The Economics of E-commerce and Technology

Case Studies

9/21/16

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 leant?
  - How does it relate lectures and other cases?

Be a hustler…
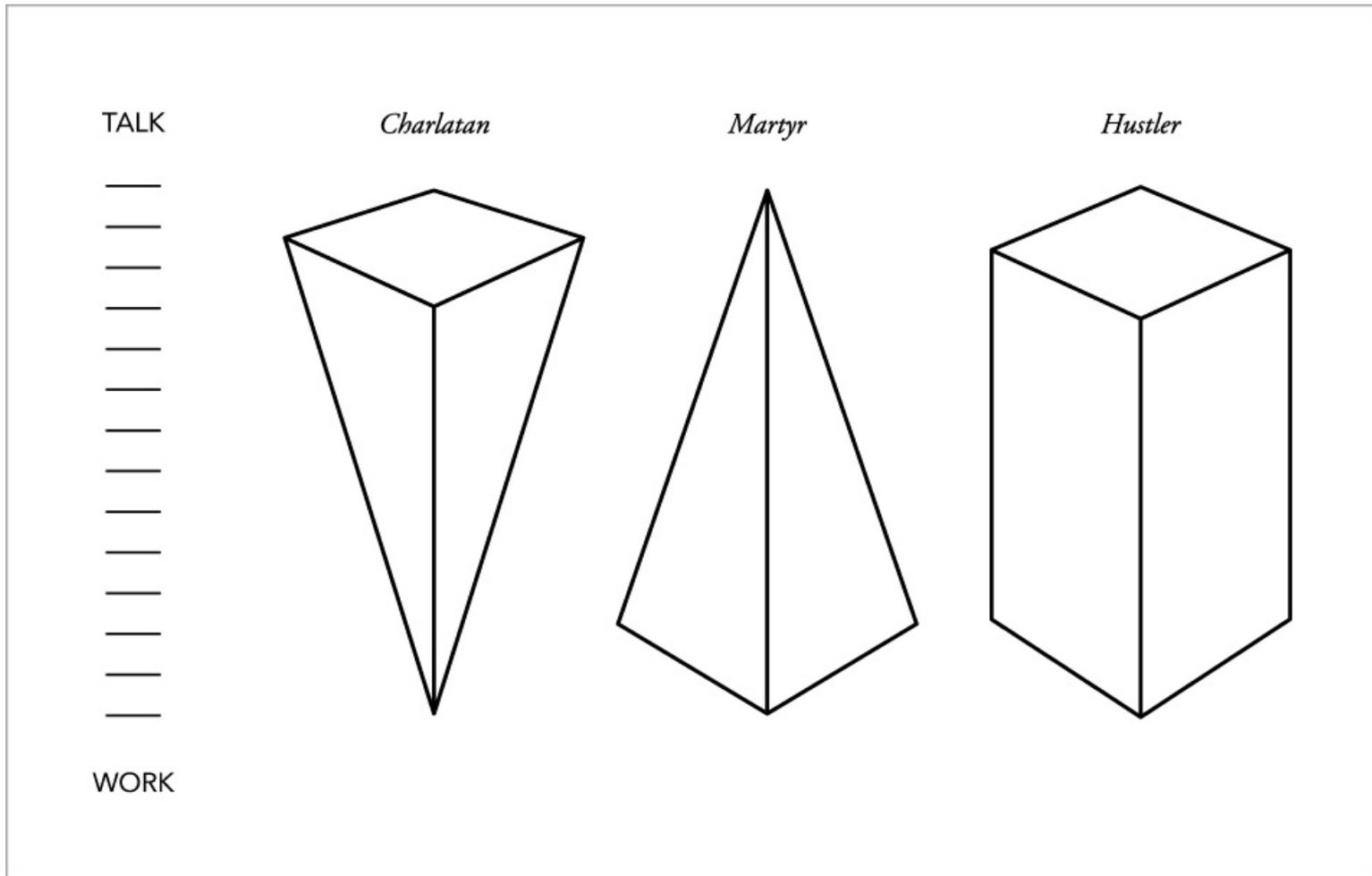
Opening a Case

▸ 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

HBS 9-811-065

Overview

‣ Origins
  ‣ Launched in Sep 2008
  ‣ 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
  - ▸ Fremium: 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)

9/21/16

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