

InEDIC Ecodesign Manual

Tool 4: Market analysis

The market analysis tool provides a practical approach regarding the theoretical concepts explained in **chapter 5 – Market analysis**. Thus, it is presented to the reader as a guide to the market analysis process, in order to determine the current and future market potential of the ecodesigned product.

To that end, the guide focuses on the analysis of two fields that complement each other:

- 1. Current and future market size. Previous analysis.**

This first part offers some guidelines about the information needed to determine the size of the current market, as well as the interesting data that will let us estimate that market's evolution in the future.

- 2. Market's attractiveness. 'Five forces' by M. Porter.**

According to this methodology, the guide helps identify the five main factors influencing market attractiveness and then it describes how to evaluate each of those factors' influence level.

In addition a SWOT analysis is proposed:

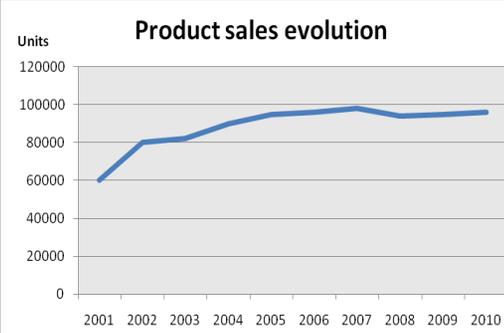
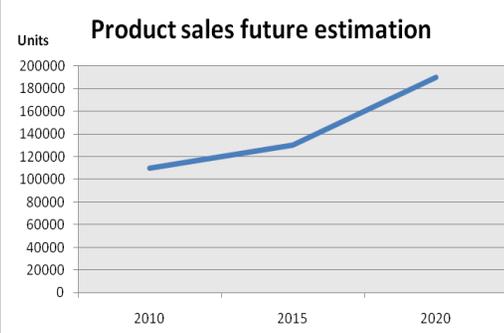
- 1. Internal positioning and external factors. SWOT Analysis.**

The objective is to analyze the internal positioning of the company to participate in the market determined under bullet 1. above (identifying Strengths and Weaknesses) as well as the external factors that can influence the company's development as a participant in that market (Opportunities and Threats). To carry out this final analysis, both the estimate of the size and evolution of the current and future market and the description of the Porter's five forces should be used. Thus, the market and its growth will be part of the SWOT's external analysis, constituting a threat or an opportunity depending on its evolution. Porter's five forces will be included in this external analysis as well, as opportunities if these factors are favorable or as threats in case they have a negative role in the product's manufacture or marketing.

Finally, the guide ends providing some strategies that could be applied in order to improve the company's position in the analyzed market. The results of the market analysis should be included in the (redefined) brief.

Market Analysis stages

1. Market Evolution

Stage	Analysis of:	Data processing	Evaluation
<p>1.1 Current market size</p> <p>Company's sales + Competitors' sales</p>	<ul style="list-style-type: none"> Government data; imports, exports... Trade associations' data; production, sales... Financial data from major players. 	<p>Product sales evolution</p> 	<p>Market's current size from your company's perspective:</p> <ul style="list-style-type: none"> High Medium Small <p>Is this rate high enough for your company's production rate?</p>
<p>1.2 Future market size</p> <p>Current size X growth rate</p>	<ul style="list-style-type: none"> Extrapolated historical data. Extrapolated international data on ecodesign products' evolution. Growth drivers; demographic info, legislation, environmental standards, sales growth in complementary products, environmental awareness... Foresight studies, tendency researches on environmental improvement of products. 	<p>Product sales future estimation</p> 	<p>Market increment:</p> <ul style="list-style-type: none"> High Medium Small <p>Is there any interesting gap between current and future markets?</p>

Market Analysis stages

2. Market and business Profitability

Stage	Analysis of:	Data processing and evaluation
<p>M. Porter's Five Forces</p>	<p><i>The evaluation should be done using all data available and choosing a grade between 1 and 10.</i></p> <ul style="list-style-type: none"> <p>Buyer power. Analyze the buyers' profiles: how much pressure can customers impose on margins and volumes?</p> <p>Consumer-products companies face weak buyer power because customers are fragmented and have little influence on price or product. But if we consider the buyers of consumer products to be retailers rather than individuals, then these firms face very strong buyer power.</p> <p>Supplier power. Analyze the types of sector suppliers. When the supplier's power is high the buying industry often faces a high pressure on margins from their suppliers. The relationship with powerful suppliers can potentially reduce strategic options for the organization.</p> <p>Barriers to entry. The higher the competition in an industry, the easier it is for other companies to enter this industry.</p> <p>Substitute products. The company should analyze current substitute products and investigate potential substitute products for the future. Current technologies and future developments should be analyzed in order to determine which products could compete with our ecodesigned products in the market.</p> <p>A threat from substitutes exists if there are alternative products with lower prices or better performance parameters for the same purpose. They could potentially attract a significant proportion of market volume and hence reduce potential sales volume for existing players. This category also relates to complementary products.</p> 	

- **Rivalry among firms in the industry.** This force describes the intensity of competition between existing players (companies) in an industry. High competitive pressure results in pressure on prices, margins and, hence, on profitability for every single company in the industry.

Competitive rivalry is likely to be based on dimensions such as price, quality, and innovation. Technological and environmental improvements protect companies from competition. This applies to products and services. Companies that are successful in introducing new technologies, are able to charge higher prices and achieve higher profits, until competitors imitate them. Ecodesign is a strategy of product differentiation, providing products with a valuable added value that could be sold with higher profit margins.

SWOT Analysis

The evaluation should be done analyzing all data available and choosing a grade between 1 and 10

Internal Analysis

Strengths

Positive tangible and intangible attributes, internal to an organization. They are within the organization's control.

- Capabilities, Innovation team, design department
- Financial reserves
- Environmental awareness
- Manufacturing technology
- Competitive advantages; patents
- Strong brand name
- Good reputation among customers
- Exclusive access to environmentally friendly raw materials/resources
- Environmentally aware Suppliers with a strong commitment to the ecodesign project
- Implemented environmental management system
- Company philosophy

Weaknesses

Factors that are within an organization's control and detract from its ability to attain the desired goal. Which areas might the organization improve?

- Gaps in capabilities
- Lack of competitive strength?
- Lack of financial reserves
- Lack of know how
- Poor environmental reputation among customers
- Lack of management commitment
- Lack of access to the best natural resources

External Analysis

Opportunities

External attractive factors that represent the reason for an organization to exist and thrive. What opportunities exist in the environment, which will propel the organization forward?

- Market size, development, trends, forecast...
- Lack of competitors in the present and in the future
- Technology development
- Global influence
- Social environmental pressure
- Product innovation
- Higher product quality requirements
- Environmentally friendly new markets
- Vertical and horizontal integration
- New European policy regarding environmental issues
- New national and European standards
- New ecolabel criteria
- Increase of customer awareness regarding

Threats

External factors, beyond an organization's control, which could place the organization's mission or operation at risk. The organization may benefit by having contingency plans to address them if they should occur.

- Market demand
- New technologies, new substitute products
- Supplier capabilities.
- Raw materials.
- Obstacles faced.
- Sustainable financial backing.
- Barriers to entry
- Economic situation
- Buyer power
- Supplier power
- ...



	<p>ecolabelling</p> <ul style="list-style-type: none">- Company's power against suppliers and customers.- ...	
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After completing this quantitative and qualitative market analysis and evaluation the team is ready to decide whether or not to start an ecodesign project, knowing beforehand the anticipated success of the product in the analysed market. These are some strategies that one could develop depending on the results of the market analysis.

Strategies	Strengths:	Weaknesses:
Opportunities:	S-O strategies pursue opportunities that are a good fit to the company's strengths:	W-O strategies overcome weaknesses to pursue opportunities; use opportunities to overcome company's weaknesses:
Threats:	S-T strategies identify ways that the firm can use its strengths to reduce its vulnerability to external threats:	W-T strategies establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats: