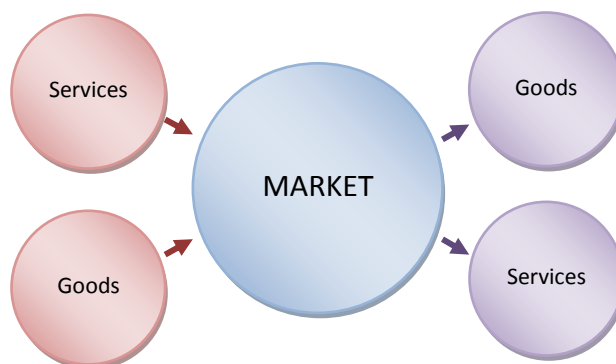


Market Analysis

Objectives

- The Partner will better understand the core components of market analysis
- The Partner will have an improved knowledge of the analysis required for project development



Course Content

1. What is Market Analysis?

The Market Analysis is a write-up that provides information on the market opportunities and restrictions that the grantee faces. It is a required supplemental document for a complete project packet.

2. Who Writes the Market Analysis?

- A. Partner: The Partner is responsible for researching the grantee's position in the market, the broader market context, analyzing the implications of market conditions on the proposed project, and documenting these in the Market analysis.
- B. Grantee: The grantee is responsible for sharing market and organizational knowledge with the partner so that they can complete the Market Analysis.

3. What is Included in the Market Analysis?

The market analysis section should be concise and speak to the relevant changes the organization will need to implement to access the market opportunities.

- A. Do not expect to do extensive market research during grant development. Focus on

- (1) **whether there is sufficient market of suppliers and buyers for the project to be successful**
and

- (2) **how the project activities and purchases should be planned to best accommodate the market conditions**

- B. The complexity and detail of the market analysis will depend on the sophistication and market penetration of the grantee.
- C. **EDI or Social Grants**: For EDI applications and social grants with an income generating component, the Partner is asked to provide a Market Summary that discusses the demand for the organizations products. It does not need to explore the issues listed below in section 4.(2)-(4).

4. What Topics Should be Covered?

The Market Analysis should address each of these four major topics:

- (1) **Qualify the Demand for the organization's product(s)**- The following questions can help determine what information should be included in the write-up to address this aspect of the market analysis:
 - What is the local, regional or export demand level for the various products sold by the grantee? Which will the grantee be able to access? How much will they sell locally versus for export?
 - How much can the grantee produce at sufficient quality to meet demand?
 - When determining the grantee's ability to meet demand consider: baseline

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production per season, projected input availability, percentage of goods lost or damaged, percentage of goods consumed or used for seeds, systems in place for incentivizing and sorting production of high quality crops, etc.

- a. Example: The grantee can produce 25 tons of grade 1 coffee that meets standards for export and buyers have been asking to buy twice that much at \$1.25/lb. In addition they can produce 10 tons of lower grade coffee that can be sold to the local processor at \$.90/lb, but supply exceeds demand and on average only 8 tons of the lower grade coffee is sold each year.

(2) **Provide a summary of local competition-**

The following questions can help determine what information should be included in the write-up to address this aspect of the market analysis:

- Who else is selling similar products?
- Who else is trying to reach the same customer base where the grantee currently sells?
- Who is selling in markets where the grantee wants to expand?
- Are competitors at the same level of the grantee- distributors, suppliers, or service providers? How does the volume or services provided by the competition impact the grantees ability to be competitive with them?
- Is the grantee's price/ quality competitive? Does the price sufficiently cover the cost of production now? Will planned expansions allow the grantee to better compete based on reduced costs or improved quality?

(3) **Identify the primary market constraint faced by the organization-** The following questions can help determine what

information should be included in the write-up to address this aspect of the market analysis:

- Who sells the inputs required by the grantee for production? Is there a diversity of vendors in the input market? Is there sufficient capacity in the input market to accommodate planned expansion of production? Is the cost of inputs high?
- Does the grantee have equitable contracts in place with their suppliers and customers?
- What means does the grantee have to get their goods to market without excessive loss, damage, or reduction in quality?
- Can the grantee retain more profit if they incorporate additional value-added processing?
- Can the grantee increase profit by improving inputs or sorting the goods by quality grade?
- Is the product highly susceptible to a volatile local or international market?

(4) **Describe how the organization may need to change the way it currently sells its product-**

The following questions can help determine what information should be included in the write-up to address this aspect of the market analysis:

- Does the grantee have a track record of maintaining customers? Of increasing customer?
- Does the grantee need a dedicated staff member to market their products? Can they work through a local distributor?
- Does the grantee need to have technical assistance to study the market in detail and help them establish a plan to access more markets or improve customer relations?

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- Does the grantee need to upgrade, change, or increase production of their primary product to remain competitive?
- Does the grantee need to improve packaging for appeal in new markets or to maintain product quality?
- Does seasonal timing of sales need to be adjusted to get higher returns?

5. How Does the Market Analysis Relate to Other Project Packet Components?

- A. The scope and focus of the Market Analysis depends on the problem or opportunity the grantee has defined in the Application and the solution they have planned. The degree to which they are able to implement desired marketing solutions depends on how they choose to prioritize uses for their grant funds in the Budget.
- B. This analysis may lead to new information that could require more updates in several packet components. The market analysis should be used to help focus and define the problem / opportunity statement in the application or modify the recommended

solution. If there are major market activities needed they should be included in the Application and the Activity and Performance Summary. The Market Analysis also helps to identify assumptions needed for the Financial Assessment such as product prices, growth rates, etc. If the Market Analysis identifies needs for additional resources, those should be incorporated in the Budget. If the review identifies the need for volume, quality, or packaging changes then the Technology Analysis should consider the equipment options available to meet that need.

6. Advice from the Experts

- Grants are not awarded based on the grantee's ability to expand to new markets, so be realistic and conservative in making market and production assessments.
- If the grantee doesn't have a marketing plan, don't attempt to do all of the research and design one in the Market Analysis section. The grantee can hire technical assistance to meet this need during the grant.

Handouts

None