

## Session 4 Markets & Competition

ASM 3300



Porter forgot something...



- Breakfast Cereal & Milk
- Burgers and buns
- Air travel and rental cars or hotels
- Razor blades and shaving cream
- Hardware and software

## *Complements!*

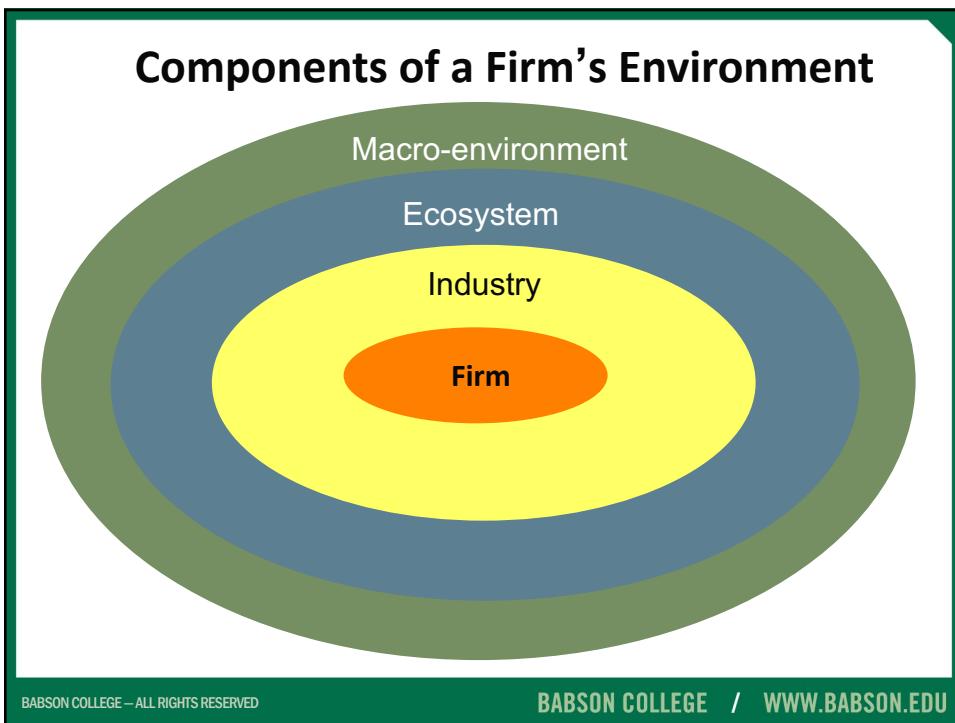
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## *Complements → Ecosystems!*

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## A Definition

An **ecosystem** is a collection of different kinds of firms, organizations, and people involved directly or indirectly in creating and delivering a set of products and services to consumers.

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## Industry vs. Ecosystem

- The industry is part of a larger **ecosystem** of firms and organizations and overlapping industries.
  - E.g. Amazon's Kindle ecosystem includes:
    - phone service providers (telecom)
    - Hardware and tablet companies
    - Publishers
    - Authors
    - Bookstores?

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## Value of an Ecosystem Perspective

- With the accelerating pace of technological change, scientific advances, and innovation, **specialization** ("depth, not breadth") among firms and organizations has increased.
- Specialization increases the need for **collaboration**.
- Consequently, a greater variety of firms and organizations are relevant to understanding how goods and services are created and delivered.
- **Complements** play a bigger role in competition than they ever did before.
- **Innovation, capabilities, competitive advantage** reside not just in a company but in the larger set of organizations with which it is connected.

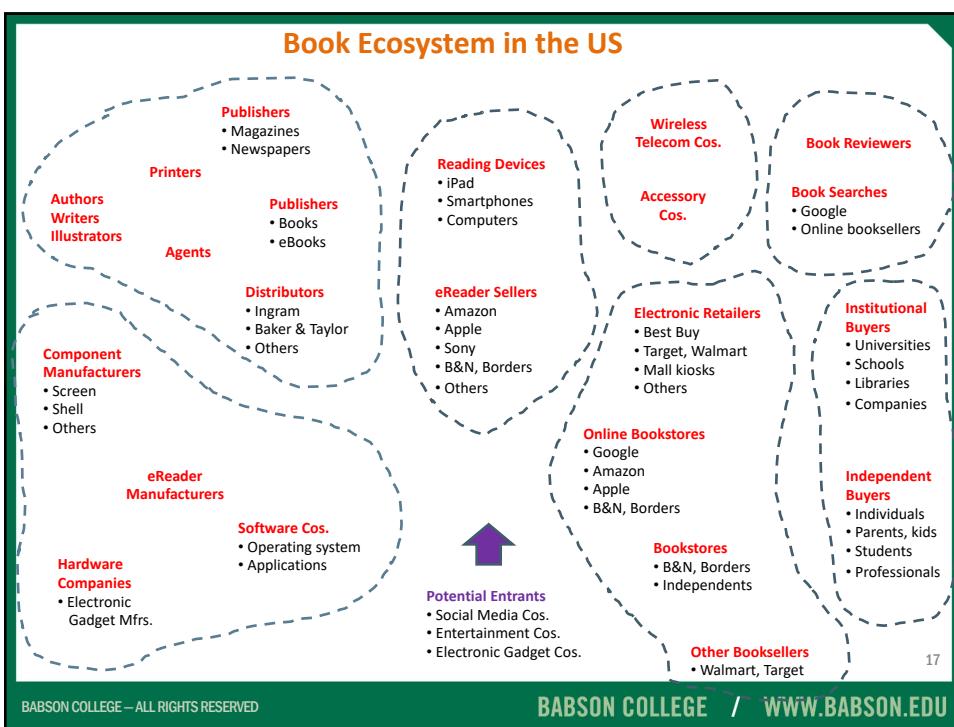
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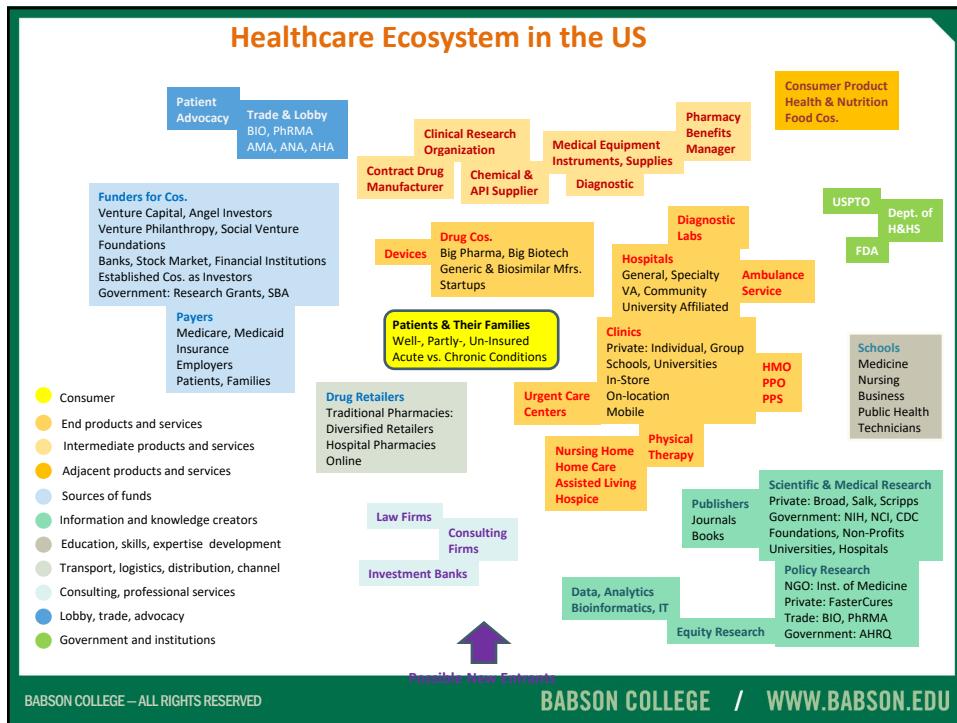
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|               | Industry Analysis  | Ecosystem Analysis |
|---------------|--|--------------------|
| Emphasis      | Competition  |                    |
| Setting       | Industry   |                    |
| Focus         | Buyers, Suppliers, Current Competitors (Rivals), Potential competitors (New entrants), Substitutes |                    |
| Firm Activity | Positioning – Providing Products and Services  |                    |

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## Ecosystem Analysis

### Step 1 of 2. Focus on the Overall Ecosystem

1. Map the ecosystem  
*(To know what it really is)*
2. Identify the major trends  
*(To see how it may be changing)*
3. Assess how the trends and events may differentially affect the various players comprising the ecosystem  
*(Because change is never uniform across a system)*
4. Identify players' unsolved problems. How are they performing? What are their ambitions?  
*(To predict their possible moves and how competition may unfold, to identify possibilities for collaboration, innovation, and entrepreneurship)*

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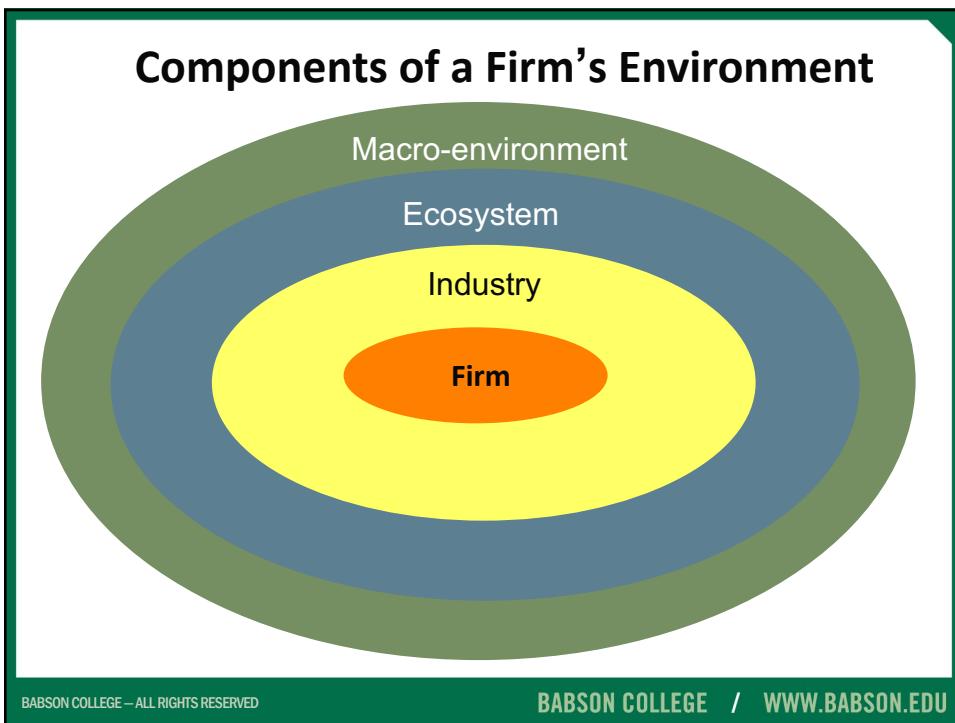
## Ecosystem Analysis

### Step 2 of 2. Focus on Your Firm and How it Relates to the Ecosystem

1. How are changes in the ecosystem affecting us? Consider trends, events, moves by others, and their unsolved problems.
2. What (and whose) problems should we be solving?
3. Who will be affected (positively, negatively) by our solving this problem?
4. Who could be a hurdle? How can we best overcome the obstacles they may present?
5. Who would have an interest in enabling us? How can we best collaborate with them in devising or implementing solutions?

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## Macro-Economic Analysis

- P.E.S.T.L.E.
  - Political (e.g. industry subsidies)
  - Economic (e.g. Consumer confidence, unemployment rate)
  - Social (e.g. aging population)
  - Technological (e.g. information technology)
  - Legal (e.g. FCPA)
  - Environmental (e.g. Climate Change)

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## Macro-Economic Analysis

### ■ Key Questions

- Which element is currently most important to the company?
- What are emerging trends?
- Which element is likely to be most important in the future?

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## Changing times (1951)



<http://www.nytimes.com/2008/10/07/business/media/07adco.html>

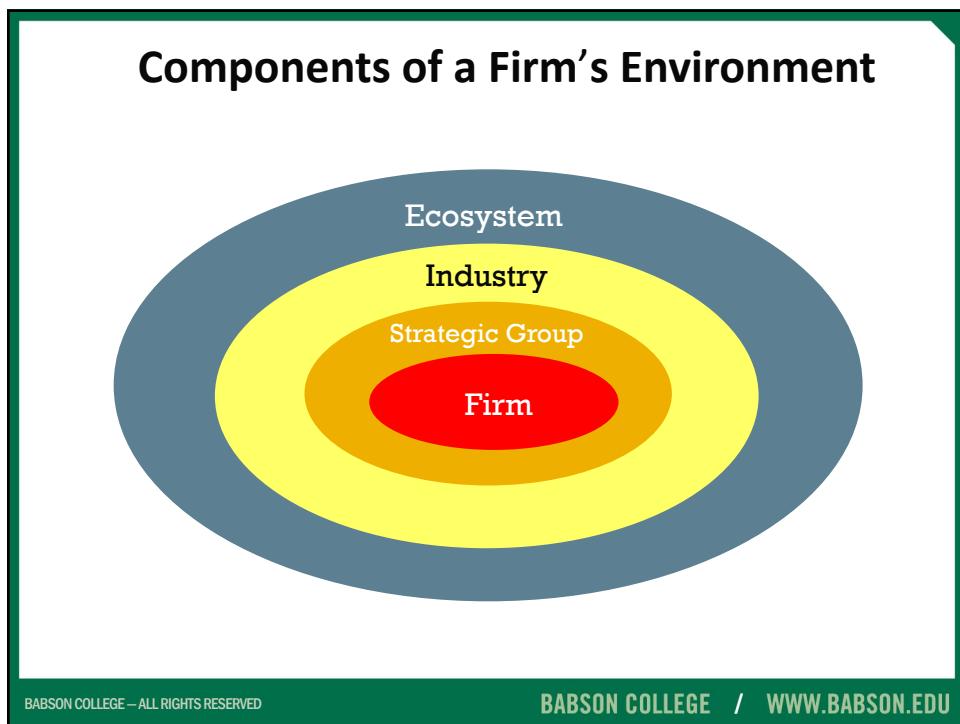
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# Changing times (Today)

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## Competitor Analysis: Importance of the Boss



Vs.



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# eHarmony®

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## Market Identification

- How do people meet their significant other?

## Market Segmentation

- What are the most strategically significant or relevant ways we could segment the market?
  - Can we combine any of these?
- Pick two:
  - Most relevant
  - Can be loosely quantified
- Draw a segmentation chart or matrix
- Analyze segment attractiveness
  - Identify KSFs (Key success factors)
  - Consider issues related to *economies of scope*

## Two Basic Sources of Competitive Advantage



- Cost-based advantage: Providing a similar product or service at a lower cost
- Differentiation-based advantage: Providing a unique product or service at a premium price

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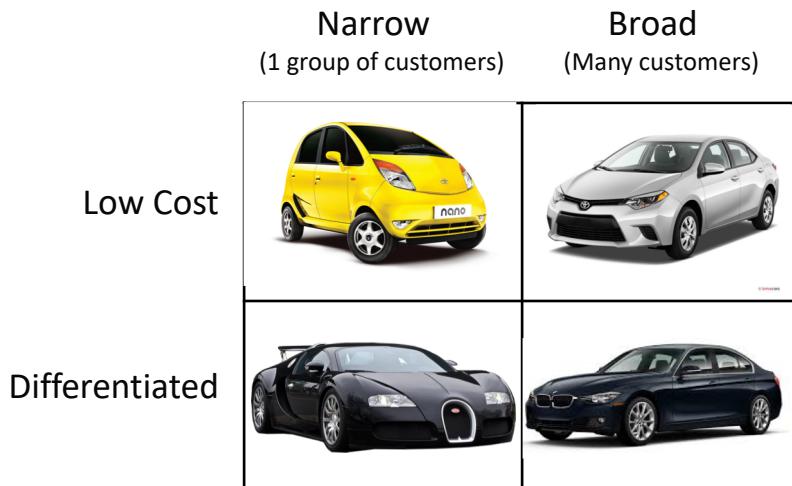
## Porter's Generic Strategies

|                | Narrow<br>(1 group of customers) | Broad<br>(Many customers) |
|----------------|----------------------------------|---------------------------|
| Low Cost       | Focused Cost Leadership          | Broad Cost Leadership     |
| Differentiated | Focused Differentiation          | Broad Differentiation     |

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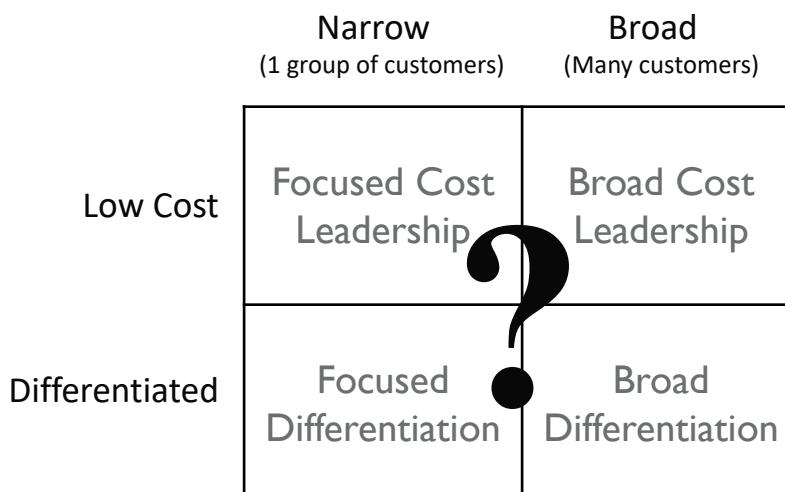
## Porter's Generic Strategies: Cars



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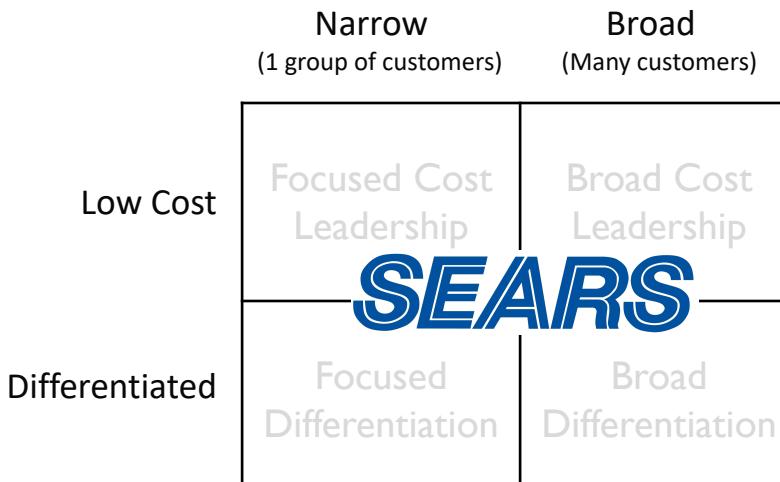
## Porter's Generic Strategies



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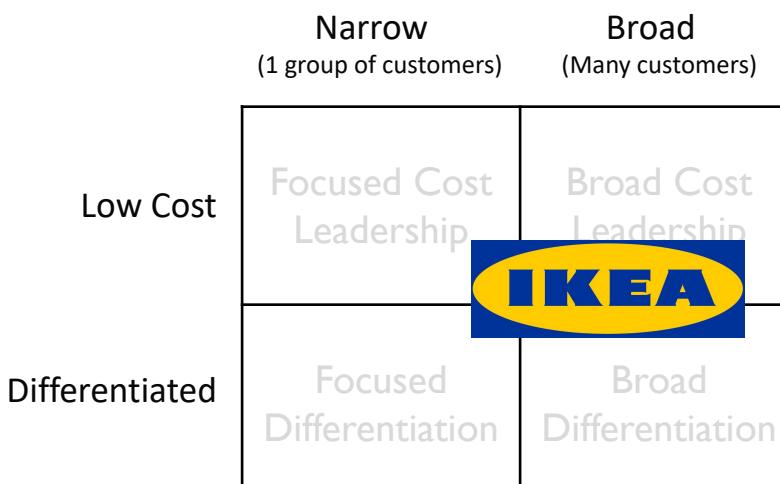
## Porter's Generic Strategies



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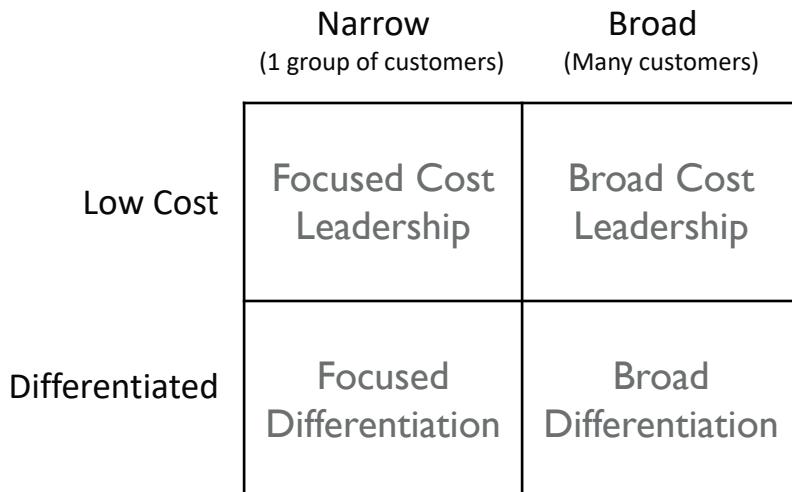
## Porter's Generic Strategies



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## Where would you put eHarmony?



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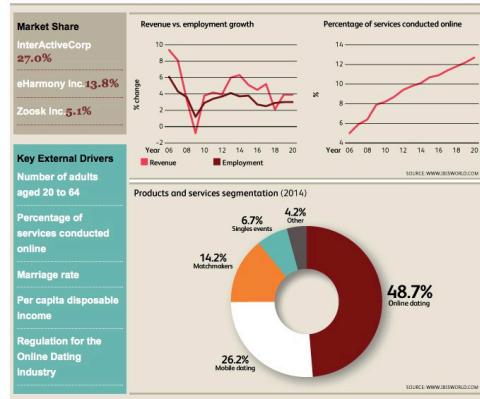
## Online Dating Market Since the Case

### Industry at a Glance

| Key Statistics Snapshot | Revenue \$2.2bn | Annual Growth 09-14 4.8% | Annual Growth 14-19 4.2% |
|-------------------------|-----------------|--------------------------|--------------------------|
| Profit \$293.8m         | Wages           | Businesses               |                          |
|                         | \$604.4m        | 3,851                    |                          |



WHERE KNOWLEDGE IS POWER



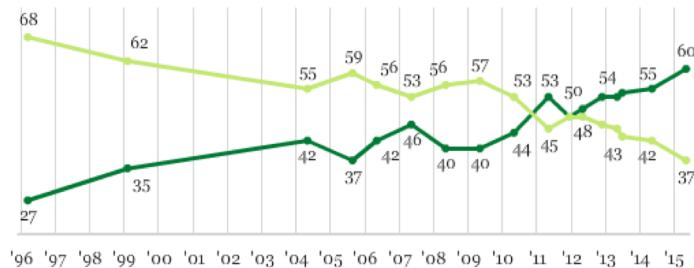
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## PESTLE since the Case (focus on the S)

*Do you think marriages between same-sex couples should or should not be recognized by the law as valid, with the same rights as traditional marriages?*

■ % Should be valid ■ % Should not be valid



Note: Trend shown for polls in which same-sex marriage question followed questions on gay/lesbian rights and relations

1996-2005 wording: "Do you think marriages between homosexuals ..."

GALLUP

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## eHarmony Since the Case

On Leadership

**eHarmony wants to match you with the perfect boss**

Candidate.Guru acquires Elevated Careers from eHarmony!

August 14, 2017

Enter your email address to find out more!

e-mail address

first name  last name



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## eHarmony Key Takeaways

- Importance of Market analysis
  - Moves beyond industry analysis
  - Market analysis is not just about the firm... it's about the people running the firm. (People aren't always rational.)
  - Complements the business model canvas
- Know how to perform a **market validation** and **segmentation**