Agenda

1) Complete Market Strategy (Lecture 6)

2) Project Phase I

3) Homework 2

4) Business (competitive) Strategy (Porter's Five Forces)
② Project Phase I

Every group must meet with the instructor (Tyler) during office hours today.

E2 553 4:00-7:00 pm

Every group member must touch base with the instructor or the TA (Derya) either during the group meeting today (Tuesday) or during office hours (Wednesday, Thursday).

Office

Tyler: Tuesday E2 553 4:00-7:00 pm

Thursday E2 559 1:00-3:00 pm

Derya: Wednesday E2 583 1:00-5:00 pm

Bring a short (1-2 paragraphs) description of your contributions.
Problem 2: You only need to do market analysis for the digital camera market. The competitive analysis will be discussed in class on Thursday.

Market Analysis has two parts:
- Revenue Map (Market Segmentation)
- Select a target segment and credit) create a Marketing Mix (4Ps)

Structured Problem Solving

Step 1: Define the Problem

Create a market segmentation for the digital camera market that shows the size ($) and growth (%) of different types of cameras (DSLR) for each major customer segment (Professionals, etc.)
Step 2: Plan the Approach

1) Understand how digital cameras work and the different types of cameras (howstuffworks.com)

Example: DSLR, Point and Shoot, Micro 4/3 cameras, Prosumer, Action Camera (GoPro), Cell phones, etc.

2) Identify the different customer segments

Example: Students, Professionals, Home (casual), Travel, Sports, etc.
3) Internet research to find the overall market size and growth

Example: Consumer Electronics: $209 B, 3%
Digital Cameras: ?

4) Create the Revenue Map
   - Market research data (if available)
   - Estimation (See lecture 6)

Step 3: Execute the Plan

Customer segments

Product types

Step 4: Check Work

$$ (Segment\ Size) \leq \text{market size} $$

$$ (Segment\ Size \times Segment\ Growth) \leq \text{market size} \times \text{market growth} $$

Step 5: Conclusions
Problem 1: Product Design

Use Structured Problem Solving!

Apply the Product Design Process (Lecture 4)
(Use Product Dissection (FAST) to get the Key Sub-functions for the new product's function structure)

Combination Washer Dryer

Example: Function Structure

```
   Clean Clothes
     /        \
    /          \
Loosen Dirt  Separate Dirt  Remove Dirt
     \        /     \    /   \      /   /  \
Wash Clothes  Dry Clothes  Transfer Clothes
```

Smart Phone! See lecture #2
4. Business Strategy

The business strategy describes how the company (start-up) will compete in the target market segments.

Process for creating a Business Strategy/Competitive Strategy using Porter’s Five Forces:

1) Create a map of the Industry/Market landscape for the start-up

- **Industry**: Competitors (Companies), Suppliers, Substitutes, New Entrants
- **Market**: Buyers (customers) that drive the industry

Example: Companies in the Tablet Industry

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Samsung</td>
<td>19%</td>
</tr>
<tr>
<td>Apple</td>
<td>36%</td>
</tr>
<tr>
<td>Amazon</td>
<td>5%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>2%</td>
</tr>
<tr>
<td>Asus</td>
<td>6%</td>
</tr>
</tbody>
</table>
2) Perform a Porter's Five Forces Analysis of the Industry/Market landscape

Example: Tablet Computer Industry (2013)

F2: Threat of New Entrants / Barriers to Entry

New Entrants
- Apple
- Samsung
- Microsoft
- Amazon
- AWS

New Entrants
- HP
- Google?

F1: Rivalry between Competitors

Competitors

F4: Buyer Power

Buyers
- Home
- Students (From Market Segmentation)

F3: Substitutes

Substitutes
- Laptops
- Smart phones
- Pen and Paper

F5: Supplier Power

Suppliers

Power

Displays (Samsung, LG)

Microprocessors/Memory (Intel, AMD, Samsung, Apple)

Operating System (Apple, Microsoft, Google)

Telecoms (Verizon, ATT...
F1 (Force): Rivalry between Competitors

Example: Apple and Samsung Patent lawsuit

The intensity of this force is determined by:

1) Concentration (how many competitors) and the size of each competitor.
2) Brand Identity

F2 (Force 2): Threat of New Entrants / Barriers to Entry

Example: Microsoft lost $900M on the Surface Tablet in Q4 2013

The determinants of the intensity of F2:

1) Capital Requirement ($) / Cost (design, development, marketing, etc.) to enter the industry
2) Brand Identity