The Economics of E-commerce and Technology
Case Studies
Case Study Method

- Management is a skill rather than a set of techniques
  - Requires practice on real problems
  - Problem sets not enough

- A case has two aims.

 1. Metaphor for a particular set of problems.
     - Together, metaphors provide net for problems you will face.

 2. Simulation process.
     - How do ask right questions?
     - Processes of analysis, choice and persuasion.
Principles for the Student

1. Preparation.
   - Read and analyze the case and formulate an action plan.

2. Promptness.
   - Late entry disrupts the classroom and makes it harder to follow and participate in the discussion.

3. Participation.
   - A case study is lead by the students; each student has the responsibility to share their judgment with the class.
   - You will get the most of the class by immersing yourself in the case and playing the role of the protagonist.
Case Analysis: 4 Steps

- The aim of the case
  - Analyze a management situation,
  - Develop a plan of action and
  - Express the position articulately.

- Step 1: Individual analysis and preparation.
  - Skim the case. What is it about? What information I am given?
  - Read carefully, making notes.
  - Identify problem areas and relevant issues for each area.
  - Do appropriate qualitative and quantitative analysis.
  - Develop a set of recommendations supported analysis.
Case Analysis: 4 Steps

- **Step 2: Informal small group discussion.**
  - Aim: Refine, adjust and amplify thinking.
  - Do not develop a consensus of a “group” position.
- **Step 3: Classroom discussion.**
  - Students bring experience, observations, and analyses.
  - You will propose solutions and defend them with analysis.
  - Ultimately, the answer is less important than the process.
  - There is no correct answer
  - You will primarily learn from your classmates
- **Step 4: End of class generalization.**
  - What general lessons were learnt?
  - How does it relate lectures and other cases?
Opening a Case

Key elements:
- Structured analysis of the current problem,
- Strategic options
- Clear recommendations with factual support.

Part 1: Clear assessment of the key problem
- Competitive positioning of current business (revenues, profitability, market share and key trends).
- Threats to the current state. Micro (competitors, new entrants, changes in costs), and macro (recession, public policy).
- Understanding of the existing and desired customers.
Opening a Case

- Part 2: 2-3 strategic options with recommendation
  - What the business should do (new product launch, withdraw from the market, new pricing scheme)
  - A rationale (firm’s competitive advantage, attractiveness of market, impact on existing customers, opportunity cost of strategy)
  - Analysis should draw upon data in case (financial statements, market growth data). If market is new then use benchmarks from existing markets.
  - A valuation of strategy (future revenues, profitability, margins, capital required).
  - Key sensitivities (e.g. pricing) that drive the recommendation.
Opening a Case

- **Part 3: Implementation and risk mitigation plan**
  - Resources to execute on the plan? (e.g. financial, human)
  - How reallocate resources from existing projects?
  - Time frame and breadth of implementation (pilot launch, full launch).
  - What could go wrong and how would you mitigate them?

- **Timing: 10 minutes.**
  - Split around 40% on analysis, 40% on recommendation and 20% on implementation and risk mitigation.
Example: Dropbox
Overview

- Origins
  - Launched in Sep 2009
  - Late mover into backup and synching industry

- Dropbox’s competitive advantage
  - Product does synching and backup
  - Product robust – firewalls, flakey internet, local storage.
  - Network effects – people share folders

- Target market
  - Customers, rather than businesses.
State of the Firm

- **Industry**
  - $720m in 2009, rising to $2.5b in 2014
  - Lots of small competitors, e.g. Carbonite, Mozy
  - Threat of entry from big players: Apple, MS, Amazon, Google

- **Business model**
  - Freemium: 2GB for free; 50GB for $120/yr; 250MB for referral
  - 2-3% of customers buy premium
  - Lose $1.30/yr for free customer; gain $82/yr on paying customer
  - Revenue and costs both around $15m

- **Dropbox rapid sales growth**
  - 200k in Sep 2008, 1m in June 2009, 4m in April 2010
  - 35% referrals, 20% shared folders, rest word of mouth and PR
Strategic Issues

- How to get businesses to sign up
  - Higher demands – support, external backup, fee structure
  - Bureaucracy – firms risk averse and need reliability

- How to grow customer base
  - Revenue is 1% of total market
  - Weak outside US
  - Cross Moore’s Chasm

- How to fend off competition
  - Apple/Google/Amazon could steamroller over Dropbox
  - Could bundle drive with other products (e.g. Amazon prime)
Strategic Options for Growth

- **Option 1: Differentiate product by offering features?**
  - Give customers flexibility
  - Make version for businesses
  - Risk simplicity, “It just works”

- **Option 2: Embrace third party software**
  - Meeting and collaboration apps can use dropbox as base
  - How big is market?
  - Risk reputation if problem with programs

- **Option 3: Find distribution partner**
  - Bundle with antivirus, or pre-install
  - Distributors want control (use their brand name)
My view: Make version for business

- **Reason**
  - Have small percentage of current market
  - Businesses have high willingness to pay (price discriminate)
  - Google/Apple/Amazon have advantage in home market
  - Having second version won’t cause confusion

- **Implementation**
  - Find out what businesses need
  - Develop support services
  - Market to business

- **Risk mitigation**
  - High up front cost to develop new product and staff
  - Could purchase backup company that already has foothold