

MARKET ACCESS AND ANALYSIS



"Market access and analysis: A process that looks at characteristics of industry, markets, and success factors for marketing that include Product, Placement, Price, Promotion and Competition."

SESSION OUTLINE

- Market access analysis & its benefits
- Where to begin
- Know your customer
- Describing your industry
- Your competitive environment
- Test marketing
- Risk analysis
- How to write your market assessment

This program is prepared to assist in the delivery of the important topic of Market Access and Analysis. This specialized study area, also commonly referred to as Market Assessment and Market Research, is essential in not only launching new products to be sold into the marketplace, but also in evolving existing products as they go through a natural cycle of adoption and maturation.

This is a 60-75 minute presentation. The PPT content is designed to present the key concepts of the Market Access and Analysis process in a logical order and act as a catalyst for the discussion. The tangible output of this program is the creation of a Market Assessment report.

WHAT IS MARKET ANALYSIS?

- **1920s** – Understanding who was listening to radio stations to better sell products to consumers
- **2014** - a \$15 Billion a year industry
- **GfK Market Analysis of Germany**
 - 3rd largest in the world (at \$5 Billion)
 - founded in 1934 on the slogan:
"MAKE THE CONSUMER HEARD"

"GROWTH THROUGH KNOWLEDGE"

The idea of doing market analysis and research was conceptualized and put into formal practice during the 1920s as an offshoot of the advertising boom being experienced in radio in the United States. Advertisers began to realize the significance of **demographics** – the profile of a station's listeners - revealed by sponsorship of different radio programs. From this foundation of success, Market Analysis has evolved to better understand a customer's social and psychological traits, technological influences, competitive and even legal forces in markets.

Advertising is an estimated \$15 billion+ industry worldwide according to the largest firm, Kantar of GB, that reports close to \$5 billion in service fees. GfK "Gesellschaft für Konsumforschung of Germany is one of the largest and oldest firms established in 1934 by a university professor based on the mission statement, "**Make the Consumer Heard**". GfK is the third largest Market Research firm in the world, operating in 100 countries and employing some 13,000 market researchers. Its present day mission statement is: "**Growth Through Knowledge**".

BENEFITS TO YOU

“Knowledge Is Power”

When launching new products or making adjustments to existing products, this knowledge

- helps formulate strategy
- helps formulate your marketing plan
- leads to better decision-making

Market analysis creates a better understanding of the market – “Knowledge Is Power”. Whether you are starting a new business or entering into a new market, it is crucial to conduct market research to determine the degree of need and interest for your idea. Knowing the market's needs and how it is currently serviced provides you with key information that is essential in developing your product/service and marketing plan.

Dakota Growers Pasta

1991

U.S. Durum Growers Association used Market Analysis to create the Dakota Growers' Pasta Co.



An example of applied Market Analysis in action is how wheat growers in North and South Dakota decided to organize their efforts by taking advantage of an opportunity in the marketplace to manufacture Pasta. The **Dakota Growers' Pasta Co.** was formed in 1991 when the U.S. Durum Growers Association came up with the idea of starting a company owned by the farmers. Members Jack Dalrymple and Gene Nicholas conducted Market Analysis that led to the decision to open a new pasta manufacturing plant in Dakota.

In November 1993, the new manufacturing plant was opened and pasta manufactured by the company became very popular, expanding the facility in 1996. Today, Dakota Growers Pasta is the third largest pasta maker in the U.S. and was recently purchased by Post Cereals for \$370 Million. They continue to rely on Market Research in creating pastas today with product lines based on whole wheat content; omega 3 richness; organic ingredients; and vegetarian customer appeal.

WHERE TO BEGIN

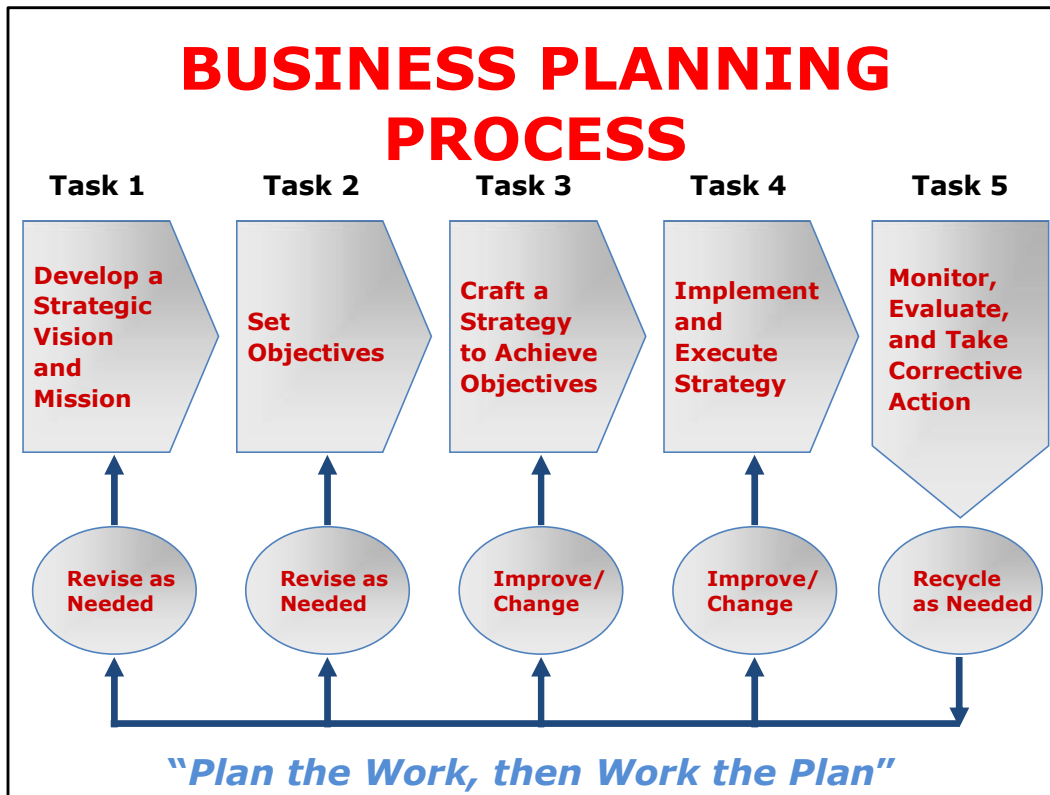
Part of the Market Analysis Process:

- 1) Know Your Customer
- 2) Know Your Industry
- 3) Know Your Competition
- 4) Know The Risks
- 5) Write Your Market Analysis
- 6) Define Your Strategy
- 7) Refine Your Business Plan



These days, it's not enough to have **a Great Idea**. Markets, especially in farming and food, are generally mature and sophisticated with many strong competitors; often many choices in most product categories; and well-informed consumers. To this extent, Market Analysis is best understood as part of **the Business Planning Process**.

Once one sees an opportunity in the market (your great idea) the Business Planning Process must be built upon using your Market Analysis and research, which will help create a viable strategy, that can then be articulated in a Business Plan where the many details of the idea are laid out, including detailed financial projections.



One's Market Analysis will identify key information regarding Your Customer, Your Industry, Competition and the Risks involved with the venture. From this starting point, a market Strategy can be identified and a thorough Business Plan created to guide the project and attract the necessary resources to implement your **Great Idea**.

Once your idea is set in motion (following a well executed Market Analysis which has led to the creation of your Business Plan and your product is launched) a well organized enterprise will continue to go through the steps of The Business Planning Process as it **"Plans the Work, then Works the Plan"**. The marketplace changes - new competition shows up, regulations change, etc. - so business strategy and business plans must be updated. Market Analysis in Task 3 (Improve/Change Strategy) continues to be utilized for the business to compete and grow.



The Skillful Strategist

*“Know your enemy and know yourself;
in one hundred battles you
will never be in peril.”*

- Sun Tsu
The Art Of War, 500 B.C.

So indeed, (market) knowledge becomes power, or as stated some 2500 years ago by Sun Tsu, master strategist from the Warring States Period in Chinese history, in his writings on The Art of War

*“Know your enemy and know yourself;
in one hundred battles you will never be in peril.”*

KNOW YOUR CUSTOMER

MARKET SEGMENTATION

“Subgroups With Similar Motivations”

- Demographics
- Technographics
- Psychographics

Market segmentation is the division of the market or population into subgroups with similar motivations. It is widely used for segmenting based on geographic differences, personality differences, demographic differences, technographic differences, use of product differences, psychographic differences and gender differences.

Demographics can be viewed as the essential information about the population of a region and the culture of the people there. Commonly examined demographics include gender, age, ethnicity, knowledge of languages, mobility, home ownership, employment status, and location.

Technographic segmentation is a market research analysis tool used to identify and profile the characteristics and behaviors of consumers based on one's degree of involvement and use of technological devices. The advent of the personal computer, micro processing, and the internet has brought an explosion in the reliance on personal digital assistants - BlackBerries, video games, smart phones, etc. This type of customer profiling and knowledge can be very useful in the most effective launch of a product in the marketplace.

KNOW YOUR CUSTOMER

PSYCHOGRAPHICS

Appealing to Lifestyle & Image



Psychographics is the study of personality, values, opinions, attitudes, interests, personal image and lifestyles. It gives you more information as to how a consumer may actually behave in any given buying situation.



Target Market then becomes a detailed description of your customer. It is an important starting point, from which important details of your strategy in successfully meeting your customers' needs, can be created. By this time, you have obtained important Demographic, Psychographic and Technographic information and taken the data into account in defining your customer. But it is important to narrow your target market to a manageable size. Many businesses make the mistake of trying to appeal to too many target markets.

TARGET MARKET SEGMENTATION

Helps define your

- **PLACEMENT**
- **PRODUCT**
- **PRICE**
- **PROMOTION**
- **COMPETITION**



From here, one can bring into clarity, strategies relating to your **Product Design, Pricing, Place (Distribution), Promotion** and how to most effectively **Compete**.

DESCRIBE YOUR INDUSTRY

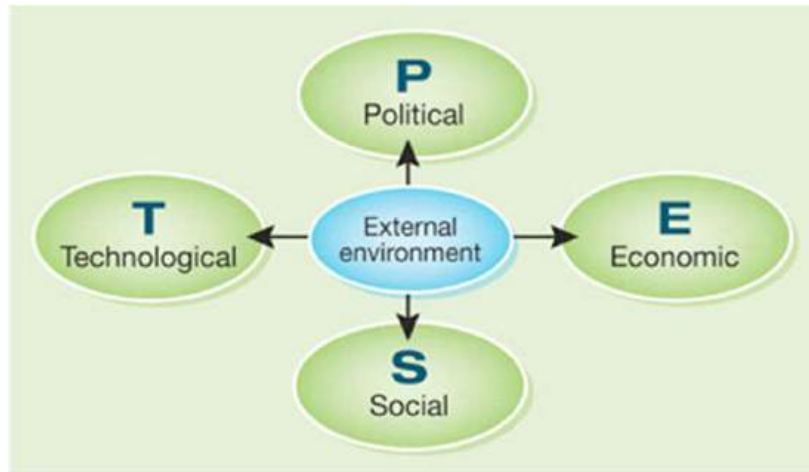
Do you know?

- Size of the market (e.g. AAFS)
- Estimated Segmented Market Share
- Trends in the industry
- Key success factors in the industry
- Competitive landscape

Market Size is an important beginning point in understanding the industry. Government Statistics, Trade Associations and Business Libraries are usually good places to start in defining the size of an industry. Industry size is usually measured in terms of annual dollars spent across the industry. As mentioned, there are many private market research firms specializing in different industries, with many studies being available directly on line, specifically geared to the food and farming sectors. One such site is www.marketresearch.com/food.

The Canadian **Agriculture and Agri-Food System (AAFS)** is a complex and integrated supply chain which includes input and service suppliers, primary producers, food and beverage processors, food retailers and wholesalers, and foodservice providers. The activities along this supply chain generate significant economic benefits at both the federal and provincial levels. In 2012, the AAFS generated \$103.5 billion, accounting for 6.7% of Canada's GDP. Of this, the food retail and wholesale industry accounted for the largest share (1.8%), followed by the food, beverage and tobacco (FBT) processing industry (1.7%).

DRIVING FORCES IN THE INDUSTRY



When one has a grasp on the size of an industry, given your description of your Target Market, one can then get a sense of what **Market Share** (% of that Marketplace) one can hope to achieve in seeing how feasible a project might be.

An industry can often be described in terms of its Driving Forces. Technological, Social, Economic, Competitive and Political factors are often key drivers.

INDUSTRY TRENDS



Regulatory Restrictions in an industry must be researched and understood. Include any customer or governmental regulatory requirements affecting your business, and how you'll comply. Also, cite any operational or cost impact the compliance process will have on your business.

Identifying and understanding **Market Trends** in that marketplace is an important aspect of knowing your Industry.

Market trends are the upward or downward movement of a market, during a period of time. What factors seem to be changing the market or changing the business? What developing trends can make a difference?

Market trends could be changes in demographics, changes in customer needs, a new sense of style or fashion, or something else.

A grocery store might note a trend toward Asian foods or spicier foods, or toward fresher, healthier foods, or development of a new shopping area in a different part of town. Eating Local, Artisan &

Craft Foods, Street Food and Eating Healthier are all examples of well-known trends currently affecting the agricultural and food industry.

FAD OR TREND?



Be careful – if you can – to distinguish between a **Trend and a Fad**. Diets for example are notorious for representing a Fad, such as the Atkins diet a decade ago or so. Trends are longer term changes in behavior such as the shift toward healthier eating. The present popularity in Gluten Free products is an example. Do you think it's a Fad or Trend?

USING CONSUMER TREND ANALYSIS

SUCCESS IN THE PRAIRIE BISON INDUSTRY



Canadian Prairie Bison is an example of a Canadian success story that has been built upon a trend toward eating leaner, grass fed meat products.

KEY SUCCESS FACTORS

Example Growing Canadian Oats – 1990

- Mature Industry
- Innovative To Compete
- Consumer Trending To Healthier, **GLUTEN FREE** choices.

AVENA OATS



Identifying an industry's **Key Success Factors** is an important step in the market analysis of an industry.

What does it take to successfully compete?

One must possess these sorts of characteristics and/or be able to exploit an opportunity, understanding a gap in that industry.

An example of such an approach was taken by the Avena Oat company, a group of farmers in Saskatchewan who collaborated over 20 years ago to carve out a better niche in the Oat growing in Canada – a very mature industry. They decided to pool their efforts and grow, handle and process their own brand of oats that would be **free of wheat** and other cross contaminants, in order to market to a more health / ingredient conscious consumer. Riding the Gluten Free wave of the past few years, Avena runs at capacity and is looking to further automate and grow to meet an international demand.

DESCRIBE THE KEY SUCCESS FACTORS IN YOUR INDUSTRY

EXAMPLES:

- Able to compete on **Price**
- Product **Quality** Highly Important
- **Convenience** and Service Important
- Strong Media **Advertising** Program
- **Word Of Mouth** Advertising Key
- **Consumers Trending** to Healthier Options
- **Political Lobbying** & Influence Critical

What are your thoughts on these factors related to your industry?

Price

Quality

Value (Price to Quality relationship)

Convenience

Strong Advertising

Word of Mouth Driven

Trends to Follow?

Political or Regulatory Conditions

COMPETITIVE LANDSCAPE MAPPING



Analyzing your competitive position is essential in any Market Access Analysis. Your competitive analysis should identify your competition by product line or service and market segment, taking into consideration the Key Success Factors in an industry. In addition, one should assess the following characteristics of the competitive landscape:

Market share

Strengths and weaknesses

How important is your target market to your competitors?

Are there any barriers that may hinder you as you enter the market?

What is your window of opportunity to enter the market?

Are there any indirect or secondary competitors who may impact your success?

What barriers to market are there (e.g., changing technology, high investment cost, lack of quality personnel)?

The slide example uses local BC success story **Mario's Gelati**. In business since 1929, Vancouver-based Mario's Gelati has carved out a successful retail brand in the competitive ice cream category - against the well known international brands of Haagen-Dazs and Ben & Jerry's and Breyer's, based on **quality** and a commitment to **local** product ingredients.

In the slide examples, first the Key Factors of Price and Quality are used as relative positioning measurement standards. From this view point, one can see that Mario's goes head to head with Haagen-Dazs and Ben & Jerry's. Breyer's is not a direct competitor. When one takes the important trending key factor of Local Product into account on the next slide, one sees that Mario's Gelati has a clear competitive distinction. It is this combination of these two Key Success Factors - **Local and Quality** - that Mario's has built a successful competitive positioning and business strategy.

COMPETITIVE LANDSCAPE MAPPING

Local



Quality

PORTER'S FIVE FORCES

Assessing Competitive Intensity



Another classic market analysis model in assessing the Competitive Landscape of a marketplace, is known as **Porter's 5 Forces**. It is a framework to analyze levels of competition within an industry and assist in business strategy development.

It draws upon the assessment of market economic conditions to derive five forces that determine the **competitive intensity** and therefore **attractiveness (ability to be profitable) of a market**. An "unattractive" industry is one in which the combination of these five forces acts to drive down overall profitability. A "very unattractive" industry would be one approaching "pure competition", making profitability difficult. This analysis is associated with its principal innovator Michael E. Porter of Harvard University.

1) Threat of New Entrants

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. The entry of new firms can be blocked by incumbents such as in a monopoly or oligopoly marketplace. Other barriers to entry may include patents, a large

amount of capital required to enter, necessities for economies of scale to compete and existing strong customer loyalty.

2) Threat of Substitute Products or Services

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. For example, tap water might be considered a substitute for Coke, whereas Pepsi is a competitor's similar product. Increased marketing for drinking tap water might "shrink the pie" for both Coke and Pepsi, whereas increased Pepsi advertising would likely "grow the pie" (increase consumption of all soft drinks), albeit while giving Pepsi a larger slice at Coke's expense.

3) Bargaining Power of Buyers (Customers)

The bargaining power of customers can put the firm under pressure, which also affects the customer's sensitivity to price changes. Firms can take measures to reduce buyer power, such as implementing a loyalty program or built in penalties for switching, as with a cell phone contract. The buyer power is high if the buyer has many alternatives with a low cost to switch to another product.

4) Bargaining Power of Suppliers

Suppliers of raw materials, components, labor (unions), and services (such as expertise) to the firm can be a source of power over the firm when there are few substitutes. If you are making bread and there is only one person who sells flour, you have no alternative but to buy it from them. Suppliers may refuse to work with the firm or charge excessively high prices for alternative resources.

5) Intensity of Competitive Rivalry

For most industries the intensity of competitive rivalry is the major determinant of the competitiveness of the industry. The fast food industry is considered a fiercely competitive industry with many choices for the customer and a strong necessity to have a large advertising budget and continuous new campaigns in order to compete. In the highly competitive smart phone marketplace, Apple competes on continuous innovation and a strong brand loyalty strategy.

By creating a numerical rating system for each of the 5 Forces, one can begin to quantify a competitive intensity Market Assessment,

using this model. Taking the time for such a study can help make the crucial decision to enter or not enter a market and give important clues on how to craft a winning strategy that will result in a **Sustainable Competitive Advantage.**

PRICING & PRODUCTION

- Understand Your Customer Profile
- Value = Price / Quality
- Conduct Competitive Pricing Surveys
- Know Your Production Costs in Detail
- Include Your Packaging & Distribution Costs
- Know Your Breakeven Volume

Establishing your product Price in the marketplace is always a critical decision. Knowing the profile and habits of your target market and understanding the competitive intensity of an industry, are key pieces of Market Assessment information that assist in setting Price. As well, one must understand the important customer's perception of Value in your product - the relationship between Price and Quality. A McDonald's burger for example, is of acceptable Quality, for its Price, to its target market customer, because **more important key success factor** in this industry are consistency and speed of service. Would you then actively use price discounting to gain market share?

As part of an overall Planning Process, one must have a solid knowledge of one's basic ingredient costs, costs of production, packaging and distribution, in order to make a final pricing decision. With this knowledge, one can ascertain what kind of volume of product must be sold to **Breakeven**, and just how feasible that might be, given the competitiveness in its marketplace.

TEST MARKETING

- Create Your Prototype
- Test Market Trial Balloons
- Meet With Buyers / Retailers
- Conduct
 - Trade Show Research
 - Consumer Surveys
 - Focus Groups
 - Statistical Analysis



Test Marketing replicates the possibility of a full commitment to a venture or product, on a smaller scale. Results are carefully monitored so that they can be used to make a final decision to a larger commitment to resources for the idea.

Typically a prototype “Trial Balloon” product will be created and tried in its immediate geographical market. Fledgling local food products often get their start in local Farmer’s Markets and fairs. Highly positive receptions can provide valuable information in refining a product and to give credence in early stages of funding.

Personal surveys and feedback from Buyers and Retailers should always be part of the Test Marketing Process. Industry trade shows are highly productive venues for reaching buyers and retailers quickly, getting valuable feedback and preliminary interest in a product idea. Creating “pre-orders” in such a manner is a valuable tool in the financing process for a product venture. Primary Consumer Research Surveys are often an important part of the test marketing process. For large consumer goods companies, sample panels called **Focus Groups** are selected carefully in giving a market representative reaction to a product. Key success factors

for the product such as price, colour and design choices, can be statistically analyzed to help make final decisions on key product elements.

EYE TRACKING RESEARCH

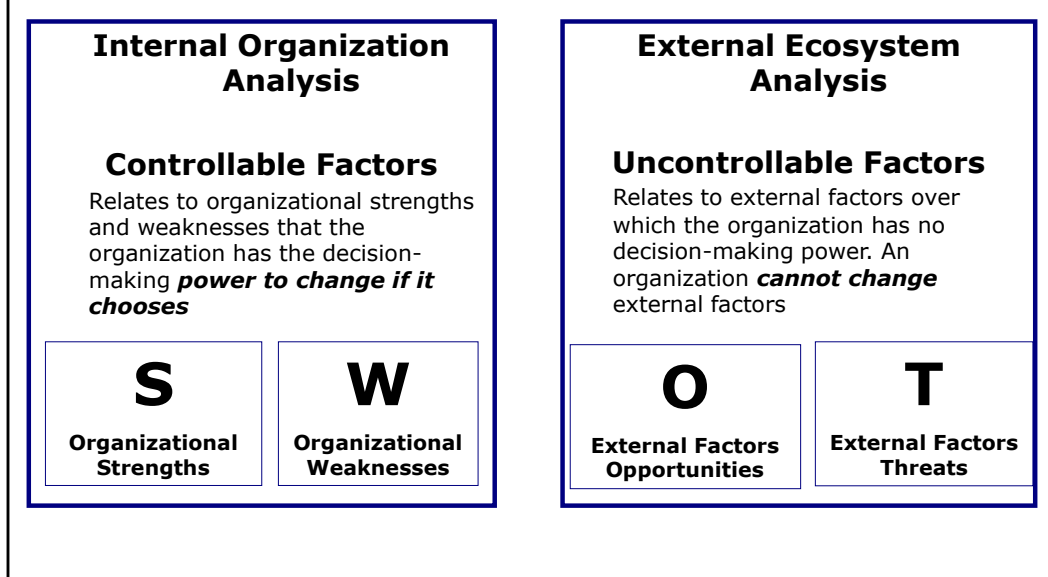


A thorough Market Assessment will include an assessment of the Risks involved with the product idea.

Much of the report information that would be compiled thus far, can be used in such an analysis.

An industry that may appear promising today, but whose Trend Analysis shows increased competition from abroad, poses an obvious risk. The Porter 5 Forces information assessing the degree of Competition in a marketplace can also point to such key risk factors. A segment of the market for a product that is very **Price sensitive**, will pose risks for a small player trying to compete.

ASSESSING RISK SWOT ANALYSIS MODEL



A form of analysis often used in assessing such risks is the **SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats)**.

In this framework, factors both internal and external to the organization are taken into consideration.

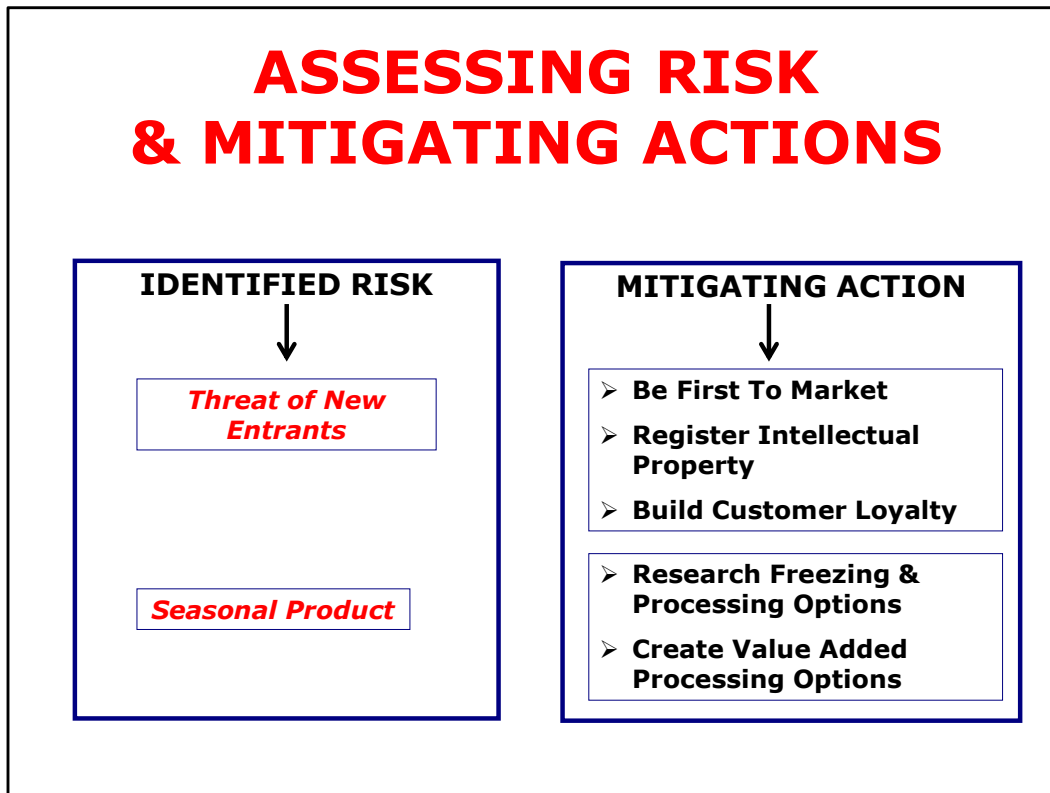
Internal factors – the **Strengths** and **Weaknesses** internal to the organization

External factors – the **Opportunities** and **Threats** presented by the environment external to the organization.

Internal factors can include such things the organization's capitalization, its management team, experience in the industry and geographical location.

The external factors may include macroeconomic matters, technological change, legislation, and sociocultural changes, as well as changes in the marketplace or in competitive position.

ASSESSING RISK & MITIGATING ACTIONS



Once the risks have been carefully identified, a Market Assessment report can then include considerations on mitigating such risk factors. Such an analysis must be carefully undertaken and should always be part of any plans for implementation of the product or business idea.

WRITING A MARKET ASSESSMENT

- Provide information & its impact for decisions
- Include your summary
- Explain your segmentation & target market
- Define the industry
- Define its growth and trends
- Identify key success factors & market drivers
- Describe the competitive environment
- Describe your pricing & production model
- Describe your test marketing
- Provide a Risk Assessment / SWOT analysis

Keep explanations clear and concise. You may not need to provide a complete market study in a plan developed for internal use, when all of your team knows the market well. Maybe you'll just cite the type of customers you attract and the part of town you serve. The market analysis section in a business plan is the section that is most likely to require research for information from outside your business.

The format of such reports may vary with the nature of the market, its size, nature of products or services marketed there, type, quantity, cost, and also with the objectives and other specifications of an assessment for a particular market.

This is a good point to add **a word of caution** about the level of detail required. Please remember that planning is about making good decisions, applying focus, and enforcing priorities. Planning is not about testing your knowledge. If you are looking for investment, then you may have to use this section to display your wisdom and understanding of your industry, but don't overdo it. If you are planning an internal plan and have no audience other than your own team, simply doing enough market research to make sure you're not missing key points, is recommended. **The value**

of information is limited by its impact on decisions. If more market information is not going to help you do something better, then don't bother.

Your Summary

Begin your report with a simple summary. You should generally describe the different groups of target customers included in your market analysis and refer briefly to why you are selecting these as targets. You may also want to summarize market growth, citing highlights of some growth projections, if you have this information available.

A good technique is to actually write your Summary after the rest of your Market Assessment topics have been researched and written up, so it is easy to pick out the key points to highlight.

Explain Your Segmentation and Target Market

Make sure to explain and define the different segments, as they are a starting basis of your strategy. What distinguishes small business from large business, if this is part of your segmentation? Do you classify them by sales, number of employees, or some other factor? Segmentations have been identified that define customers by the channels they buy in, as in the retail customer compared to the wholesale or direct customer, also compared to the Internet download customer. Be clear on your segmentation definition and why it has been selected.

Define The Industry

Be clear on your definition. Use the appropriate geographical region into which you intend to sell your product. Quantify your market size by not only annual dollar volume of sales for your product but utilize volume counts by case or whatever appropriate unit of measurement. Identify not only the major players in the industry but include smaller firms that may be also innovative and on the rise. Identify Trends in your industry studies. Be careful in ascertaining between a **Fad** – as in a current popular diet – versus a long-term **Trend** in people changing their eating habits.

Obtain data that is as current as possible. Government statistics offices, trade associations, internet research and business libraries are readily available sources. Many industry studies are available for purchase on line at reasonable prices. Business and marketing school students can often be hired at for very reasonable prices or for free, to conduct industry studies as part of their school curriculum.

Identifying **Key Success Factors and Market Drivers** needs to be

part of an Industry description. How important is Price versus Quality? This will be a strong indication about the nature of the industry and the buying habits of its end users. How important is service, convenience, distribution and things such as advertising in the industry? Identifying these aspects will give you highly valuable information on the positioning of your product idea and where its strengths and weaknesses lie.

The **Competitive Environment** is a critical portion of any Market Assessment, as the main purpose of any market study is help craft a winning strategy - and all strategy is by definition, a **Competitive Perspective**. Identifying major players in any market is most easily done by estimating their Market Share – what % of annual revenues any one firm or product represents.

Based on understanding the Key Success Factors in an industry, **Competitive Mapping**, using key success parameters to judge relative positioning, is a good method for assessing possible opportunities and advantages.

The **Porter's 5 Forces** model is also an effective way of **assessing the attractiveness of a market** (the ability to be profitable) based on 5 competitive forces: ease of entry into the market; ease of customer substitution of products; degree of power suppliers have in the industry; the degree of power buyers have in the industry; and finally the fierceness of competition between the existing players in that market.

Pricing and Production

Setting price correctly is a critical step where a well-executed Market Assessment is vital. One must take into account with accuracy your cost of production, packaging and distribution in creating and getting a product to market. With a target market in mind, one can understand the buying habits and profile of your buyer and the elasticity of demand, based on price. One must then see how various pricing strategies will position your product relative to the competitive landscape. Will you actively use price discounting to gain market share? These are all vital pieces of information the Market Assessment report will contribute in setting your product price.

Test Marketing

Before a large amount of resources are committed to a project, Test Marketing is a prudent step and often a requirement when seeking

investor funding. Product testing can range from being informal to very sophisticated. Humble product market beginnings such as at Farmers Markets can still provide very valuable feedback and preliminary validation of opportunity. Trade show presence as an attendee or as a merchant, is a very practical step in the Test Marketing process. Acquiring pre-orders from major distributors and retailers at such shows can be enough to secure the funding required and launch a product. The larger the potential commitment of resources, the more sophisticated the Test Marketing can become, with the use of consumer surveys and focus groups, often conducted by professional market research firms.

Test Marketing and consumer research can get very sophisticated. One example is the use of **Eye Tracking**. In a crowded retail environment the visibility of a product is a major factor in its success. Eye Tracking devices look through the eyes of customers while they consider the items on the shelf. Such data helps make decisions specific to package design and shelf placement.

Risk Assessment

A well-conducted Market Assessment report will include a review of Risks. When a Market Assessment study has been done with some rigor and thoroughness, and the topics presented here have been analyzed as described, one will be in a good position to lay out the various risks in the project. The SWOT analysis described is a good tool to employ in this analysis. Creating a list of major risk items, matched with actions that could be taken to mitigate such risks, is a vital step in moving on to create a **Business Plan** describing the details of **Implementation** for the project.