

Development of a Web Based Business Oriented Towards a Market Niche in an Emerging Economy: Profightstore.Com

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EXECUTIVE SUMMARY

In transition economies, the number of Internet users has been growing at a two or three-digit average annual growth rate in the past ten years. In addition, during that period the Internet has been considered a potentially important distribution channel for companies in different industries within transition economies. As small companies are the generator of economic growth in such economies, it is important to reconsider the possibilities of Internet usage and development of niche oriented stores within SMEs in transition economies. The basic assumption of this paper is that the Internet allows SMEs and startup companies to access niche markets which have not previously been accessible to them. The paper describes a case study of an on-line store in Croatia developed as a portal which targets the niche market.

Keywords: Competitive Strategy, E-commerce, Electronic Retailing, Service Business Models, Strategic Planning

ORGANIZATION BACKGROUND

Profightstore.com was established in Zagreb, the capital city of Croatia (a country in South-East European region) in 2003. The company was established by the owner who is familiar with combat sports and who understands combat sports culture very well. At the time when the company was established the owner was a sole employee. In 2007 however the company employed two part-time journalists and two office clerks.

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The management structure is very simple, which is to be expected considering the number of people employed. The owner of the company is the chief executive officer (CEO) of the company, and he coordinates journalists and office clerks.

The mission of the company is to provide quality sports equipment to sportsmen in the area of combat sports. Combat sports are competitive contact sports where two combatants fight against each other using certain rules of engagement, typically with the aim of simulating parts of real hand to hand combat. Examples of combat sports are: boxing, sports wrestling, and mixed martial arts. In the past decade, combat sports have become increasingly popular owing to the appearance of vale tudo events in Brazil, PRIDE Fighting Championships in Japan, and Ultimate Fighting Championship (UFC) in USA.

The vision of the company is to become the consultative seller for high-quality combat sports equipment in Croatia and its surrounding countries (predominantly the market of ex-Yugoslavia). Also, the company wants to become the VIP contact for sportsmen in the area of combat sports in this region.

The organizational culture in the company is informal, meaning that the people who work in the company are closely connected with each other. Over time, Profightstore.com has become a recognizable on-line portal for combat sports in Croatia and journalists are proud to be a part of the Profightstore.com journalist team. However, one has to be aware that journalists working for Profightstore.com are not professionally trained journalists. Instead, they come from the Croatian combat sports community which gathers around online discussion groups like nokout.com. Therefore, working for a well-known portal like Profightstore.com gives them a chance to become widely recognized as combat sports experts. They are aware that they are creators of the combat sports community and, therefore, they are fully dedicated to the mission and vision of a company.

Moreover, right from the start up, the owner of the company recognized the potential of the Internet as a communication and distribution channel in the area of combat sport so he decided to develop an online store as part of the created online-portal.

SETTING THE STAGE

According to Michael Porter (Porter, 1998, p. 11), there are several generic strategies for competitive advantage gaining, those are: (1) cost leadership, (2) differentiation and (3) focus or niche strategy.

While cost leadership and differentiation target the broad market of an industry, the focus strategy is oriented towards a narrow, thoughtfully selected market segment. Porter suggests (Porter, 1998, p. 15) that focus strategy will not succeed if the targeted market segment is not different from other similar segments in one or more characteristics. Moreover, Porter (1998, p. 16) states that focus strategy can be based on (a) cost leadership or (b) differentiation in the targeted segment.

In some industries there is a room for more than one company targeting different market segments or a particular niche. Apart from that, applying a focus strategy with the aim of achieving profitability in a narrow market segment is much less expensive than targeting a wide market. Therefore, a focus (or niche) strategy is suitable for SMEs and start-up companies.

The selection of the targeting segment (or niche) is a creative process of business strategy development (Porter, 1998, p. 237). There are four aspects to be considered in the process of market segmentation (Porter, 1998, p. 238): (1) product variety; (2) buyer type, (3) geographic

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