

Existing Analytical Market Assessment Tools - Definitions

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1. Value Chain Tools

- 1.1. A **Market Channel Baseline Analysis** assesses how a market channel operates. It records all firms involved in a market channel from production to final consumer demand. Firms carrying out similar functions are grouped together and data on number of firms, size of firms, and prices of product that flow in and out is recorded. Lastly, there is an analysis of how the product(s) flow through market channel in order to determine opportunities and constraints.
- 1.2. **Value Chain Mapping** starts with a diagram or tree of input-output relationships along the value chain with a focus on the researcher's areas of inquiry. The researcher then aims to put numbers, values and details on the variables under investigations such as gross and net output values, the physical flow of products along the chain, the flow of services, consultants and skills along the chain, employment and destination of sales.
- 1.3. **Governance of Value Chains** analyzes power relations within a value chain and identifies the institutions which mould and wield this power. The analysis distinguishes among legislative, judicial and executive value chain governance and analyzes each.
- 1.4. **Product Segments and Critical Success Factors** divides the final market for a particular product into segments such as domestic, export, low-income, luxury, etc. It then analyzes the market characteristics which enable a product to succeed in each market segment. Examples of market characteristics are innovation, customization, price competitive and quality. These success factors are divided into those that are necessary to participate in the market and those that lead particular suppliers to have more success than others.
- 1.5. **Value Chain Upgrading Analysis** examines practices within value chains that lead to upgrading and the outcome of those practices. It looks at four different sources of upgrading: improvement in process, improvements in product, changing functional positions, moving out of the value chain into a new value chain.
- 1.6. A **Competitor Analysis** aims to understand competitors in order to forecast competitors' future strategies and decisions, predict competitors' likely reactions to a firm's strategic initiatives and determine how competitors' behavior can be influenced to make it more favorable.
- 1.7. A **Competitive Positions Analysis** is a productivity measurement where the per unit cost of production of a specific good is recorded and calculated. Items included in the costing process may be the cost of the raw material, cost of production, handling costs, packaging costs, transfer costs and final cost. Once all of the costs are derived and placed into a histogram, it is possible to compare

firms, to compare industries and to compare countries. In addition, any specific stage within the value chain may be singled out for analysis.

- 1.8. A **Market Window Analysis** compares market prices for a particular good during the year. The analysis helps to estimate market prices for different times of the year. Using the histogram created from a competitive positions analysis, it is feasible to determine when costs of production fall below market prices and makes the product competitive.
- 1.9. **An Analysis of Bargaining Power in Value Chains** (in development at DAI and based on 5 Forces Analysis) concentrates on the relationship between buyers and suppliers in a value chain. It analyzes buyer and supplier characteristics and behavior such as size, concentration, information and ability to integrate (forward or backward). It also focuses on factors that affect bargaining power such as switching costs, location dependence and number of alternatives.
- 1.10. **A Buyer Analysis** (in development at DAI based on 5 Forces Analysis) takes the results of either the 5 forces analysis or bargaining power analysis and identifies and analyzes potential buyers in terms of what they will be willing to pay for. This might include high quality, frequent shipments, customization, etc.

2. Sub-sector Tools

- 2.1. **Sub-sector Selection** starts by identifying a variety of possible sub-sectors for program focus. Researchers then gather information on key characteristics of those sub-sectors usually through secondary source research and key informant interviews. The sub-sectors are ranked against specific criteria in order to choose on which sub-sector to focus. Criteria might include rate of growth of the final market, number of MEs participating, extent of female participation, etc.
- 2.2. **Sub-sector Analysis**, first elaborated under the USAID GEMINI project, examines the links between actors operating in the same industry and the final markets for the products of that industry. It outlines different market channels as well as characteristics and driving forces in those channels. Subsector analysis can show how MSMEs fit into an industry and how they could potentially play a more lucrative role.
- 2.3. The underlying principle behind **Participatory Rapid Appraisal (PRA)** is that local people understand best what constraints and problems they are facing. PRA tools, such as resource and network mapping, ranking exercises, venn diagrams, matrices, and semi-structured interviewing, provide qualitative information on specific constraints, opportunities, wants and needs in a particular market. PRA can be specifically adapted to examine issues within subsectors.

- 2.4. **Subsector Stakeholder Workshops** include subsector participants, program planners and other key stakeholders. They are held to validate information from a subsector analysis, generate ideas for program interventions, and gauge support for different possible program interventions.

3. Private Sector Business Tools

- 3.1. **Environmental Scanning** is used to explore which macro-level factors may be critical determinants of threats and opportunities that an industry, cluster or firm will face in the future and how they will impact the industry environment. For example, factors within the economy, natural environment, social structure, government or technology may be critical determinants.
- 3.2. **Porter's Diamond Analysis** provides insight into the nature and sources of competitive advantage for an industry by analyzing:
- The presence of high quality specialized inputs (factor conditions)
 - The sophistication and specialization of customer demand (demand conditions)
 - Access to capable, locally based suppliers, and presence of clusters (related and supporting industries)
 - The local context and rules that encourage investment, sustained upgrading, and open and vigorous competition among local rivals (context for firm strategy and rivalry)
- 3.3. **Porter's Five Forces Analysis** analyzes industry attractiveness in terms of 5 sources of competitive pressure to forecast industry profitability:
- The bargaining power of buyers
 - The bargaining power of suppliers
 - Competition from established rivals
 - Competition from substitutes
 - Competition from entrants
- 3.4. **Segmentation Analysis** breaks down a market for a particular product or service into specific segments. This helps determine the most attractive part of a market to enter. Differences in customers and competition between segments may also mean differences in key success factors (see below) between segments.
- 3.5. **Key Success Factors** uses focus groups and customer interviews to identify probable key factors for success in an industry. The analysis focuses on demand – who customers are and what they want – and competition – drivers, dimensions and intensity.
- 3.6. **Analysis of Innovation and Innovative Capacity** examines the extent to which a firm or group of firms have the capacity to constantly innovate in terms of product and process. This analysis examines the factors which contribute to this

capacity and the extent to which each is present in the firm or group of firms analyzed.

- 3.7. **Resource and Capabilities Mapping** is a group exercise done with a cluster or within a company. Participants are asked to identify the key resources and capabilities required to succeed in the industry and within their cluster or firm. This includes tangible resources (financial, physical), intangible (technology, reputation, culture), and human (specialized skills and knowledge, communication and interactive abilities, motivation). The group is asked to rank these resources and capabilities. The two ranking are then mapped in a 2-dimensional graph, which shows key strengths, key weaknesses, superfluous strengths and a zone of irrelevance.
- 3.8. **A Gap Analysis** uses results from a Resources and Capabilities exercise combined with a benchmarking exercise to identify key gaps that need to be closed in order to be most effective in building competitive advantage.
- 3.9. **Organizational and Systems Analysis** analyzes the organizational structure of a company and the systems that implement the company's strategy, produce its products/services, take advantage of its resources and capabilities, and enable it to compete in the marketplace. To examine the organization, one looks at specialization and division of labor, coordination, cooperation and control, hierarchy, bureaucracy, the basis for grouping, the intensity of interaction, economies of scale, economies of utilization, learning and standardization of control systems. Systems analysis includes examination of the firm's information systems, strategic planning systems, financial planning and control systems, human resource management systems as well as the corporate culture.

4. Private Sector Consumer Research Tools

- 4.1. **Market Segmentation** identifies and analyzes different groups of consumers within a market. The bases for segmenting consumer markets include:
- Geographic segmentation
 - Demographic segmentation
 - Psychographic segmentation (based on lifestyle, personality and values)
 - Behavioral Segmentation (occasions, benefits, user status, usage rate, loyalty status, buyer-readiness stage and attitude and others)
 - Multi-attribute segmentation (geoclustering)—combines several variables.
- 4.2. **A Usage Attitude Image Market (UAI) Study** takes a broad look at the current market for a specific product or service from known suppliers. A UAI market study provides an understanding of an overall market and reveals useful information from consumers' view of the product/service, such as satisfaction, features that are important to the customer, awareness level, a comparison of

suppliers and information on the consumers themselves. Analysis of this information can help a company decide if and how to enter a market.

- 4.3. **Analysis of Behavioral Data** takes advantage of the fact that customers' actual purchases reflect revealed preference and are often more reliable than survey responses or statements to market researches. Analyzing information from store scanning data, catalog purchase records and customer databases provide valuable insights.
- 4.4. **Past Sales Analysis** uses a variety of statistical methods to analyze past sales, estimate future demand and predict future trends in demand as well as pinpoint on what factors sales depend.
- 4.5. The **Market Build-Up Method** identifies all the potential buyers in each market and estimates their potential purchases. It produces accurate results if there is a list of all potential buyers and a good estimate of what each will buy.
- 4.6. The **Multiple-Factor Index Method** is used when customers are too numerous to estimate. One assumes that the market potential is directly related to measurable data (such as population, number of businesses, etc.). Each factor is assigned a weight that corresponds with the expected influence of that factor on demand.
- 4.7. **Product Concept Testing** is used to get consumer feedback on a new product idea. After receiving information on the product/service or examining the product, participants answer questions about it. Respondents' answers indicate whether the concept has a broad and strong consumer appeal, what products the new product competes against and which consumers are the best targets. **Con-joint analysis** can be used to measure consumer preferences for alternative product concepts.
- 4.8. **Price sensitivity analysis** provides information on what consumers will pay for a new or existing product/service. There are a variety of methods for conducting this analysis. The results are a demand curve showing the market's probable purchase quantity at alternative prices.
- 4.9. A **Survey of Buyers' Intentions** assesses buyers on the probability of a future purchase. It uses a purchase probability scale to analyze responses. Some surveys are geared toward getting feedback on specific new products before they are released in the marketplace. The value of these surveys increase to the extent the cost of reaching buyers is small, the buyers are few, they have clear intentions, they implement their intentions and they willingly disclose their intentions.
- 4.10. **Market Testing** introduces products or services into an authentic setting to learn how large the market is and how consumers and dealers react to handling,

using, and repurchasing the product. There are a variety of different mechanisms including sales-wave research, stimulated test marketing, controlled test marketing and launching the product/service in test markets. Expensive industrial goods and new technologies usually undergo specialized market testing.

- 4.11. **Trade Shows** are often used to introduce new products. Vendors can observe how much interest buyers show in the new product, how they react to various features and terms and how many express purchase intentions or place orders.

5. BDS Market Assessment Tools

- 5.1. A **market overview** aims for a basic understanding of several or many BDS markets quickly and often with few resources. It relies on secondary sources of information and interviews with key informants, SEs and BDS suppliers. Programs generally use a market overview to select from a wide array of services those that are in high demand and have the best potential to grow and to identify common opportunities and constraints in several BDS markets.
- 5.2. **Multi-Service Usage Attitude Image (UAI) Market Study** has been adapted from the private sector marketing research tool to get a broad look at 10-12 different BDS markets. This study can pinpoint constraints and opportunities in various BDS markets as well as provide some comparative information on demand and supply in the various BDS markets studied.
- 5.3. **Single Service UAI Market Study** closely resembles the private sector UAI market study. It is used to get a more in depth look at one or a couple of BDS service markets including consumer satisfaction with various suppliers, important service features, reasons for purchase and non-purchase and benefits expected from service purchase. A single service UAI can provide more in depth information on demand and supply constraints and opportunities than a multi-service UAI.
- 5.4. **Qualitative Consumer Analysis** provides qualitative information on demand for one or several business services as well as consumers' perceptions of the supply of those services. Qualitative consumer analysis is often used to pinpoint the reasons behind specific constraints and opportunities identified through quantitative studies. Qualitative consumer analysis can often provide specific ideas for marketing and improving existing services or for developing new ones.
- 5.5. **Supplier Diagnostics** rely on in depth interviews with individual suppliers that focus on gaining an understanding of the supplier's business, products offered, market expansion strategies, capacity, and knowledge of their market and business environment. Supplier diagnostics provide an in depth view of

strengths and weaknesses on the supply side of a BDS market and often offer specific ideas for strengthening the supply of services.

- 5.6. A **Quantitative Supply Analysis** provides basic quantitative information from a large number of suppliers in a particular market. This analysis can provide an overview of supply in a market and identify some of the opportunities and constraints in a market from suppliers' point of view.
- 5.7. **PRA adapted for BDS** uses PRA techniques to explore the demand and supply of business services from a particular group of consumers. This type of analysis can also examine how a particular group of consumers views, uses and benefits from business services and how they might in the future.
- 5.8. **Experimental “Projective” BDS MA Tools** encompass a variety of tools, which practitioners are currently testing, to gauge the acceptance of new BDS products or the possible impact of particular BDS market development interventions.
 - 5.8.1. **Supply-Demand Matching Workshops** bring together consumers and suppliers of BDS to determine why more transactions are not taking place and how suppliers might better meet the demand from consumers. This tool is often used to bridge the research-action divide.
 - 5.8.2. **“What if” FGDs with SEs or BDS suppliers** are an adaptation of product concept tests. They use a group setting to introduce potential new BDS products or possible BDS market development interventions and gain feedback from market players. This tool is used both to determine which products or interventions to pursue and how to modify the product or intervention to make it more acceptable or effective.
 - 5.8.3. **Pilot testing BDS models** is used in weak markets where there is a lack of suppliers. An intervening organization works with new or existing suppliers, or on its own, to pilot new BDS supplier models. The pilots are used to gauge the acceptability and potential profitability of the supplier model.

6. Other Tools

- 6.1. **Investor road mapping** is a technique that examines the country's potential sectors of growth by identifying first-tier constraints, such as tariffs, taxes, duties, quotas, and exchange rate fluctuations and second tier-constraints, which are regulatory and procedural issues affecting day-to-day operations.
- 6.2. **Macroeconomic Tools** cover a range of tools – from the basic to the very sophisticated – which examine macroeconomic variables and their implications for specific parts or aspects of the economy. Macroeconomic tools can help a

program planner to determine how a program might fit into the overall economic picture in a country or to prioritize different types of programs.

6.3. **Participatory Appraisal of Competitive Advantage (PACA)** is a set of tools to come up with a diagnostic of competitive advantages and disadvantages of a locality, with concrete, practical proposals and interventions to stimulate the local or regional economy. PACA is based on using a combination of traditional PRA tools, and incorporating cluster development ideas, and concepts such as systemic competitiveness and Michael Porter's competitiveness theory. (www.meyer-stemer.de)

6.4. By using **World Trade Organization (WTO) standards**, firms are measured against standards set by the WTO. As weaknesses and constraints are identified, benchmarks are developed and implemented to help firms meet the standards.

7. Methods for Gathering Information:

7.1. **Secondary Source Research** gathers information from existing reports, documents, data bases, websites, etc.

7.2. **Quantitative Surveys using Questionnaires** gather information from respondents generally using closed ended questions. The results are aggregated and summarized numerically. Consumer surveys should measure and differentiate among stated needs, real needs and unstated needs. Surveys that respond to only the stated need miss the needs that customers have and do not state, the needs customers may have in the near future and creative solutions that customers did not ask for but to which they enthusiastically respond. See research by Hamel and Prahalad.

7.3. **In-depth Interviews** gather information from respondents using open ended questions. Generally a smaller number of interviews are conducted than in surveys and the results are mainly qualitative.

7.4. **Focus Group Discussions** are targeted discussions with a group of respondents managed by a facilitator. They are used when the exchange of ideas is likely to bring richer results than individual interviews. The results are generally qualitative in nature.

7.5. **Participatory Tools** focus on involving the respondents in the problem solving analysis. They engage respondents in conversations designed to illuminate issues and help both respondents and researchers come to conclusions together.

7.6. **Workshops** are meetings of respondents and researchers designed to achieve a specific purpose. Workshops may include a variety of activities and are participatory.

- 7.7. **Key Informant Interviews** target those knowledgeable about the research topic for interview. Usually a small number are conducted in a format similar to an in depth interview.
- 7.8. **Expert Opinions** are similar to key informant interviews; they target experts and specialists in the research topic for interview. In some cases groups of experts are brought together to discuss the research topic in a similar format as the focus group discussions. The Delphi Method aggregates qualitative information from a group of experts.