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SUMMARY

THE EMERGENCE AND EVOLUTION OF AN OPPORTUNITY: A HISTORICAL ANALYSIS

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Principal Topic

This paper seeks to orient the understanding of entrepreneurial opportunities away from the retrospective importance of particular individuals or ventures and towards the ecology of their emergence. We focus on a long-existing market problem, that of high textbook prices. We argue that recognition of this problem as an opportunity requires awareness not only of the problem but also of feasible business solutions. Such solutions have become evident through the success of four internet companies: Amazon (selling), eBay (exchange), Netflix (rental), and Craigslist (classifieds). We therefore hypothesize that as awareness of these companies increases, ventures that seek to solve the textbook price problem are both more likely to emerge and more likely to utilize the respective business model. Additionally, we argue that the ease with which these ventures can be replicated and the opportunity costs involved would lead to their quick demise.

Method

Through archival search, we identify 319 websites founded in the US between 1996 and 2008 focused on alleviating high textbook prices. For each site, we ascertain its purpose, starting date, location, and end date and coded its usage of the following business model elements: buying, selling, exchange, classifieds, rent, and price comparison. Additionally, for each state and year, we count the local newspaper references to Amazon, eBay, Netflix, and Craigslist. Our analyses consist of panel estimation of the number of websites in each state and year and event history estimation of whether and when a website ceased to exist.

Results and Implications

We find that increased awareness of Amazon and eBay increases the rate of website emergence, while increased awareness of Craigslist decreases it. Additionally, awareness of Amazon, eBay, Netflix, and Craigslist is associated with the usage of similar business models. These results suggest that textbook venturing efforts were not only numerous and widespread but also originated through a logic of local experimentation.

Our second analysis shows that discontinuation is more likely for websites based on exchange and classifieds business models and for those started by current university students. It suggests that most trial-and-error efforts are easily buried by history, but collectively they inform the path taken by those who ultimately succeed on a larger scale. We elaborate on this notion in reference to Chegg, the current leader in textbook rentals.

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