

# Class 4

# Designing Intelligence projects

Competitive intelligence

Jonathan Calof, Oksana Bondarenko

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The background of the slide features abstract, overlapping geometric shapes in various shades of blue, ranging from light sky blue to deep navy blue. These shapes are primarily located on the right side and bottom of the slide, creating a modern, dynamic feel.

# Case study - E-commerce market

## JOOM — Challenge to the Amazon

# About JOOM

- ▶ By the end of 2018, JOOM was the world's fifth biggest company by mobile application downloads and the first in Europe. Its platform offers a wide range of consumer products, different kinds of cheap goods, especially for the house, clothes, accessories and consumer electronics
- ▶ By the end of 2019, JOOM had over 200 mln mobile application downloads. The growth of active buyers per month is more than 20 mln people
- ▶ Having started the work with Chinese manufacturers, JOOM has connected producers from Turkey, France, Russia, South Korea, Japan and other countries. The geography of buyers includes countries in Europe, Asia, Latin America and the USA now
- ▶ JOOM set an ambitious goal for 2020 to become the number two player in Europe after Amazon, the world's largest Internet company. In 2019 in Europe JOOM's share of revenue was 13% or \$31 bln, while the total revenue in the world was \$233 bln.

# About JOOM

- ▶ JOOM does not buy goods or store them in warehouses, but it connects buyers and sellers directly. Intermediaries usually take from 50 to 90% of the total value of the goods. The task of JOOM is to remove intermediaries and reduce the value of goods to consumers as much as possible. The priority for JOOM is to work directly with factories and plants
- ▶ JOOM's business model allows to expand essentially a range of offered goods as a manufacturer can place all goods matrix in this mobile application
- ▶ “There are three sides in our ecosystem - marketplace, seller and influencer. We have created blogger collaborations. Sellers can offer their products for a free review, and if a user follows a blogger's link to make a purchase, the influencer will get a small percentage”
- ▶ The transparent JOOM interface allows each customer to make purchases of current products easily and quickly. A variety of discount systems, gifts and cashback attract many users to make multiple purchases.

# About JOOM

- ▶ The JOOM application and site are in 14 languages. Several dozens of rules help Help-shift to correctly recognize feedback ratings, language and country. There are 13 tags that mark the reviews: prices, delivery, product quality, support work, offers
- ▶ Offices are located in Russia, Latvia, Hong Kong and the USA. Each office has its own area of responsibility. The Russian office is engaged in IT-development, the Hong Kong office deals with logistics and works with Chinese sellers, the European office works with European sellers. About 1000 people in different countries help to serve users in their native language
- ▶ One team deals with computer vision which evaluates images and text. No company in the world has yet solved the problem of text translation, so JOOM may be the first company that offers a solution for creating product names in all languages
- ▶ All advertising systems are auctions, i.e. to pay for more advertisements, JOOM needs to earn more. There are two basic rules for JOOM in this area: (1) never spend more on advertising than it can bring in, (2) to earn more from users, it is necessary to attract them efficiently, convert their desire to buy into real purchases efficiently, and hold their attention effectively

# About JOOM

- ▶ Delivery is traditionally chosen by sellers, who often want to send parcels through the cheapest and, consequently, slowest channels. In 2018 JOOM opened its own logistics company JOOM Logistics
- ▶ Delivery time to the end customer in Russia has been significantly reduced (from 3 months to 7-14 days), the percentage of goods that are not delivered due to supplier negligence has been minimized. It is important to note that the transition to their own logistics system has had almost no impact on the cost of delivery for the final consumer
- ▶ By the end of 2019 JOOM's strategic goal was to distance itself from other companies which deal with cross-border trade by guaranteed delivery reliability. Buyers from Russia are very price sensitive. The delivery time is not so important. JOOM offers delivery by vehicles with a longer delivery time at a price 30-40% cheaper. When ordering the goods there is a choice of delivery: fast delivery or general delivery. Buyers in Europe value reliability more than the price of goods

# AliExpress

- ▶ AliExpress - 100 mln application downloads. The Russian market is more than 80% of the company's turnover and it is a strategic priority
- ▶ AliExpress offers goods at low prices. Free delivery and its own payment system for goods are installed. The average delivery period is 2 months. The total range of goods on AliExpress is more than 100 mln, the number of goods from Russian sellers on the platform is close to 1.5 mln
- ▶ AliExpress central warehouse is located in Moscow, in Domodedovo. By 2021 two more order processing centres are planned to be opened, in Novosibirsk and Ekaterinburg

# Wish

- ▶ In 2018, the company's revenue was \$1.9 bln, and the Wish application became the most downloadable shopping application in the world. In the U.S., Wish was ranked third in the e-commerce market by sales volume
- ▶ Wish states that the low price is the main advantage, and does not focus on fast delivery and quality of goods. Most sellers (88%) on the platform are from China. To reduce the price Wish uses features of U.S. law
- ▶ The agreement between China Post and the U.S. Postal Service allows to make delivery of goods especially cheap. Wish also has its own warehouse system, which provides sellers with different delivery options



# Amazon

- ▶ The company's share of the U.S. e-commerce retail market reached 48% in 2018 and 13.3% worldwide
- ▶ The versatility of the platform is primarily provided by flexible, scalable and highly automated integrated logistics. For example, the implementation of robots in warehouses has reduced the work cycle from 60-75 to 15 minutes, while operating costs have decreased by 20% and the turnover of goods in one warehouse has increased by 50%
- ▶ For subscribers of the service Prime Amazon provides additional services — for example, a one-day delivery service. Initially, 10 million goods were available for such delivery (10% of the goods available in the network).

# Current situation

- ▶ On the first working day of 2020 Ilya Shirokov was waiting for the beginning of a strategic session, which was called to solve the problems faced by his company JOOM, an international online platform for electronic trading
- ▶ The first reports about the coronavirus pandemic and the risk of closing Chinese factories during the national New Year holiday were a threat to the successful startup, which by early 2020 had already over 200 million customers
- ▶ Ilya and his colleagues understood that it was necessary to take urgent measures to maintain the company's competitiveness
- ▶ JOOM Logistics Executive Director, Dmitry Chernyshev was confident that if JOOM manages to realize its competitive advantage (reliability of supply) in 2019 by reducing the time of delivery of goods from China to Russia from 3 months to 2 weeks, the company would be able to cope with the impending situation in a highly competitive market
- ▶ However, Ilya was convinced that the increasing uncertainty of the future may require brighter decisions and smarter solutions from an ambitious startup

# Current situation

- ▶ The spreading pandemic, possible problems with the supply of Chinese goods and a decline in demand due to concerns about receiving parcels from China threatened the future of JOOM and its goal to challenge Amazon in the global market
- ▶ JOOM's success was based on offering direct delivery services from the supplier to the customer's door. With more than 90% of its orders placed with Chinese suppliers, the near and long-term future of JOOM was in doubt
- ▶ Expansion in Europe, Latin America, the Middle East and the United States was the starting point to achieve the goal of its founder Ilya Shirokov to become one of the biggest Internet companies in the world
- ▶ The growing uncertainty of the future in a highly competitive e-commerce market could call all these plans into question

# Group activity

- ▶ Work in groups of 6 for 20 minutes
- ▶ Fill in form A for JOOM
- ▶ After that, representatives of groups will present their results before class

# Key Intelligence Needs (KINs)

- ▶ Business issues critically important for the company
- ▶ An event or development in the competitive environment
- ▶ Routine scanning activities
- ▶ Employees picking up a rumour or bits and pieces of information
- ▶ Regularly interviewing managers

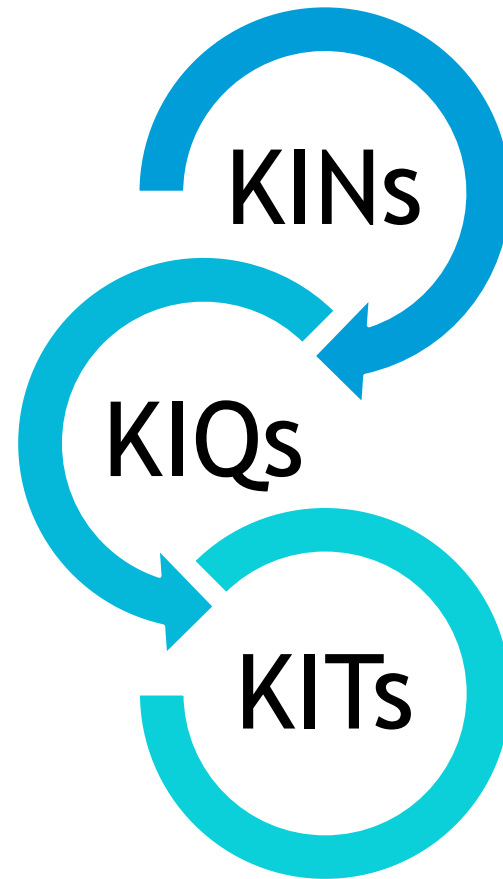
# What are Key Intelligence topics?

- ▶ Identifying company's intelligence needs
- ▶ Planning operations to produce intelligence to meet those needs
  - ▶ Number of CI specialists
  - ▶ Skills
  - ▶ Funding

# KIQs vs KITs

- ▶ Key intelligence questions address KINs and are aimed at identifying key intelligence topics
- ▶ What-Why-Who
- ▶ Explanatory-Descriptive-Predictive
- ▶ KITs must turn into actions or decisions
- ▶ KITs must have timelines

# How they are connected





# Categories of KITs - name concrete examples for each category

## Strategic decisions and actions

- Building long-term strategy
- Competitor key actions
- HR issues

## Early warning topics

- Threats and opportunities
- Government actions
- Technological development

## Descriptions of Key players

- Customers
- Suppliers
- Competitors

# KITs

## Reactive

Acting upon needs  
and requests

## Proactive

Identifying and  
defining  
requirements  
(interviews etc.)