

Section 2 Lecture

Understanding Market Opportunity

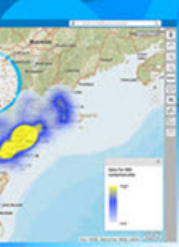
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Hello. My name is Bruce Mackenzie, and I work in Esri's Global Business Enablement Department. I manage our Sales Development team. I'm pleased to present this week's lecture, "Understanding Market Opportunity."

In business, understanding your customers, competitors, and market opportunities provides a competitive edge. What if you could use the power of location to analyze markets and help determine the best ways your business can compete in them? In this section, we will focus on understanding market opportunity and its influence on business decisions using a process known as market planning. The analysis will involve finding answers to a series of questions, like the ones you see here.

In the next few minutes, we're going to think carefully about market analysis, with an emphasis on the roles that location plays in market planning. The first type of question we'd like to consider is about the relevance of geography. As an example, what business strategy would you adopt if your firm was looking at expansion in Asia-Pacific? Would the same strategy work in Latin America? What are the costs of doing business in a given area? What government regulations must you understand and comply with?

Let's take a deeper look at this. Consider the type of market opportunity being assessed. There are different types of market opportunities. It could be a new company, or a new product. It could be an existing company that wants to expand into a new territory. Or, it could be an expansion of an existing product line. If you consider each of these opportunity types carefully and recognize the relevance of geography, you can better understand how successful your firm might be in a given market.



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Location tells you how you might need to reach your intended customers and where you should first invest your capital. Where will you get the best return on your investment? If you can answer that question correctly, you will have gained the location advantage.

Let's consider an example of market planning for global expansion. If your firm is considering a global expansion, you need to consider which regions to target with your product and how to prioritize your rollout into those regions and markets. Let's say you're working for a health care products company. Suppose you want to take an existing product from Europe (toothpaste, for example) and plan a global expansion. Who is your target customer? What are the regional differences in consumer preference that might impact the desire or attractiveness of your product to the customer? What flavor would be most well-received based on local culture and customs? Peppermint? Cinnamon? Anise? Fennel? Hmmm... pine? India might be a better market for anise- or fennel-flavored toothpaste, while cinnamon-flavored might be preferred in Mexico. (I'm not sure where we're going with pine.)

Which regions should you target first? In India, with a population of 1.2 billion, there are literally thousands of towns and villages. Where would you begin? How difficult will it be to bring a new product to market in that country or region? What is the ease of doing business? To the extent that answers vary from place to place, these are fundamentally geographic questions. There are several international or economic research institutes that provide some good reference material, such as the rankings you see here.

In Section 1, we spoke about things like the permitting process, construction, electricity, taxes, and the contracting process. Each of these issues vary from country to country and region to region. The associated costs in the different locations vary, as well. How will you bring the product to market? What do the existing distribution and transportation networks look like? How costly will it be to move your product from manufacture through distribution channels to the customer? What impact will a given location have on net income or net profit? You will need to understand the freedom to



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trade, local laws, and regulations, as well as other factors such as educational attainment, innovation, and more.

There are more questions you need to answer to better understand market opportunities. How many locations do your businesses need? Where does it need them, and when does it need them? Earlier, we considered how consumer preferences vary by region and culture. The example was flavor preferences for toothpaste. Should you also consider packaging and recycling? What about competition? Is there competition already in the market? If so, where? What about demographics? What is the demographic makeup of the market you're assessing? Where are your customers? What characteristics do you need to look for, and where do you find them? We will look at this more closely in a later lecture.

Finally, thinking about economics, you'll need to consider the local tax rates and the current wage rate for skilled labor. What about the local unemployment rate? All of these things will impact the cost of bringing the product to market. As you can see, location information and market planning can enhance and impact business decisions.

Later in this section, you'll find a video in which another great Bruce, Bruce Wong of General Motors, shares his story of how this large automotive manufacturer assessed their market and optimized it to serve the changing needs of both their customers and the company. By applying location information and spatial analytics, GM was able to optimize and reduce their network of 13,000 locations by two-thirds, while offering a better customer experience and saving costs. You'll also see a video demonstration of the software you can use, and you'll have the opportunity to perform your own market analysis using spatial analytics.

I'll hope you'll keep in mind the questions we considered here. That's my portion of the lecture done. Thank you for attending, and enjoy the rest of the course. I'm off to satisfy my curiosity and find some pine-flavored toothpaste.