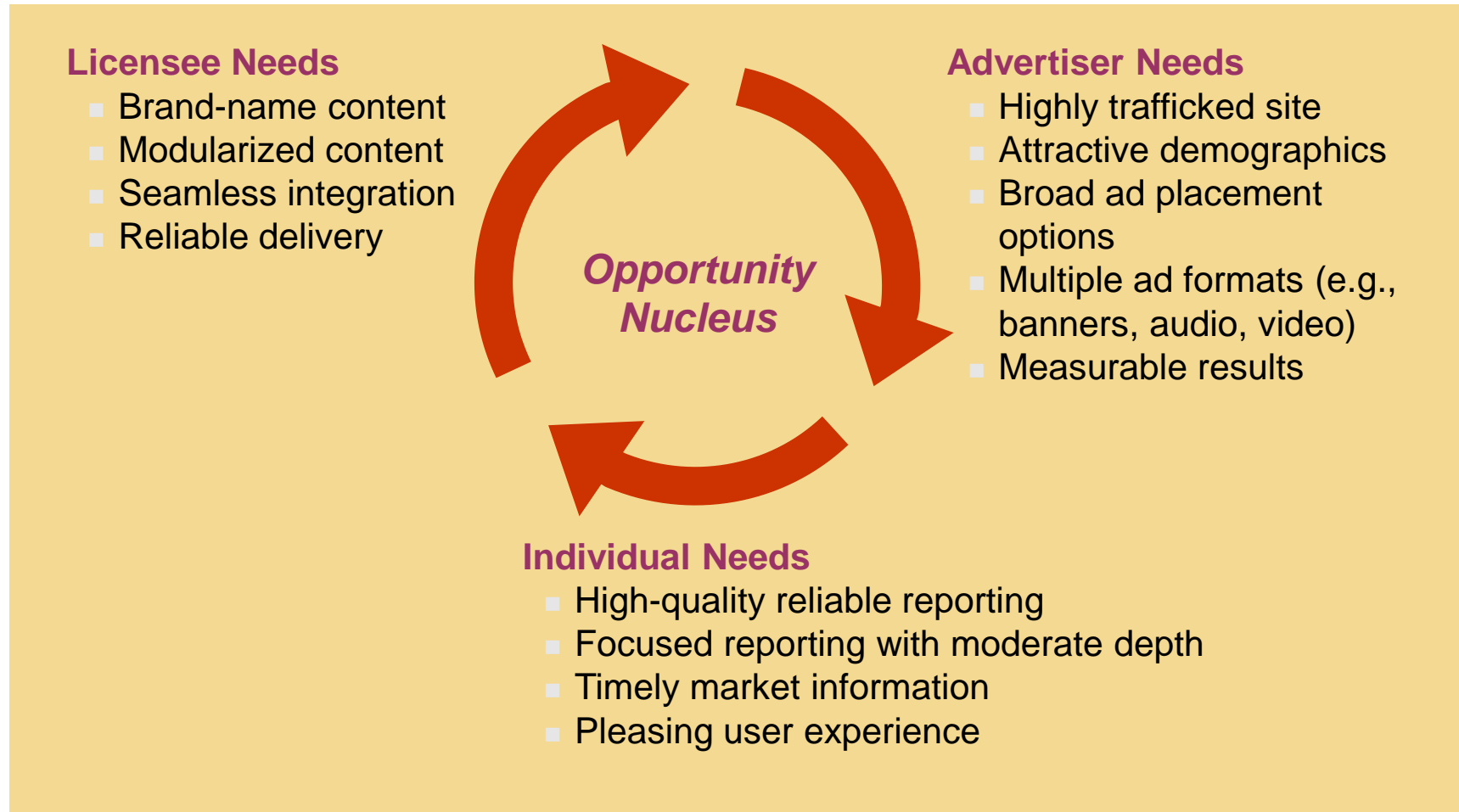
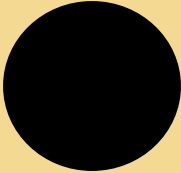
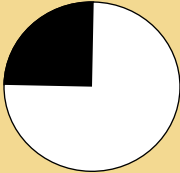
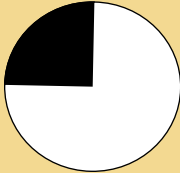
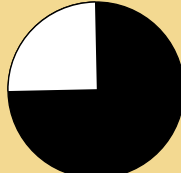
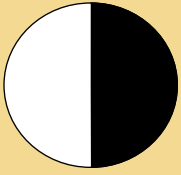
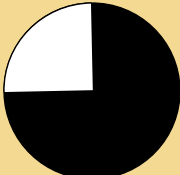
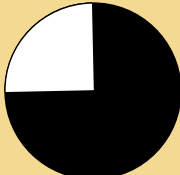
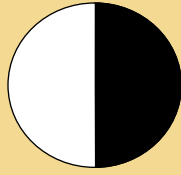
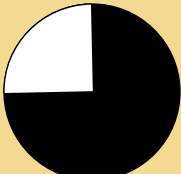
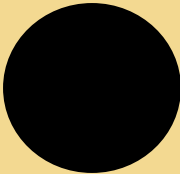
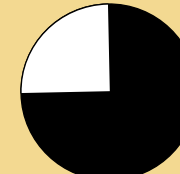
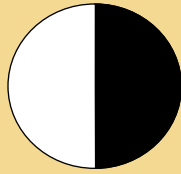


Exhibit 11: MarketWatch.com Licensing Segments

Licensing Segments	Targeted Companies
Brokerages	Ameritrade Datek E*Trade
Diversified Financial Institutions	Charles Schwab Morgan Stanley UBS PaineWebber
Financial Publishers	Motley Fool The New York Times Financial Times

Ex. 12: MarketWatch.com Competition: Map to Target

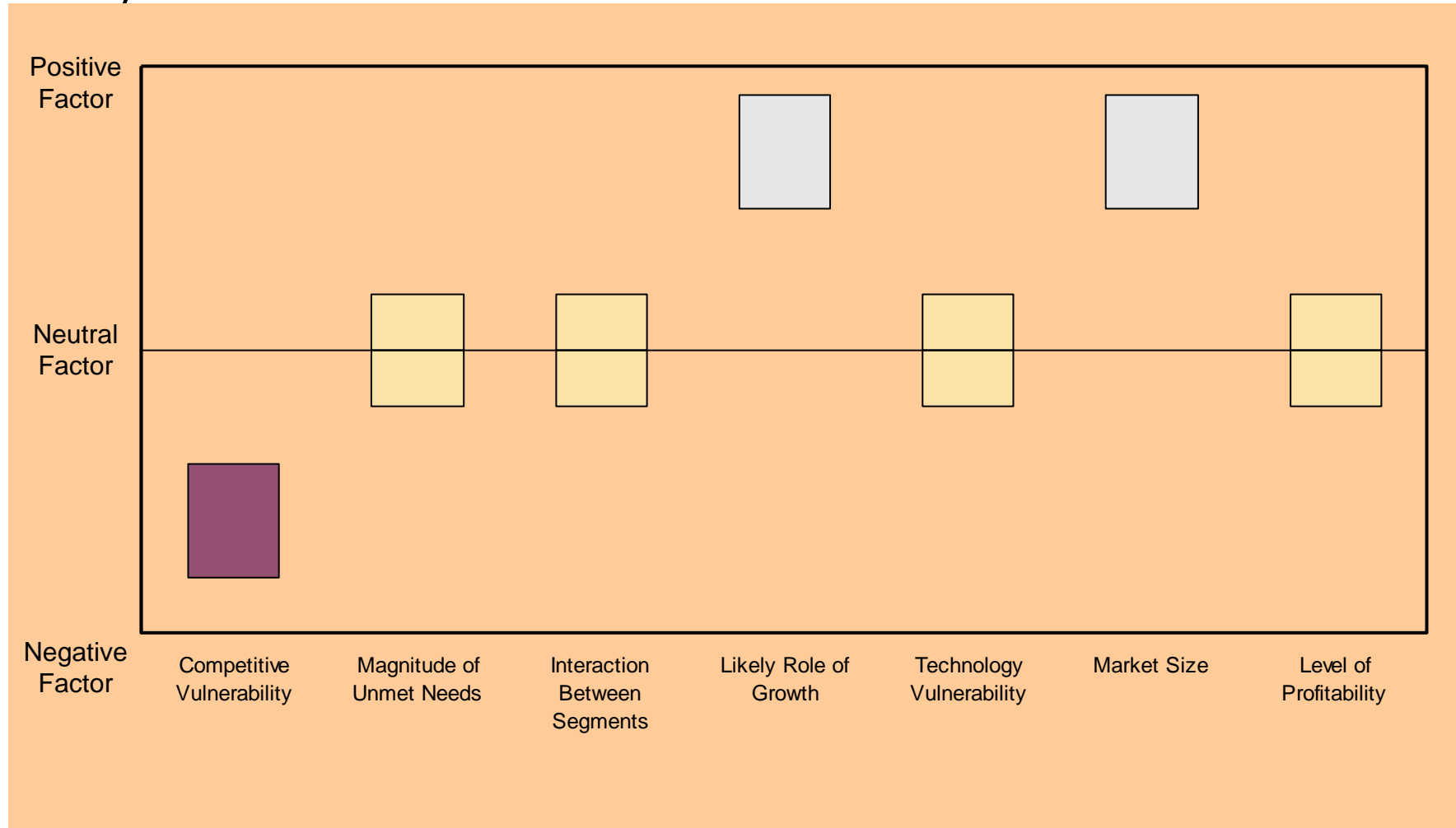
		<u>MarketWatch</u>	<u>Yahoo Finance</u>	<u>MSN Money</u>	<u>CNNfn</u>
Dimensions of Comparison	Reporting				
	Technology				
	Brand Recognition				

Ex. 13 MarketWatch.com

Opportunity Story

The MarketWatch.com Opportunity Story								
	Target Segment	Value Proposition	Customer Benefits	Critical Resources	Reasons to Believe	Resource Sourcing	How to Monetize	Opportunity Magnitude
Consumer	Affluent seekers of financial news and investing	Highest-quality reporting Broad set of investing tools	One-stop shopping for financial news needs	In-house reporting team CBS	Expensive to duplicate writing team Only one CBS	Reporters in-house CBS	Large target audience critical for advertising success	Medium
Advertiser	Auto Brokers Consumer products	Highly attractive audience Effective placements	Improved results of online advertising campaigns	Sophisticated publishing platform Strong sales team	Table stakes for continued survival	In-house	Enhanced placements and formats	Medium-large
Licensee	Brokers Financial institutions and publishers	Broad suite of products to complement own offerings	Broadened offerings on own site at reduced cost	Sophisticated publishing platform and delivery tools	Table stakes for continued survival	In-house	Develop and support multiple content modules to license	Large

Ex. 14 MarketWatch.com Opportunity Assessment



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