- Emerging submarkets
- Actual and potential market and submarket size
- Market and submarket growth
- Market and submarket profitability
- Cost structure
- Distribution systems
- Trends and developments
- Key success factors

Figure 4.1 provides a set of questions structured around these dimensions that can serve to stimulate a discussion identifying opportunities, threats, and strategic uncertainties. Each dimension will be addressed in turn. The chapter concludes with a discussion of the risks of growth markets.

SUBMARKETS
Are submarkets emerging defined by lower price points, the emergence of niches, systems solutions, new applications, a customer trend, or new technology? How should the submarket be defined?

SIZE AND GROWTH
Important submarkets? What are the size and growth characteristics of a market and submarkets? What submarkets are declining or will soon decline? How fast? What are the driving forces behind sales trends?

PROFITABILITY
For each major submarket consider the following: Is this a business area in which the average firm will make money? How intense is the competition among existing firms? Evaluate the threats from potential entrants and substitute products. What is the bargaining power of suppliers and customers? How attractive/profitable are the market and its submarkets both now and in the future?

COST STRUCTURE
What are the major cost and value-added components for various types of competitors?

DISTRIBUTION SYSTEMS
What are the alternative channels of distribution? How are they changing?

MARKET TRENDS
What are the trends in the market?

KEY SUCCESS FACTORS
What are the key success factors, assets, and competencies needed to compete successfully? How will these change in the future? How can the assets and competencies of competitors be neutralized by strategies?

Figure 4.1 Questions to Help Structure a Market Analysis

EMERGING SUBMARKETS

The management of a firm in any dynamic market requires addressing the challenge and opportunity of relevance, as described in the box below. In essence, the challenge is to detect and understand emerging submarkets, identify those that are attractive to the firm given its assets and competencies, and then adjust offerings and brand portfolios in order to increase their relevance to the chosen submarkets. The opportunity is to influence these emerging submarkets so that competitors become less relevant.

In Chapter 13, characteristics of new business areas or submarkets will be detailed. Knowing these characteristics can help detect and analyze emerging submarkets. They include offerings that:

- Provide a lower price point—discount airlines
- Serve nonusers—Kodak Brownie camera
- Serve niche markets—performance snowboards
- Provide systems solutions—home theaters
- Serve unmet needs—Lexus car buying experience
- Respond to a customer trend—nutrient-dense energy drinks
- Leverage a new technology—Gillette Fusion Razors

RELEVANCE

All too frequently, despite retaining high levels of awareness, attitude, and even loyalty, a brand loses market share because it is not perceived to be relevant to emerging submarkets. If a group of customers want hybrid cars, it does not matter how good they think your firm's SUV is. They might love and recommend it, but if they are interested in a hybrid because of their changing needs and desires, then your brand is irrelevant to them. This may be true even if your firm also makes hybrids under the same brand. The hybrid submarket is different than SUVs and has a different set of relevant brands.

Relevance for a brand occurs when two conditions are met. First, there must be a perceived need or desire by customers for a submarket defined by some combination of an attribute set, an application, a user group, or other distinguishing characteristic. Second, the brand needs to be among the set considered to be relevant for that submarket by the prospective customers. This implies that a brand needs to be positioned against the submarket in addition to whatever other positioning strategies may be pursued. It must also be visible and be perceived to meet minimal performance levels.

Nearly every marketplace is undergoing change—often dramatic, rapid change—that creates relevance issues. Examples appear in nearly every industry, from computers, consulting, airlines, power generators, and financial services to snack food, beverages, pet food, and toys. Hardware, paint, and flooring stores struggle with the reality of Home Depot. Xerox and Kodak have found it difficult to address a relevance challenge as other firms are carving up the digital imaging world.

The key to managing such change is twofold. First, a business must detect and understand emerging submarkets, projecting how they are evolving. Second, it must maintain relevance in the

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