

Go To Market Strategies: Week 7

David Bell

Xinmei Zhang and Yongge Dai Professor

Participating Firms

○ www.netgrocer.com

Netgrocer
.com

○ www.diapers.com

diapers[®]
.com

○ www.warbyparker.com

WARBY PARKER

○ www.bonobos.com

BONOBOS

○ www.citruslane.com

 citrus lane

- Work with Participating Internet Retailers
 - Gather sales information from inception
- Typical Data
 - Customer ID, Date, Transaction Value, Zip Code
 - Geo-demographic “real world” data
- Research Question
 - Why do some locations have more customers than other locations do?

What Matters Most in Internet Retailing

- **Customer Acceptance of Online Retail Depends on *Offline* Shopping Costs**
- **Internet retailers** can alter the cost-benefit trade-off shoppers by making things “closer” and more accessible, perhaps even at better prices.

- **Sales Evolution is Structured and Predictable**
- **Social Contagion** from communication and observation affects online demand evolution

The Space-Time Sales Pattern

When a zip code is shaded that means that there was at least one customer in that zip code by the time indicated at the top of the slide

What Causes This?

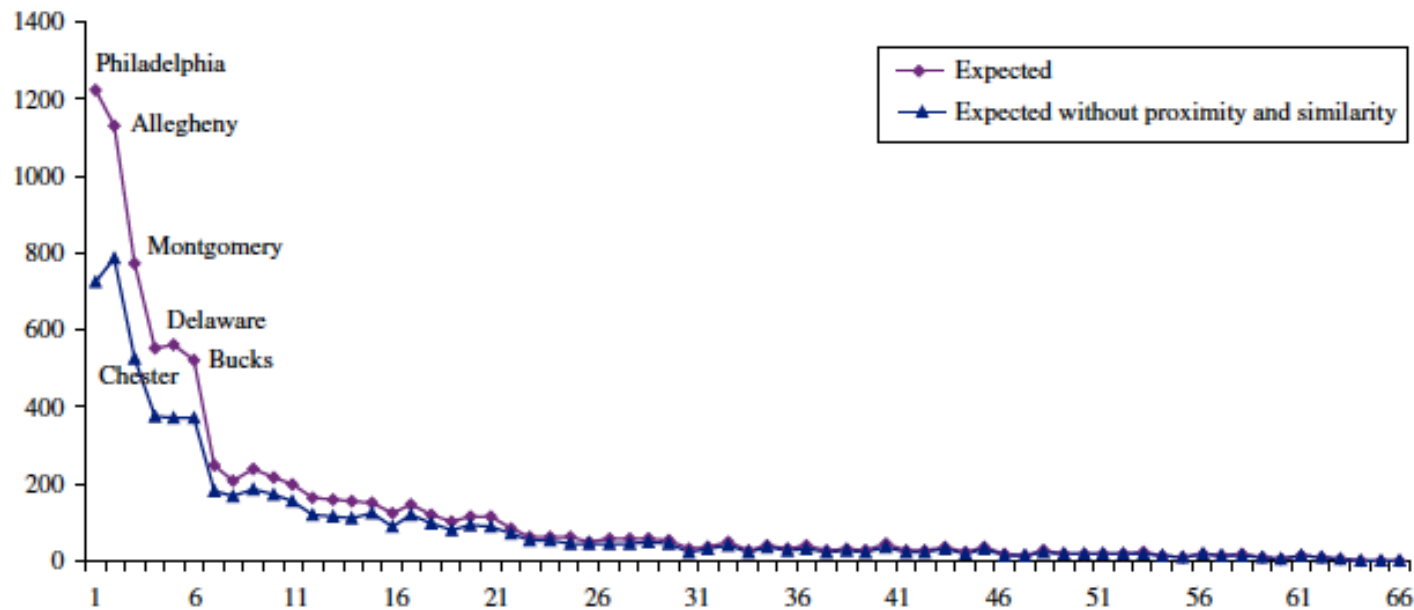
- Customers could be talking to each other
- Customers could be observing each other

- **Migrating from “Good” to “Great” Requires Expansion to Niche Locations**
- **Spatial Structure** follows a pattern of proximity and similarity (spatial “Long Tail”)
- <http://www.findyourdoppelganger.com/>

- There are two ways to think about distance:
 - Geographic distance
 - Social, or demographic distance (people live far apart from each other still might be similar in other ways)

- Two important patterns ...
 - In the beginning, sales start out in larger cities and spread by proximity from person to person
 - Later on, sales pick up in smaller areas that are quite far apart, but that contain “similar” kinds of people

Long Tail Over Locations



Example: Sales Within Pennsylvania (from best locations to “long tail” locations)