

# Business Case for Big Skinny

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## Competitive Analysis: Porter's Five Forces

### *Competition in the Industry*

The wallet industry can be classified as a monopolistic market: plenty of producers in the market make the same core product with highly differentiated individual offerings. In the wallet market, we can see high variety, including high end leather wallets, Big Skinny's microfiber nylon wallets, the Swiss Army's durable wallets, etc. By focusing on making a flawless, innovative wallet, Big Skinny performs better than its direct competition and has its own successful niche.

### *Potential of New Entrants*

Due to the cheap cost of entry into a monopolistic market there are virtually no barriers to prevent potential competitors of Big Skinny from entering the wallet industry. The only necessary factors needed for entry into this market are the ability to manufacture wallets, which are cheap to make. Big Skinny does well by making a highly differentiated product, which makes it difficult to steal their market share.

### *Power of Suppliers*

The power of suppliers differs by the business size in the wallet industry. For bigger producers such as the Big Skinny the power of suppliers is small as bigger companies are often able to produce their own unique materials that differentiate their products which means that they don't need to purchase the raw material from a third party supplier. Smaller businesses are affected more here because they don't have the necessary capital to manufacture their own material so they must get it from the suppliers. However, there are a variety of suppliers around so the power of any individual supplier is mitigated here.

### *Power of Consumers*

Since most working people and teenagers own and use a wallet, the ability of a single consumer to affect business is low. However, recently the consumer transition to mobile / wallet hybrids have demonstrated customer power because companies have been forced to price differently and innovate in order to counteract these changes. Big Skinny does well in this realm; by creating a unique kind of slim wallet, consumers have a harder time convincing others to buy other kinds of wallets.

### *Threat of Substitute Products*

The threat of substitute products is high in the wallet industry due to the sheer number of competitors present in the market. Additionally, many consumers are shifting away from traditional wallets to cardholder and phone case hybrids. The increasing popularity of this new product has sharply cut into general wallet market share, but because of product differentiation in the form of design, material, and convenience, there are no good substitutes for a Big Skinny wallet.

## Strategic Analysis

The CEO of Big Skinny, Kiril Alexandrov, has looked into many different methods to try to advertise his company through technology. Each one has its own unique strengths and weaknesses.

### *Display Advertisements*

Display advertisements are pervasive, and they offer the opportunity to show rich graphics to a wide audience. Alexandrov envisions a side-by-side comparison of a Big Skinny wallet and a conventional wallet, similar to the sales pitch that brought Big Skinny to relevance. However, people are conditioned to ignore display ads, and typical click-through rates are very low (less than 0.1%) (Edelman and Kominers). Also, display advertisements are distributed through ad networks or ad exchanges, and Big Skinny has little control over where exactly the advertisements would appear.

### *Algorithmic Search*

Working to improve results from algorithmic search is appealing due to Big Skinny's branding. Words such as "thinnest wallet" will bring up the Big Skinny website, and people making that search are likely to make a thin wallet purchase. One caveat to this kind of search is the presence of significant competition. Each search engine ranking system vaguely defines its criteria, which means that top-selling thin wallet brands are bound to come up in the same search query. The presence of tough competition suggests Big Skinny will have trouble competing in this way.

### *Sponsored Search*

Buying keywords through sponsored search avoids some problems of algorithmic search in that paying a little extra will guarantee a higher appearance in search queries, vaulting the competition. On average, the Big Skinny website appeared as one of the top two search results on a wide variety of search queries (Edelman and Kominers). Sponsored search is also flexible and allows for both broad matches and exact matches. However, the average conversion rate per click-through was 6.49%. With an expected low click-through rate of 4.80%, sponsored search does not have a significant effect in increasing sales (Edelman and Kominers). To add on, sponsored search is by nature not organic, so we should not expect purchases to spur more purchases.

### *Interactive Content*

Interactive content is naturally appealing due to its "street fair" style. An interactive wallet selection guide would be a unique customer experience in the market, and customers would be more likely to stick with the brand and share with others. However, Internet users are known to bounce around many different webpages, which translates to a low "dwell time" for any given page. According to research, 80% of users move on to a new webpage in 70 seconds (Liu). Interactive content is useful for the remaining 20% of users, but most users will simply leave. Due to the already low click-through rates of the website, Big Skinny should focus more on reaching out to new customers.

### *Online Distributors*

Online distributors are appealing for obvious reasons: a distributor like Amazon can handle packaging, have their own sponsored advertising campaigns, and have an existing core of customers. While partnering with an online distributor is likely profitable, Big Skinny would lose

out on the chance to collect its own data, and it may not be able to provide a unique customer experience without redirection to its website.

### *A/B Testing*

Big Skinny executives currently rely on instinct for marketing campaigns. A/B testing provides the opportunity to prove which campaigns perform the best. A/B testing would therefore work well with interactive content in that the best materials would become apparent. However, Big Skinny has no software to support A/B testing, and its current campaigns based on instinct are performing adequately. A/B testing is not necessary at this time.

### *Social Media*

Social media is the most important advertising technology available to Big Skinny, especially considering that the website is geared toward targeting teenagers. Customers in real life have been particularly enthusiastic about the product; this will translate well into digital form because communicating with others is just a tweet or update away. Social media allows for significant network effects and, unlike sponsored search, is largely organic.

The main problem with social media is that it must be monitored: customers may use social media and blogs as question forums and areas to make complaints. To solve this problem, Big Skinny can make a social media position that can improve customer relations, a rudimentary kind of CRM. Teenagers and current young adults are the most tech-savvy generation, and providing an outlet for them is the best bet for Big Skinny.

## Recommendations

Big Skinny could use technology in a couple of key areas, including financial savings, and customer experience. Three suggestions are listed below.

### *Analytics: Financial Savings, Business Intelligence*

In this day and age with e-commerce the preferred avenue for shopping, companies such as the Big Skinny are forced to compete for search engine optimizations. Currently Big Skinny is paying a premium in order to rank high on particular search queries, but this decision has no replicable rationale (Edelman and Kominers). A/B testing, as mentioned previously, is impractical for Big Skinny. In order to make potentially large savings, Big Skinny should implement an analytical approach using Google Analytics in order to see what keywords and terms are most common in customer searches. The usage of data analytics to parse through available data and perform sentiment analysis could provide valuable insight into what wallets types and aesthetics attract customers, and this in term could help boost the customer exposure and profits of Big Skinny. Big Skinny should see a spike in customers and profits upon making changes based on analytics.

### *Supply Chain Management (SCM): Customer Experience*

Currently customers complain about longer-than-expected delivery times and even delivery failures. These complaints are evident on Facebook and Yelp, where users have been highly divided about the company's services: while the product is highly praised, customers have given two and one star ratings ("Big Skinny - Harvard Square - Cambridge, MA"). This suggests that Big Skinny has bad supply chain management, specifically in shipping finished products to their final destination. Big Skinny needs to move away from its current delivery service, USPS, and work with a new partner or develop its own delivery company. To have good reliability, Big Skinny should partner with Fulfillment by Amazon, which handles shipping and packaging for enlisted partners. Big Skinny executives would see results from improved reviews on Yelp and reduced customer complaints, especially since Amazon can cut shipping latency to just a couple of days.

### *Customer Relations Management (CRM): Customer Experience*

The appearance of delivery complaints and lack of communication about problems indicates that a larger problem is at hand: customer relations have been managed poorly thus far. Customers have had difficulty in contacting customer support for help in poor deliveries and other kinds of situations. A customer relations management system can be developed in-house with a small customer transaction database. Having access to individual customer information is one of the goals of a CRM system (Hyken), and it would be particularly helpful to diagnose errors. If in-house development is too problematic and requires too much staffing, outside software from Salesforce would work well (Butler and Carignan). Salesforce would allow greater integration among sales, marketing, and customer relations.

## References

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