corporate health.[4] The mistaken belief that certain e-commerce markets, such as those for cosmetics and pet supplies, were solid trends caused strategists to undertake initial share-building strategies that eventually led to the ventures' demise.

Irma Zandl, marketing trendspotter, recommends three questions that can help detect a real trend, as opposed to a fad.[5]

1. ***What is driving it?*** A trend will have a solid foundation with legs. Trends are more likely to be driven by demographics (rather than pop culture), values (rather than fashion), lifestyle (rather than a fashionable crowd), or technology (rather than media).
2. ***How accessible is it in the mainstream?*** Will it be constrained to a niche market for the foreseeable future? Will it require a major change in ingrained habits? Is the required investment in time or resources a barrier (perhaps because the product is priced too high or too hard to use)?
3. ***Is it broadly based?*** Does it find expression across categories or industries? Eastern influences, for example, apparent in health care, food, fitness, and design—are a sign of a broader trend.

Faith Popcorn observes that fads are about products, while trends are about what drives consumers to buy products. She also suggests that trends (which are big and broad, lasting an average of 10 years) cannot be created or changed, only observed.[6]

Still another perspective on fads comes from Peter Drucker, who opined that a change is something that people do, whereas a fad is something people talk about. The implication is that a trend demands substance and action supported by data rather than simply an idea that captures the imagination. Drucker also suggests that the leaders of today need to move beyond innovation to be change agents—the real payoff comes not from simply detecting and reacting to trends, even when they are real, but from creating and driving them.[7]

KEY SUCCESS FACTORS

An important output of market analysis is the identification of key success factors (KSFs) for strategic groups in the market. These are assets and competencies that provide the basis for competing successfully. There are two types. *Strategic necessities* do not necessarily provide an advantage, because others have them, but their absence will create a substantial weakness. The firm needs to achieve a point of parity with respect to strategic necessities. The second type, *strategic strengths*, are the firm's assets or competencies that are superior to those of competitors and provide a base of advantage. The set of assets and competencies developed in competitor analysis provides a base from which key success factors can be identified. The points to consider are which are the most critical assets and competencies now and, more important, which will be most critical in the future.

It is important not only to identify KSFs but also to project them into the future and, in particular, to identify emerging KSFs. Many firms have faltered when KSFs changed and the competencies and assets on which they were relying became less relevant. For example, for industrial firms, technology and innovation tend to be most important during the introduction and growth phases, whereas the roles of systems capability, marketing, and service backup become more dominant as the market matures. In consumer products, marketing and

distribution skills are crucial during the introduction and growth phases, but operations and manufacturing become more crucial as the product settles into the maturity and decline phases.

RISKS IN HIGH-GROWTH MARKETS

The conventional wisdom that the strategist should seek out growth areas often overlooks a substantial set of associated risks. As shown in Figure 4.5, there are risks that:

- The number and commitment of competitors may be greater than the market can support.
- A competitor may enter with a superior product or low-cost advantage.
- Key success factors might change and the organization may be unable to adapt.
- Technology might change.
- The market growth may fail to meet expectations.
- Price instability may result from overcapacity or from retailers' practice of pricing hot products low to attract customers.
- Resources might be inadequate to maintain a high growth rate.
- Adequate distribution may not be available.

Competitive Overcrowding

Perhaps the most serious risk is that too many competitors will be attracted by a growth situation and enter with unrealistic market share expectations. The reality may be that sales volume is insufficient to support all competitors. Overcrowding has been observed in virtually all hyped markets, from railroads to automobiles, airplanes, radio stations and equipment, television sets, and personal computers.

Overcrowding was never more vividly apparent (in retrospect, at least) than in the Internet bubble that occurred around 2000. At one point there were at least 150 online brokerages, 1,000

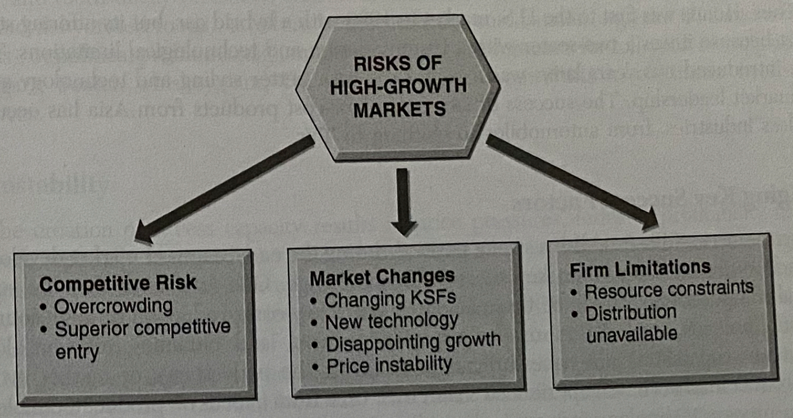

Figure 4.5 Risks of High-Growth Markets