

Current market condition competitive analysis essay sample

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Internet streaming alternatives for traditional television and radio are becoming increasingly popular. Companies such as Netflix, Hulu Plus, Pandora, Spotify, and the like are used in the everyday lives of a large percentage of Americans. Here at Team A Corp. we want to develop a device to bring all of these Internet alternatives back to the television. The problem is that not every consumer has a state of the art television, complete with HDMI connections. Our solution is a small box that acts as a bridge between any television and the Internet. We call it The Globe. At present, the Roku streaming player is the market leader in streaming entertainment devices for the TV (“Roku”, 2013). The Roku has had success in this field for a few years.

The California based corporation was founded in 2002, led by Anthony Wood. Roku is Wood’s sixth company in which he founded, fittingly the term “roku” means “six” in Japanese. The privately held company currently employs around the 170 people. Roku has had many revisions of the product but the newest version Roku 3 is set up to nullify the need for cable. Offering over 700 channels and providing the user with the ability to make their own channels, this could be a new wave. Apple, Amazon, and Google, three of the largest corporations in America, have already come out with their versions of Internet streaming devices. The Roku is available on the market around the \$100 range making it affordable to most consumers.

The Roku is very easily customizable, meaning you can have a setup that is comfortable for your own viewing needs as opposed to using a predetermined interface. It is imperative that Team A Corp. develop a

competitive product that can truly compete in this market both with sales price and corporate revenue. The development of The Globe can bring advantages to our company as a way to gain ground among the ranks of media service providers. With low production costs and minimal market competition, developing The Globe may prove profitable as competition to the

Roku. Factors Affecting the Market

Many factors affect demand, supply, and equilibrium prices in a given market and the market for Roku is no exception. The company produces a supply in order to respond to the demand created by the consumer. Roku partnered up with major providers such as Netflix, Pandora, iTunes, MOG, Hulu Plus, Amazon Instant Video and others to bring internet based content to television with a simple box offering variety of movie selections, TV programs, music, games, sports, and etc. The number one competitor in the market is Apple TV, which is mainly due to their well-known name. Apple TV is strictly tied to iPhones and iPads, therefore limiting the available content. Their primary advantage is Airplay which allows the consumer to watch the desired program on their iPhones, iPads, or any other Apple device and then continue watching it on their television.

The black box needs to find ways to overcome challenges along the way and the one at hand is ensuring that YouTube provides an official channel for them, because currently millions of users access YouTube through a third party provider. In order to stay ahead in this fast evolving technological era it is important to constantly analyze the market and ensure that consumer's

demands are met. Factors that may influence demand include consumers desire to own the product, affordability, and a consumers willingness to pay for the product. The company must be able to respond to the consumers' demand by ensuring that The Globe product is supplied at an affordable cost by taking into consideration the costs associated with production. In a healthy marketplace, an equilibrium price is established by analyzing supply and demand.

However, when there is an increase in demand without changes to the supply the equilibrium price rises due to shortage, decreased demand without changes in supply result in lower equilibrium prices due to surplus. Increased supply without changes to the demand creates a surplus leading to a lower equilibrium price and decreased supply. Without changes to the demand, our cost structure would lead to a higher equilibrium price due to shortage. Issues and Opportunities

Companies use price elasticity as a tool to identify the overall change in supply or demand of a product compared to the movement of price.

When deciding to market a new product like The Globe, we discussed what the price should be. We use elasticity of demand to determine whether our profits will go up or down if we set a lower price than the current price of the Roku. Since there are other possible alternatives for our consumers to choose from when it comes to streaming devices, it is very important that our product meet the needs of our potential buyers. One issue that we may come across when it comes to technological innovation is if The Globe is non-compatible with Apple products. Since these days most consumers have at

least one Apple product it is very important that we design the Globe to be able to use the airplay function from compatible Apple devices.

Currently, most Blu-ray/DVD's offer a free digital copy of a movie that viewers can download onto their iTunes account. Currently, the Roku is incompatible with iTunes, so consumers are missing that feature if they decide to go with the Roku. We must make sure that The Globe is compatible with iTunes in order to catch consumers' attention. The setback in designing for Apple compatibility is the amount of patented information Apple has which could interfere with our use of their technology, thus our competitive advantage. The cost structure includes a variety of expenditures that affect the demand of labor. The variable cost of producing The Globe includes the amount of workers it will take to produce the device in the quantity demanded by the market.

When there is demand in the market for The Globe, we must buy new supplies and have enough employees to make and distribute our product. The advancements in technology would also change the cost of The Globe. We would have to lower the price of previous models of The Globe when the new models come out. Once the market has the desired number of streaming devices and the demand is set, the cost of producing them becomes a fixed cost. Fixed costs include any items that have been purchased and cannot be altered or used for new product production. Any production equipment used to make The Globe is considered a fixed cost.

Part of our strategy will consist of turning some of our variable costs into fixed costs. We can look into doing this by using some of the same parts and machines when it comes to manufacturing The Globe no matter what model or version it is. We want to avoid having to purchase new machinery for production every time a new version comes out in order to lower our expenses. No matter how many Globes are produced one of our major goals is to convert as many variable costs into fixed costs. Recommendations

Change in production or marketing can affect our cost but if done right Team A Corp. can profit by producing The Globe. Ways we can analyze whether or not it is beneficial for the company to make this new production change is by looking for the relationship between productivity and cost this will indicate the outputs instead of inputs. By looking at the output, it indicates the amount of workers supplying that output. Another method to consider in producing The Globe is the increase in demand. As this industry of media grows, there are higher demands and questions to ask, such as: What is different or better about The Globe? What media services are popular? Do consumers have enough media streaming options? Since the high demand of customized viewing is trending being able to price our product effectively is key. Using the theory of increase in demand, we do not want to start with a low price because this will affect the company in the end.

Roku's price is about \$100 dollars for 700 channels. Being the market dominator, so far Roku has no serious competition that has affected their prices. With Team A Corp.'s product, we can enter the market with a lower price of \$80 dollars for 900 channels and customized music streaming. We

are offering more features for the cost that will drive competitive pricing with Roku. In the face of competition, Roku may lower prices while maintaining high production costs and increased marketing. When analyzing how will our product competes in the industry, we would have to use the two decision rules which are compare marginal cost and marginal benefits and change that dimension of competition until marginal costs equals marginal benefits (Colander, 2010).

Our first tool in entering the competition is introduction of the product, here is where good price and quantity are at value. Advertising the product is key. The goals of advertising include shifting the firm's demand curve to the right and making it more inelastic (Colander, 2010). We want people to identify our brand as the brand giving them the most information, increased streaming offers, and being the best product for the market. Conclusion

The proposed economic analysis allows Team A Corp. to understand the benefits of entering a new branch of production. We are able to understand our target audience, how to price our product, and challenges that may arise. By analyzing the competition of Roku against the potential market of a competing product, The Globe, Team A Corp. has the ability to make strategic business decisions. With low cost production and advanced marketing we can establish our leadership in the media streaming arena.

REFERENCES

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