



seit 1558

A Typology of the Emergence of Product Markets

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May 4, 2006

Structure of the talk

- 1 Introduction
- 2 Problems of definition
- 3 Towards a typology
- 4 Consequences
- 5 Propositions for an empirical approach

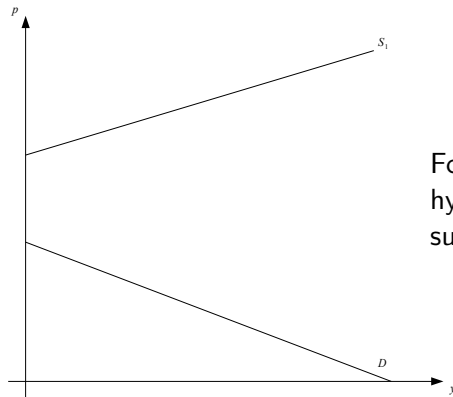
Introduction

- “The exploitation of a new market opportunity may be viewed as an ‘innovation’ carried out by entrepreneurs” (Schumpeter 1934).
- But where does the new market opportunity originate?
 - Technological opportunities
 - New (presumed) demand

Introduction

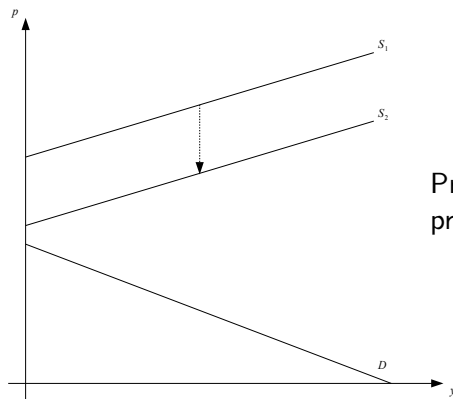
- “The exploitation of a new market opportunity may be viewed as an ‘innovation’ carried out by entrepreneurs” (Schumpeter 1934).
- But where does the new market opportunity originate?
 - Technological opportunities
 - New (presumed) demand
- Traditional economic theory: markets are the location where supply meets demand.
 - marginal utility \Rightarrow demand function
 - marginal cost \Rightarrow supply function
 - for potential/conceivable products they don't intersect

Neoclassical market making



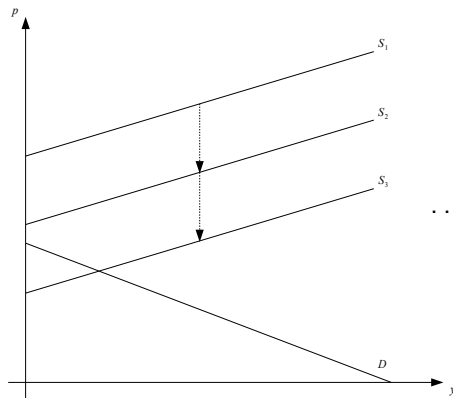
For any product there is
hypothetical demand and
supply

Neoclassical market making



Process innovation can reduce production costs. . .

Neoclassical market making



... until there is a market.

New market

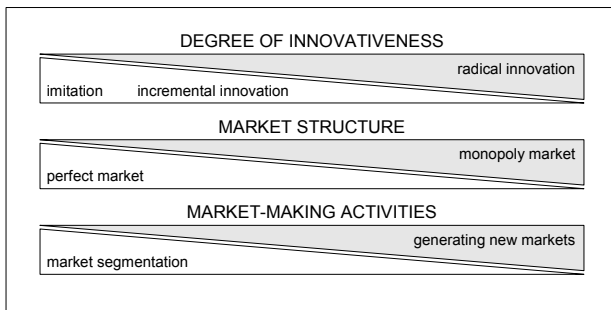
When is a market a new market?

- BodyShop pushed the attribute “no animal testing” on top:
New (sub-)market or segmentation?
- Is the introduction of mobile phones a new market or just a new possibility to serve the demand for communication?

New market

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Demand I

Two alternative views of demand

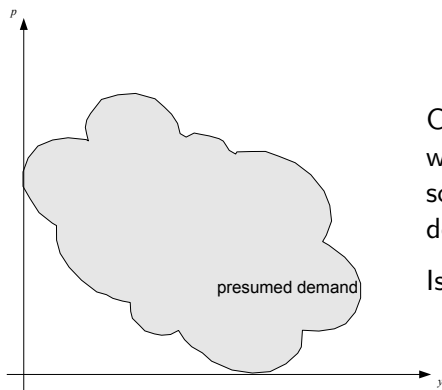
- ① Demand is an unspecific want for anything that might increase utility
 - ⇒ market emergence is only a matter of the producers being able to serve this demand at a price below the reservation price
 - ⇒ **any** new market is demand pull

Demand I

Two alternative views of demand

- 1 Demand is an unspecific want for anything that might increase utility
 - ⇒ market emergence is only a matter of the producers being able to serve this demand at a price below the reservation price
 - ⇒ **any** new market is demand pull
- 2 Demand is the willingness to pay for a specific product
 - ⇒ only when the innovation is a marketable product, consumers have enough information to develop something like a willingness to pay
 - ⇒ **any** new market is technology-push

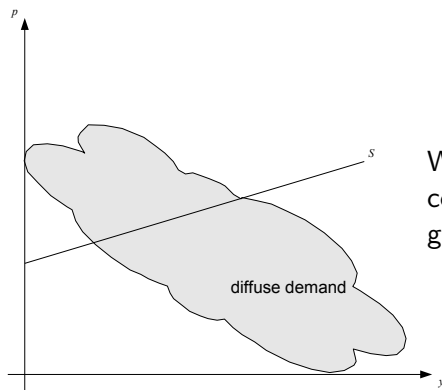
Demand II



Consumers have an unspecific want, but without a practical solution there is no well defined demand function.

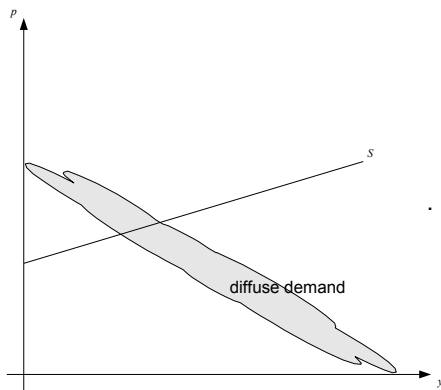
Is this demand?

Demand II



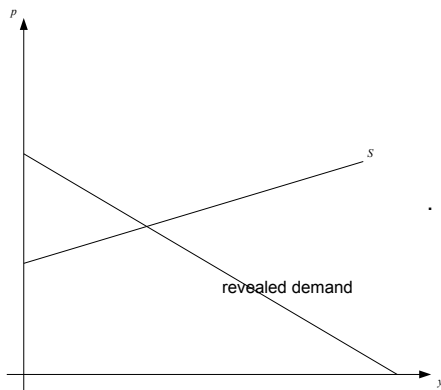
With a specific product supply,
consumers learn to value the
good. . .

Demand II



... and learn ...

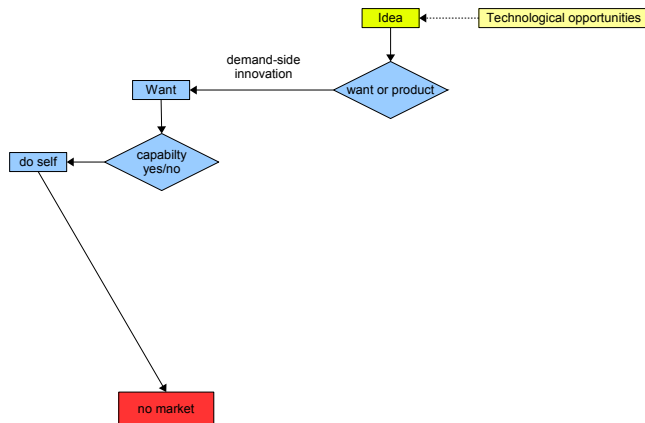
Demand II



... until there is a market.

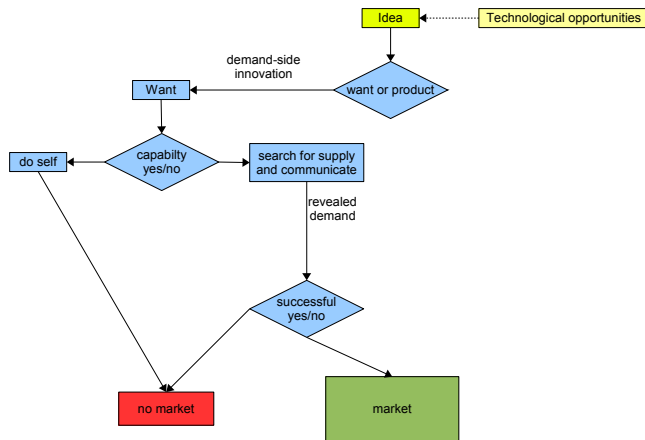
User innovation

- user capabilities are sufficient
- mountain-bike, snowboard



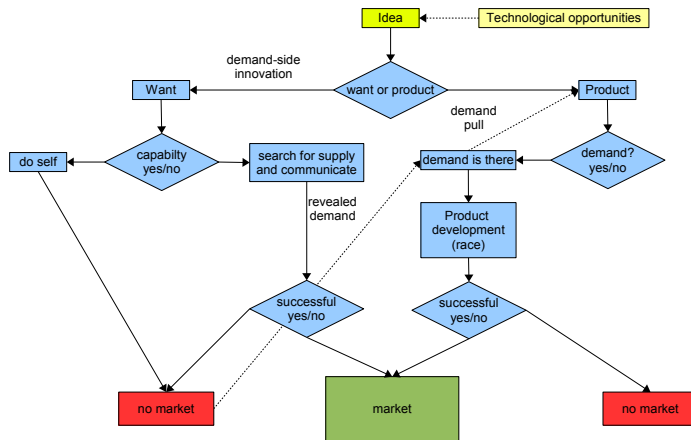
User-producer interaction

- user capabilities are not sufficient \Rightarrow search for a partner
- specialised, custom-made products



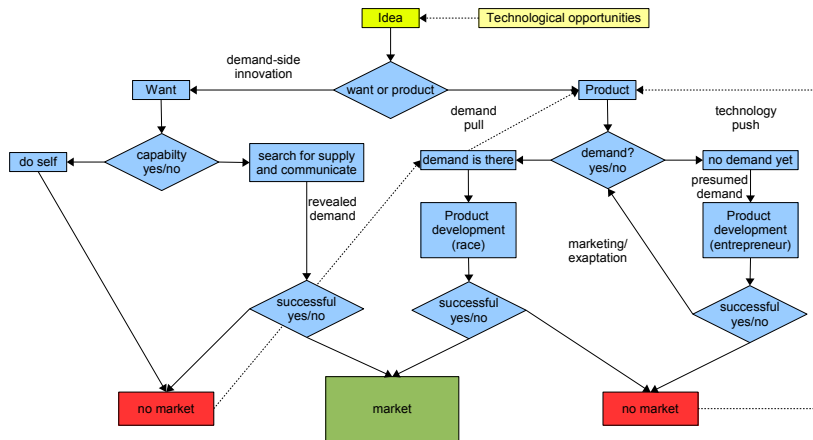
Demand-pull

- R&D expenditures are induced by high demand
- pharmaceuticals, fuel cell



Technology-push

- demand is only presumed
- phonograph



Consequences

- The innovation process differs with respect to the type of market creation
- Interaction differs
 - between users and producers
 - between users
 - between producers
- Different degrees and types of uncertainty

Propositions for an empirical approach

- Innoheart-Project: cardiovascular surgery
- Gather case studies on new products, services and characterise with respect to:
 - who developed
 - was demand driven or technology driven
 - exaptation, adaptation, or exploration
 - how large is the market now?
 - race for development?
 - what about expectations and realisations
 - interaction in the process of development