

## Business Case Challenge

# Input | Market



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*In cooperation with*



Die Presse





- 1. Desk Research:** This section provides some useful information on how to conduct desk research (steps, possible sources, methods)
- 2. Market sizing:** This section provide information on how to conduct a market analysis. (this includes, inter alia identifying & sizing (estimating the size) the target market as well as estimating the product's current and future sales potential.
- 3. Macro- & industry analysis:** This section includes information on a PESTEL (macro) and a Porter's 5 Forces (industry) analysis (incl. some info on distance issues).
- 4. Competitor analysis:** This section provides information on how to conduct a through analysis of your competitors.

# Desk research



# Market research ideally consists of five steps

Definition	Design	Data Collection	Data Analysis	Documentation
<ul style="list-style-type: none"><li>• Definition of problem</li><li>• Formulation of research purpose</li><li>• Focus on information demand</li><li>• Objective of research</li></ul>	<p>Procedures</p> <ul style="list-style-type: none"><li>• Type, quality, extent</li></ul> <p>= Scope of research</p> <ul style="list-style-type: none"><li>• Exploratory</li><li>• Descriptive</li><li>• Causal</li></ul>	<ul style="list-style-type: none"><li>• Desk research</li><li>• Field research</li></ul>	<ul style="list-style-type: none"><li>• Data preparation</li><li>• Statistical methods</li></ul>	<ul style="list-style-type: none"><li>• Presentation of major findings</li><li>• Presentation in comprehensive format</li><li>• Strengthen the decision-making of management</li></ul>

Market Research Process

# Desk research: Important, but often not exclusive



- Data gathered
  - at an earlier stage
  - for other or similar purposes
- Availability
- Short access time
- Cost factor



- Relevance
- Precision
- Up-to-dateness
- Objectivity
- Quality of existing data
  - Incomplete?
  - Unreliable?
  - Inaccurate?



Secondary data form a useful basis, but are often not enough for a complete database

# Desk research: Five sources particularly valuable

## Corp web sites

Web pages of firms' Press releases

- Regional segments

Web pages of cooperative associations

- Chambers of commerce
- Ministries of foreign trade

## Databases

Company data



Industry data



Country data



## Newspapers

Local business newspapers

International business newspapers

Database on business news



## Consultancies

Knowledge pool for industries and business trends

- Top mgt. Consultancies (McK Quarterly, BCG Perspectives, etc.)
- Big Four companies
- Specialty consultancies (Simon Kucher & Partners, ZEB, etc.)

## Academic papers

Academic papers to provide input for theoretical frameworks

- Accounting journals
- Consumer behavior journals
- Marketing/Sales journals
- IB journals

# Market sizing



# Market analysis: Some terms and definitions (i)

## Focus of a company when analyzing a market

Type	Explanation
<b>Potential market</b>	Consumers that have interest in the product = part of the total population of a country
<b>Accessible market</b>	Total consumers that have interest in the product, buying power and access to the product
<b>Target market</b>	Market that the company wants to address
<b>Penetrated market</b>	Potential consumers that have already bought the product



# Market analysis: Some terms and definitions (ii)

Different operating figures	
Type	Explanation
<b>Market potential</b>	Total of potential sales in a market
<b>Market volume</b>	Sum of sales volumes of all companies in the market
<b>Sales volume</b>	Sales of a specific company in a market
<b>Saturation rate</b>	$(\text{market volume} / \text{market potential}) * 100$
<b>Market share</b>	$(\text{Sales volume} / \text{market volume}) * 100$

# Market segmentation divides the market into relevant subgroups

## Strategies

As part of their strategy, firms may follow different **approaches of market segmentation**:

- **Undifferentiated** (focus on full market, mass-marketing)
- **Focus** (one market niche; very focused)
- **Differentiated** Strategy (focus on small number of segments)

## Base of Segmentation B2C

Classically, B2C analyses distinguishes between the following **dimensions of segmentation**:

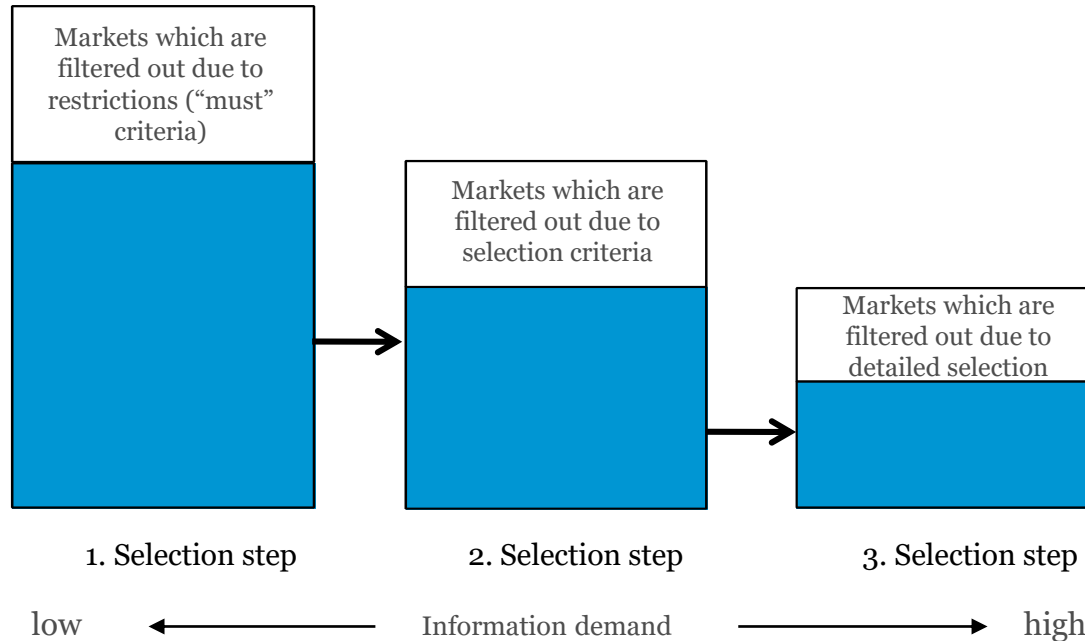
- **Demographic** (e.g., male adults aged 30+)
- **Geographic** (e.g., living in Graz)
- **Behavioral** (e.g., heavy/intense users)
- **Psychographics** (preference for healthy food)

## Base of Segmentation B2B

**Segmentation** of customers in relevant groups is also relevant in B2B markets:

- **Industry** (e.g. farming, energy,...)
- **Geographic** (e.g. Salzburg, Vienna)
- **Size** (e.g. revenue, employees, ...)
- **Strategy** (e.g. cost leader, differentiator)

# Selecting the right markets is key for market development



To avoid the need to gather and analyze extensive amounts of data, market selection usually is a **sequential process**.

# The attractiveness of a market is determined by 3 factors

## Market Size

The market size indicates today's and future potential sales volumes for a specific product or service in a specific market



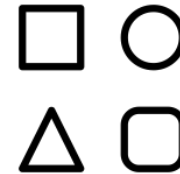
## Market Structure

The market structure indicates today's and future relevant structures of a market for a specific good or service



## Distance & Differences

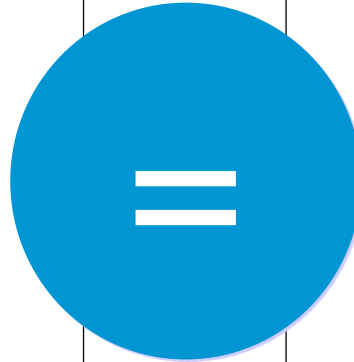
Differences and distance indicate how much firm's have to adjust their business model to a new context



# Market size can be estimated in two different ways

## Bottom-up Approach

The bottom-up approach sizes a market using projections of individual clusters. A firm must first identify the customer segments it intends to reach, and then make estimates of their size and growth.

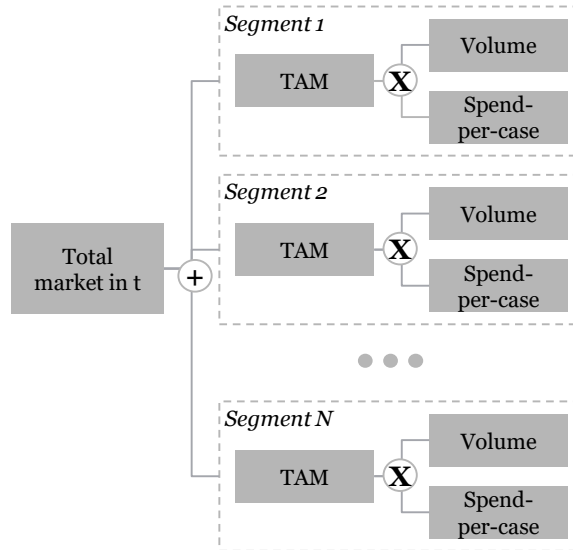


## Top-Down Approach

The top-down approach, also called the chain ratio method, involves defining a “universe” target market and applying various filters that continually reduces the figure to an estimation of the “net” market.

# Market size can be estimated in two different ways

## Bottom-up Approach



## Top-Down Approach

1st Filter

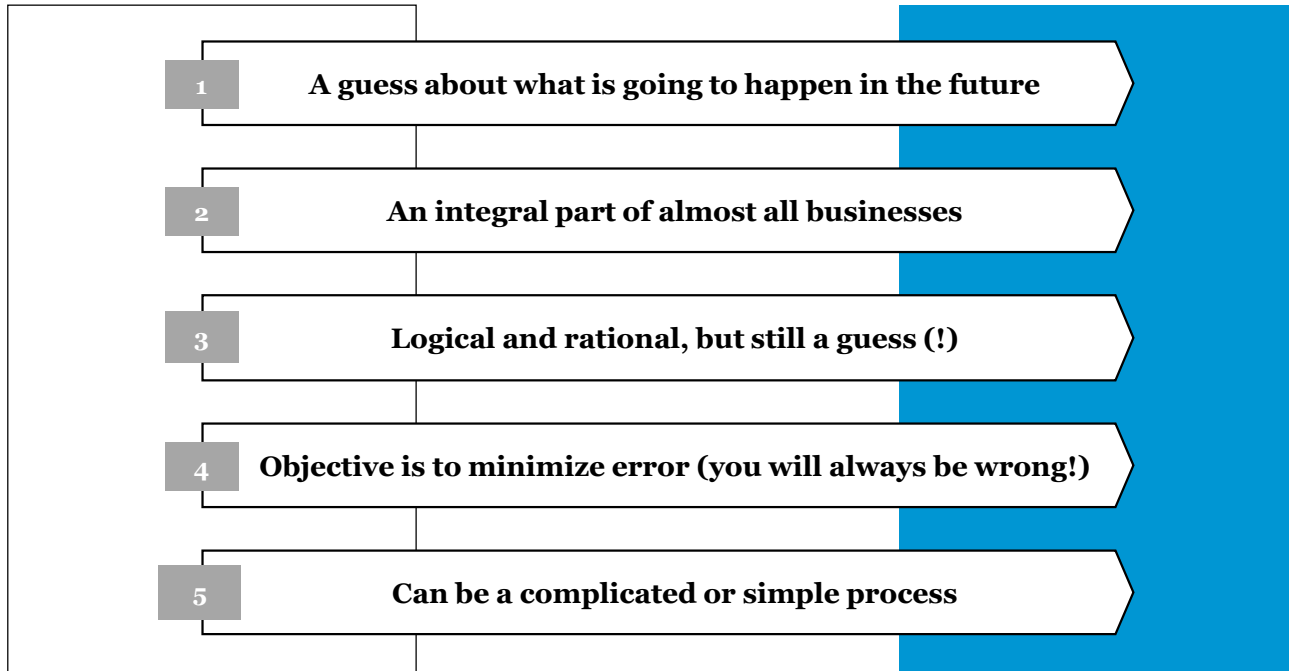
2nd Filter

Filter n

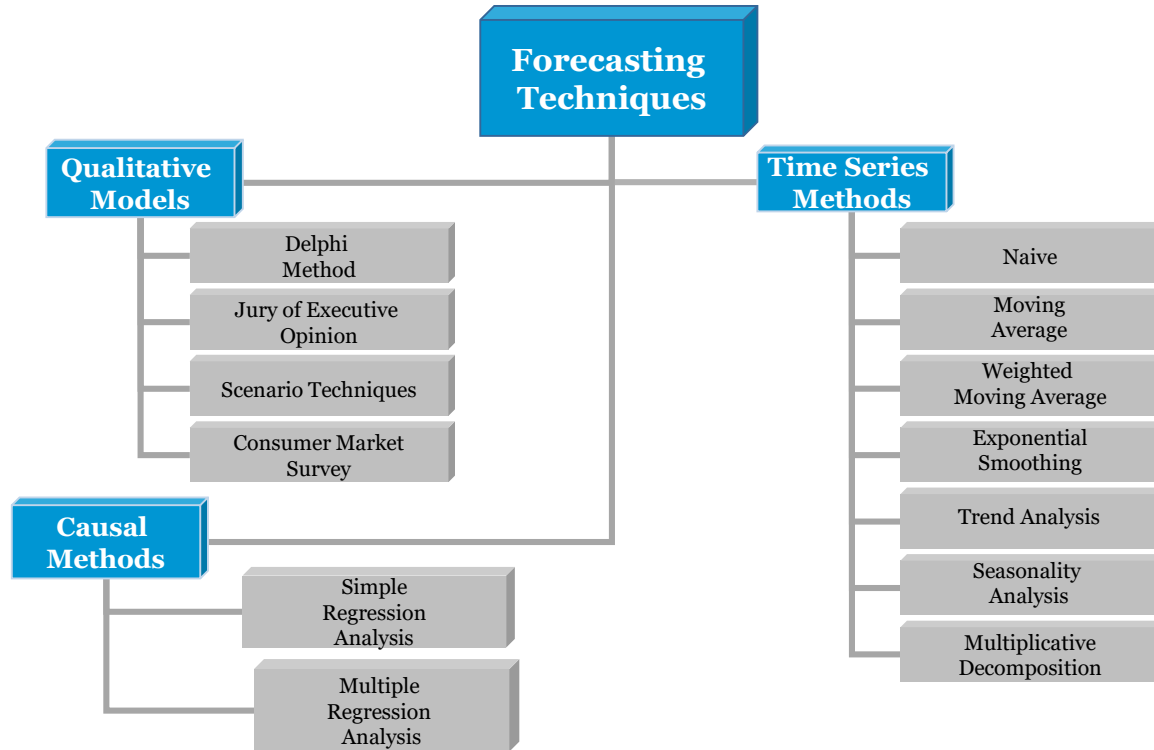
Result

Total Market

# Size, structure, and distance are not static



# Forecasting can be supported with different methods



## Qualitative Methods

opinion-based

incorporates judgmental and subjective factors into forecast

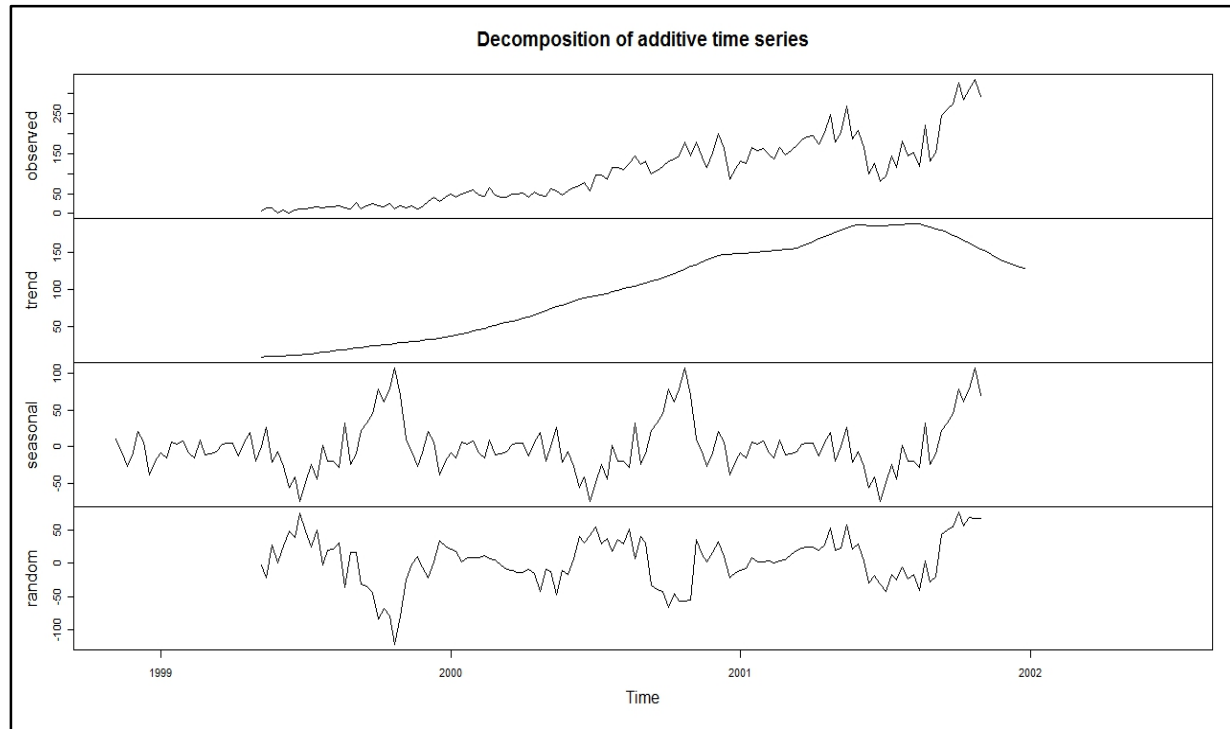
## Quantitative Methods

Time-Series – attempts to predict the future by using historical data over time

Causal – incorporates factors that may influence the quantity being forecasted into the model



# Time-series data can be decomposed in different elements

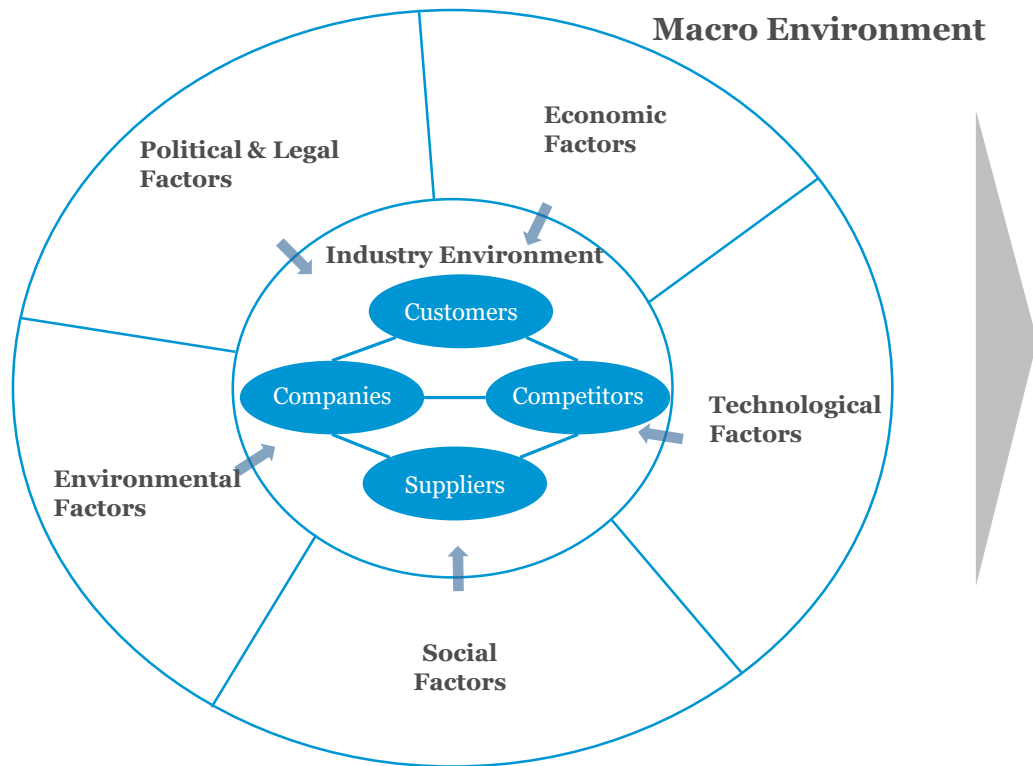


Decomposing a  
time-series  
helps to  
understand the  
**dynamics** of a  
development  
over time.

# Macro- & industry analysis



# PESTLE reveals relevant forces in the macro-environment

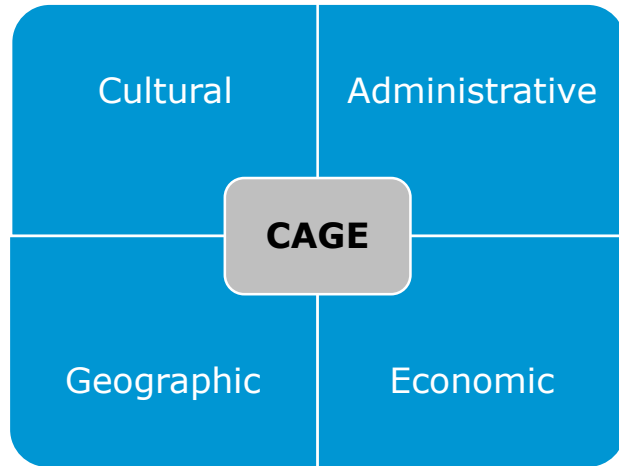


- The industry influences companies and competition directly
- The macro environment influences the industry, hence the companies indirectly
- The macro environment is almost equal for all; it can hardly be affected by companies

This tool is also known as  
PEST(LE) analysis

# Distance and difference influence the cost of entry

## Types of Distance



### Information Cost

- Distance and differences between markets increase the cost of collecting information about a market

### Interpretation Cost

- Distance and differences between markets increase the cost of interpreting information about a market

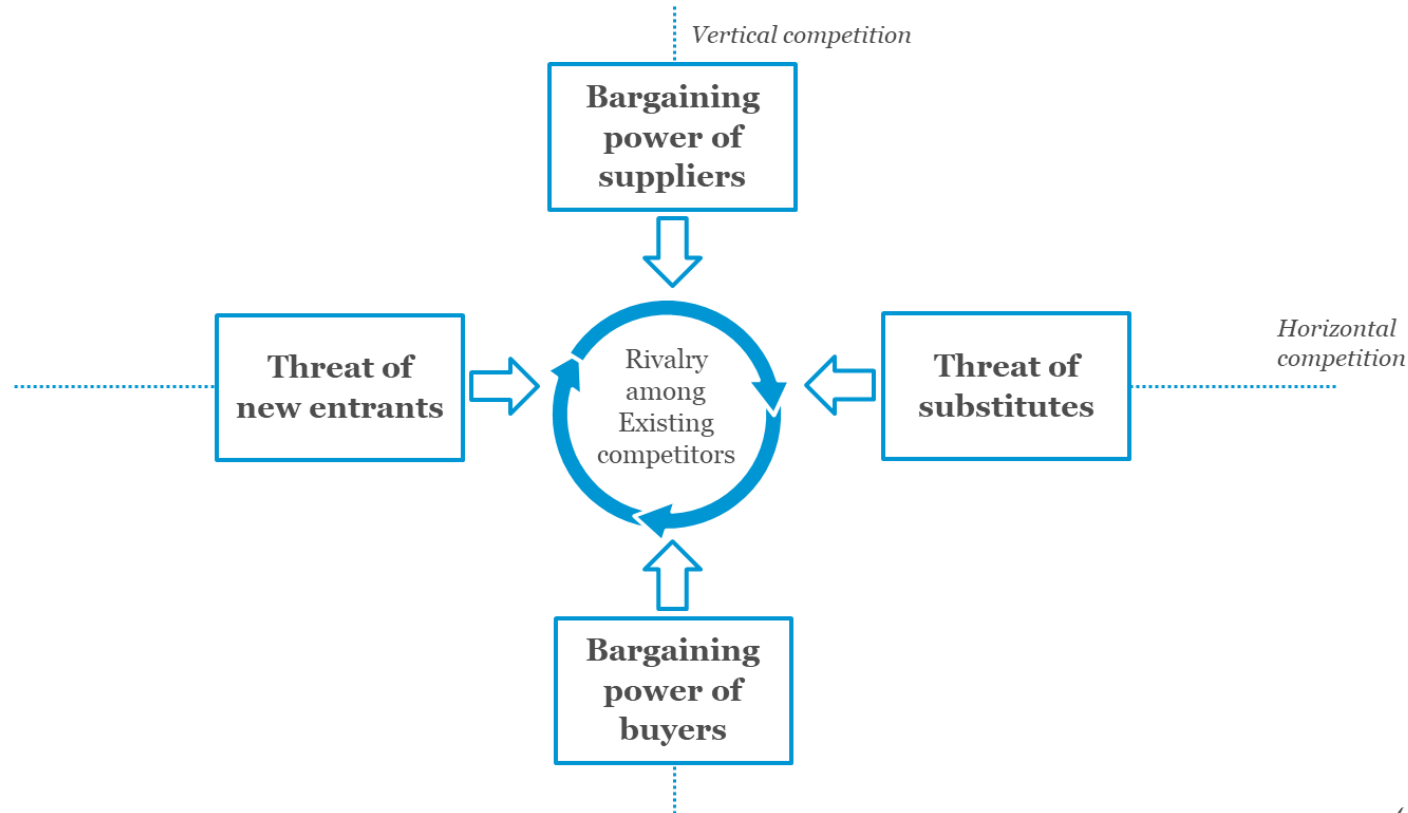
### Operational Cost

- Distance between markets increases the coordination and logistical costs to cater the market

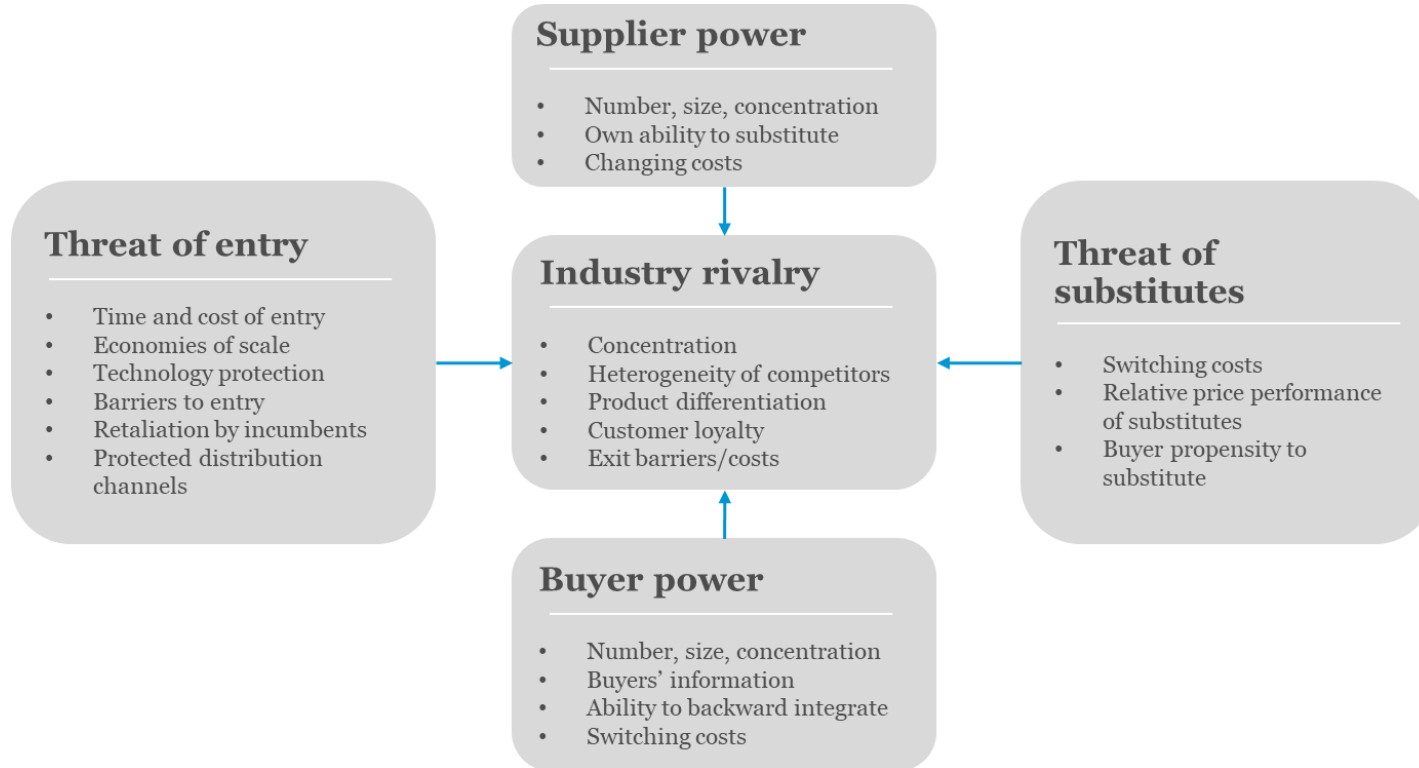
### Cost of Complexity

- Activities in very distant or different markets increase complexity in MNE strategizing

# Porter's 5 forces help to understand market structures



# Porter's 5 forces help to understand market structures



# Competitor analysis



# A competitor analysis is crucial to understand the market conditions and to position yourself

## Definition

- Process of **identifying your competitors** and **evaluating** them **in relation** to **your company**
- **Crucial tool** to gather information and develop a **go-to-market strategy**

## Main reasons for conducting a competitor analysis

- Identify **gaps** in the **market**/ segments not fully covered yet
- **Uncover** market/ industry **trends**
- **Develop** new products and services and your **Unique Selling Proposition (USP)**
- **Benchmark** your own growth **against other firms**

A good **competitive analysis** helps identify the **strengths and weaknesses** of your **company in relation** to the **alternatives**



# A common three step approach can be applied to prepare and perform a competitor analysis



**Determination** of **main competitors**

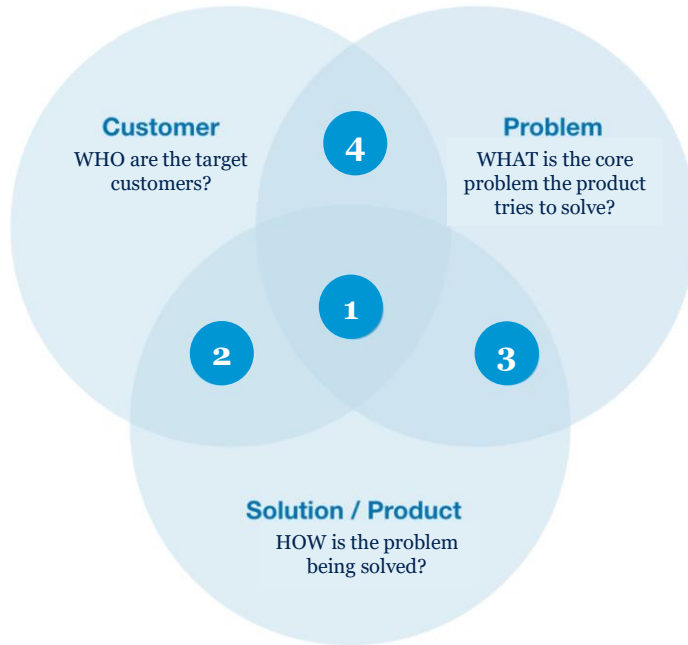


**Selection** of **main criteria** for competitor analysis



**Rate competitors** and yourself and **summarize** in a **SWOT analysis**

# When choosing firms for your analysis, it is crucial to understand the types of competitors



## 1 Direct Competitors

Same customer, problem and product category

## 2 Different Problem

Solving a different problem for the same customer but in a similar way

## 3 Different Customer (Industry / Vertical)

Solving the same problem in a similar way but for different customers

## 4 Different Product Category


Solving the same problem for the same customer but using a different approach

**Indirect Competitors**

**Limiting your analysis to direct competitors only might lead to a very narrow view of the market – you should also consider indirect competitors for a truly comprehensive analysis**


# The second step involves the selection of suitable criteria for your competitor analysis



Competitor Analysis – Common criteria				
				
ILLUSTRATIVE – Most Common Criteria	Your Company	Competitor #1	Competitor #2	Competitor #3
<b>Company Specific</b> <ul style="list-style-type: none"> <li>Market Share</li> <li>Brand awareness/ Name recognition</li> <li>Reputation</li> <li>Financial Strength</li> </ul>				
<b>Product Specific</b> <ul style="list-style-type: none"> <li>Product features</li> <li>Product quality</li> <li>Product Uniqueness</li> <li>Product Effectiveness</li> <li>Pricing</li> <li>After Sales Service</li> </ul>				
<b>Target Customers</b> <ul style="list-style-type: none"> <li>Customers</li> <li>Target group</li> <li>Messaging to customers/ Sales tactics</li> <li>Sales channels</li> </ul>				

- Determine **suitable criteria** to rate the **competitors** and **your company** to gain an **objective view** of the **marketplace** – note that different products/ industries might require different/specific criteria
- Rate** the **competitors** and **your company** based on the selected criteria - Suggestion: use a scale from 1-5, with 5 being the best and 1 being the worst
- Be **as neutral as possible** – pretend to know as much about your company as you know about your competitors

# Competitor Analysis – Common criteria

		Your Company	Competitor #1	Competitor #2	Competitor #3
 <b>Company Specific</b>	• Market Share				
	• Brand awareness/ Name recognition				
	• Reputation				
	• Financial Strength				
<b>Product Specific</b>	• Product features				
	• Product quality				
	• Product Uniqueness				
	• Product Effectiveness				
	• Pricing				
	• After Sales Service				
<b>Target Customers</b>	• Customers				
	• Target group				
	• Messaging to customers/ Sales tactics				
	• Sales channels				

*Illustrative  
Most common criteria*

# A SWOT Analysis is a good tool to summarize the main findings of a competitor analysis



S	W	O	T
STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
<ul style="list-style-type: none"><li>• Things your company does well</li><li>• Qualities that separate you from your competitors</li><li>• Internal resources such as skilled, knowledgeable staff</li><li>• Tangible assets such as intellectual property, capital, proprietary technologies etc.</li></ul>	<ul style="list-style-type: none"><li>• Things your company lacks</li><li>• Things your competitors do better than you</li><li>• Resource limitations</li><li>• Unclear unique selling proposition</li></ul>	<ul style="list-style-type: none"><li>• Underserved markets for specific products</li><li>• Few competitors in your area</li><li>• Emerging need for your products or services</li><li>• Press/media coverage of your company</li></ul>	<ul style="list-style-type: none"><li>• Emerging competitors</li><li>• Changing regulatory environment</li><li>• Negative press/ media coverage</li><li>• Changing customer attitudes toward your company</li></ul>

- Stands for **Strength**, **Weaknesses**, **Opportunities** and **Threats**
- **Strengths** and **weaknesses** are **internal**/ controlled by the company
- **Threats** and **Opportunities** are **external**, controlled by the market

- After analyzing your competition and yourself in detail, **synthesizing** the **information** into a **SWOT analysis** helps to **understand the main drivers**
- An **overview** of the **main strengths, weaknesses** and potential **opportunities** and **threats** of you and your competitors can help with **defining** the general **strategy**

# The following informational material was provided with the help of the IIB institute

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This guide and the info material was provided by

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**WU Vienna**