

Forecasting and market analysis techniques



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Introduction



Developed for non-aesthetic applications and function oriented, technical textiles market has been on the radar for the past several years, given its high growth potential and capacity for job creation. The market is making rapid advances with about 60% of products across the globe produced with fibers that were not marketed five decades ago. Industrial textiles are designed to feature wide spectrum of certain characteristics, making them suitable for application in extensive range of industries and use cases. Furthermore governments in various countries are devising comprehensive policies to mandate the usage of technical textiles in specific industries, as well as offering financial aid to encourage local manufacturing.¹

Considering this complex situation, the high growing trend, and the number of variables to be taken into account, the conduction of a detailed market analysis assume even more importance in the decision to introduce a new product into the industry. A market analysis describes the current and future market demand for your products or services, forecasting the size and growth of the demand, and it is a fundamental instrument that let you to better manage the risk and to take the opportunities.

1. <https://www.futuremarketinsights.com/reports/technical-textiles-market>
2. Market Structure Analysis, James H. Myers Edward Toubert, 2011 Marketing Classics Press

This can be done using different forecasting techniques, in order to analyse the latest trends and dynamics in the market, general buying patterns, technological changes, and to know what competitors are doing. You might want to know which products or services are already existing within your target market, which competitors are using the most efficient marketing mix to offer these products and so forth. This will let you structuring market offers insights into the interrelationships of firms, people and products to better understand and predict consumers' (and possibly competitors') responses.²

It is inevitable to strongly consider these aspects and conduct a market analysis before introducing a new product. Otherwise you certainly will miss out opportunities that can push your business forward or you might not see threats that can significantly weaken your business operations.

Keywords

Market analysis; strategy; SWOT analysis; PESTLE analysis; strength; weakness; opportunities; threads; PORTER'S five forces; competitors; EMPATHY map; consumer

Goals



The goal of strategic market analysis is to help enterprises of all sizes make educated business decisions, especially as related to strategy. Strategy can refer to an individual plan or set of steps that an organization is executing to achieve a specific goal, or to an organization's overarching approach to business, especially as related to business development and growth.

For our scopes the focus will be on the first meaning, even if the instruments we will going to analyze can be applied to both of them.

Strategic market analysis can be a very useful way to help companies:

- uncover otherwise-hidden business opportunities;
- identify competitors before it's too late;
- discover untapped revenue streams;
- minimize investment risks;
- identify and subsequently avoid bad business decisions

Learning outcomes



Knowledge

- To be aware of the advantages in conducting a market analysis;
- To apprehend the process and the different steps needed to conduct a market analysis;
- To know different tools and techniques to support the market analysis process.

Skills

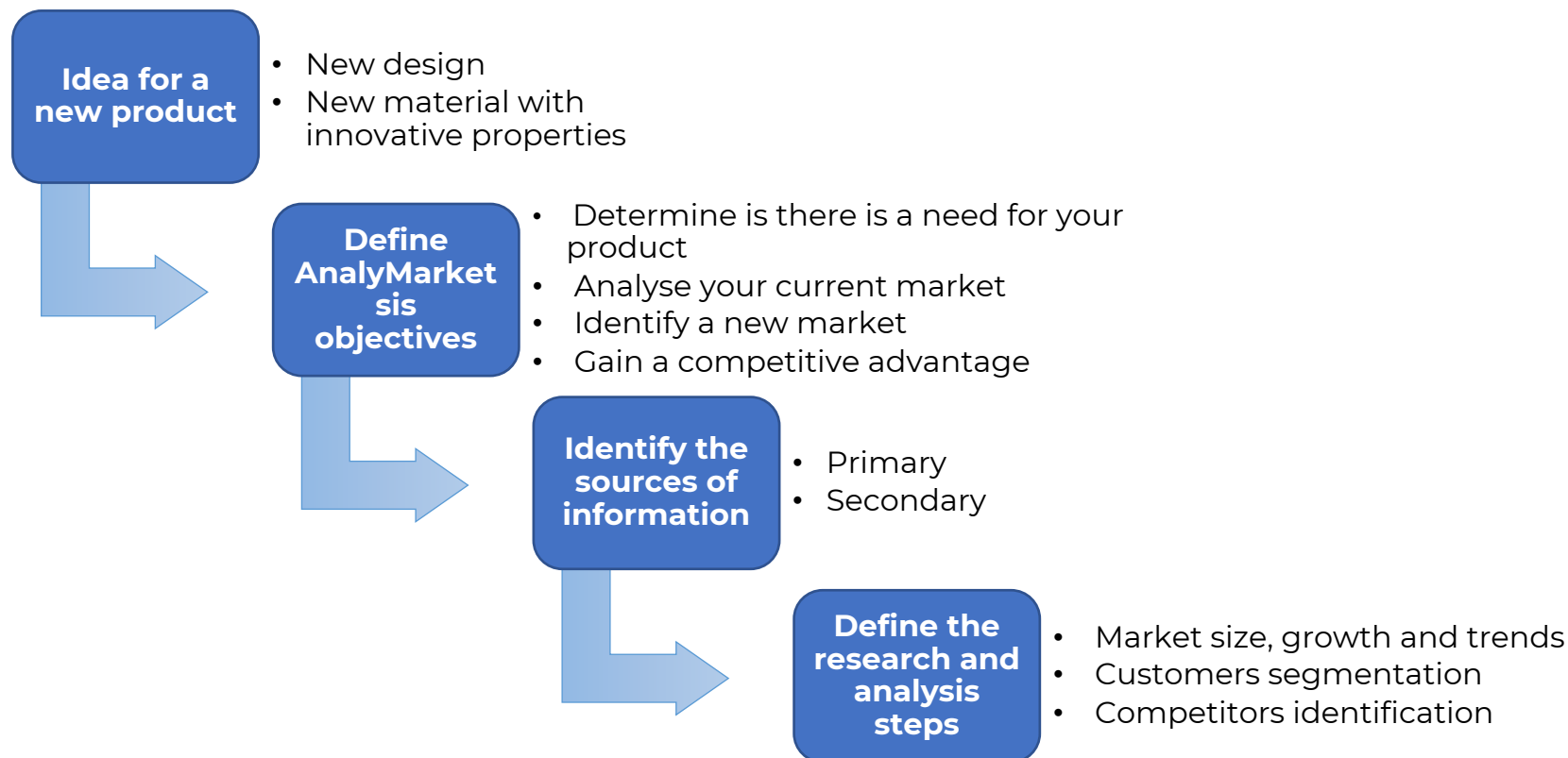
- To apply SWOT and PESTLE analysis to evaluate internal and external variables impacting on the launch of a new product;
- To apply PORTER's five forces principles to analyse the industry environment and competition;
- To use the EMPHATHY MAP to analyse consumer' preferences and trends.

Competences

- To use the data resulting from the conducted market analysis to take decisions about the new product / innovative design to launch;

1. Market Analysis process

A market analysis is integral to business and strategic plans. A market analysis is a macro view of market demand in its entirety. The core elements of a market analysis generally include a description of the total market in terms of its size and growth, a description and growth assessment of key market segments or target markets, and the reasons why they are important.³



1. Market Analysis process

1.1 Sources of information

Before starting any market research activities, you need to first decide what you need to know and why. There are two types of market research, primary and secondary.⁴

Primary

The information are directly collected from potential customers

- Surveys
- Interviews
- Focus groups
- Direct Observation
- Field Testing

Secondary

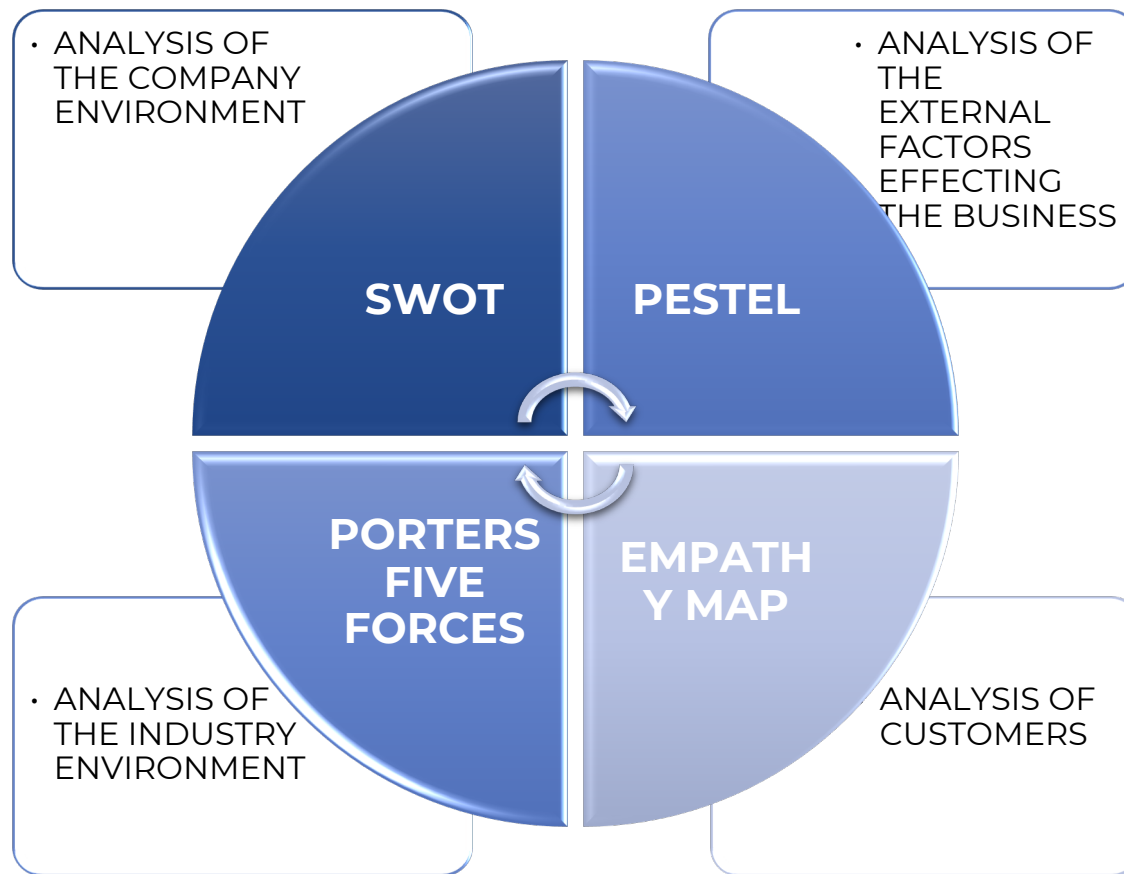
The information are collected through existing data consultation

- Studies
- Journals
- Magazines
- Newspapers
- Company websites
- Search engines
- Blogs
- Statistical databases

1. Market Analysis process

1.2 Tools and techniques

There exist different instruments we can use to analyse the various aspects effecting the success of a new product, we are going to deepen the following ones:



2. SWOT Analysis

A SWOT analysis evaluates the internal strengths and weaknesses, and the external opportunities and threats in an organization's environment.

SWOT ANALYSIS



The internal analysis is used to identify resources, capabilities, core competencies, and competitive advantages inherent to the organization.

The external analysis identifies market opportunities and threats by looking at competitors' resources, the industry environment, and the general environment.

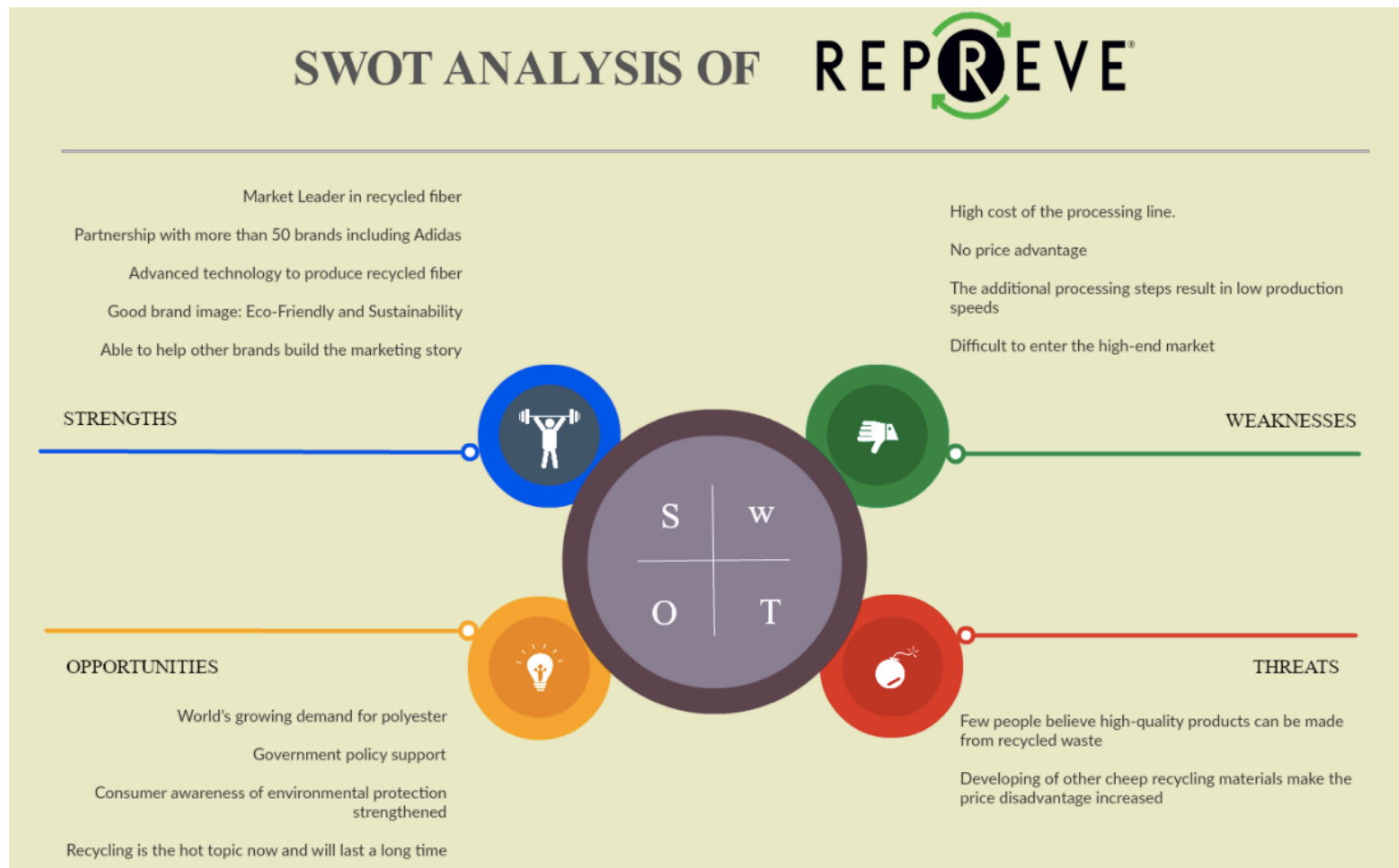
The objective of an external environment analysis is to help organizations recognize major developments and future implications.⁵

Image: Wikimedia Commons

2. SWOT Analysis

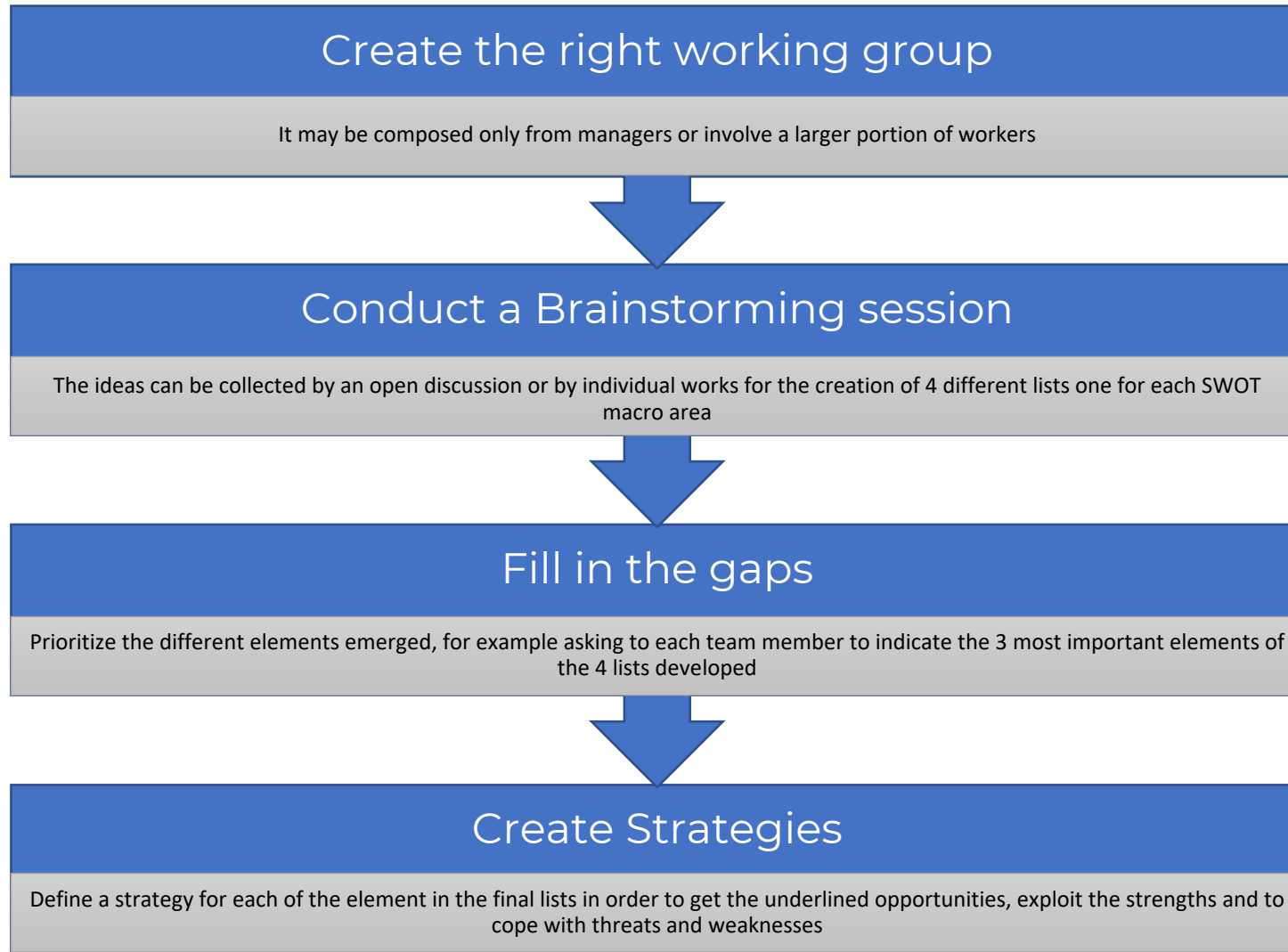
2.1 A practical example for the technical textile sector

Here you can find a SWOT analysis for REPREEVE, a brand of recycled fiber that is made from recycled materials, including used plastic bottles. These kind of fibers are largely used in technical textile application.



2. SWOT Analysis

2.2 SWOT analysis steps



2. SWOT Analysis

2.3 Brainstorm your SWOT factors



Strengths

- What are we good at?
- What do we do better than anyone else?
- What is our competitive advantage?
- What do we do that are unique compared to others?
- What resources do we have at our disposal?
- What advantages do our employees have?
- What valuable assets does our company have?
- What do customers like about our business?



Weaknesses

- What are we bad at?
- What do our competitors do better than us?
- What do our customers complain about?
- What disadvantages does our team have?
- What obstacles do we face?
- What resources are we lacking?
- What could we improve?



Opportunities

- What possible regulatory changes could help our business?
- Is the market changing favorably?
- Will the current economy have a positive effect on our company?
- What opportunities have we not pursued yet?
- What new opportunities have emerged?
- Is the cost of our goods decreasing?
- Is there a way to acquire useful resources that we do not already have?



Threats

- Who are our current competitors?
- Which newly entered competitors pose a potential threat to our business?
- Is the size of our market decreasing?
- Is the industry changing in a way that is negatively affecting our business?
- Is the cost of our goods rising?
- Are the stocks we rely on in short supply?
- Are the regulations changing to the detriment of our business?
- Is one of our manufacturers unreliable?

2. SWOT Analysis

2.4 Template for the Analysis

SWOT analysis template Internal Strengths (S) and Weaknesses (W) (micro analysis)			
Internal environment	Strengths	Weaknesses	Strategic action
1. Financial			
2. Managerial			
3. Infrastructural			
4. Suppliers			
5. Manufacturing			
6. Distribution channels			
7. Marketing			
8. Brand equity			
9. Innovation resources			

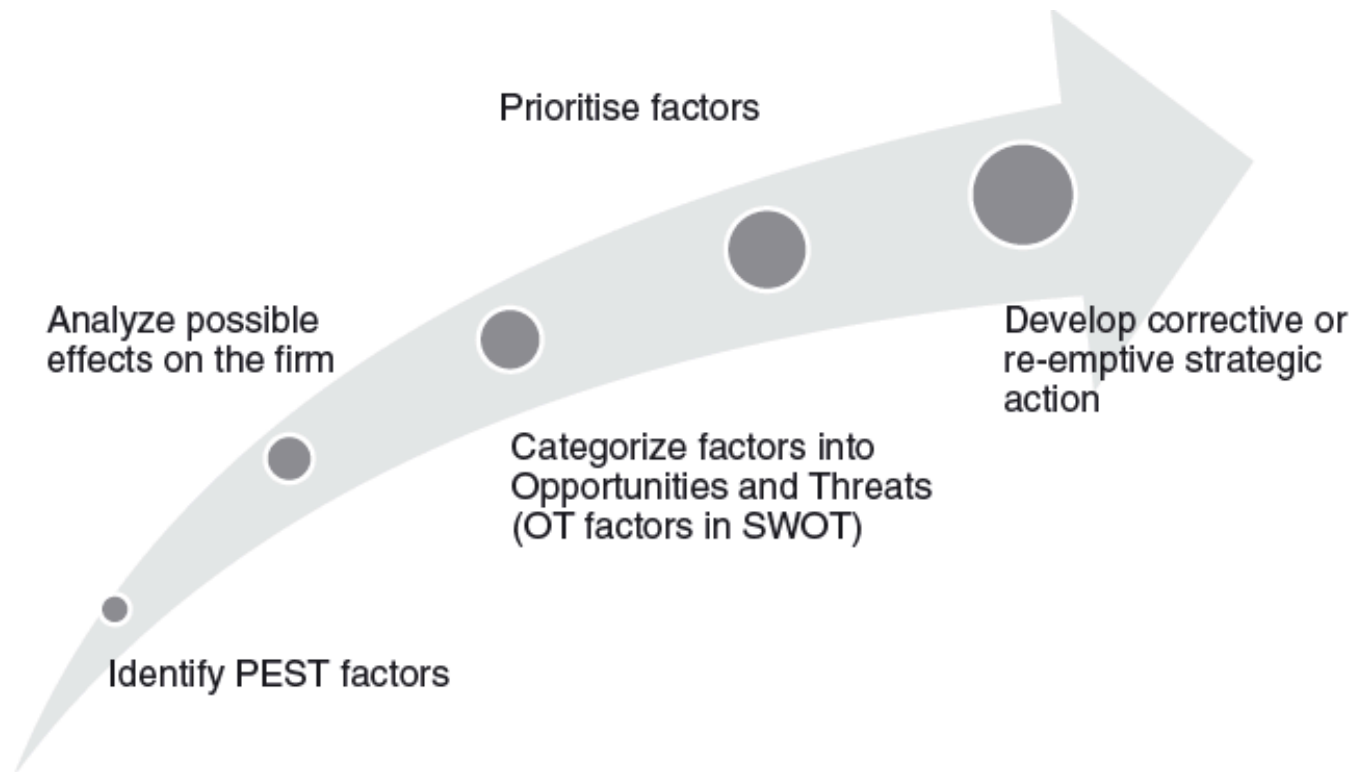
PORTERS FIVE FORCES

PESTLE

SWOT analysis template External Opportunities (O) and Threats (T) (macro analysis)			
External environments	Opportunities	Threats	Strategic action
Competitor environment			
Financial			
Managerial			
Organizational			
Suppliers			
Manufacturing			
Distribution channels			
Marketing			
Brand equity			
Innovation resources			
Industry environment			
Intensity of rivalry among competitors			
Threat of new entrants			
Threat of substitute products			
Bargaining power of suppliers			
Bargaining power of buyers			
General environment			
Political			
Economic			
Socio-cultural			
Technological			
Legal			
Environmental			
Demographic			
Ethical			
Regulatory			

3. PESTLE Analysis

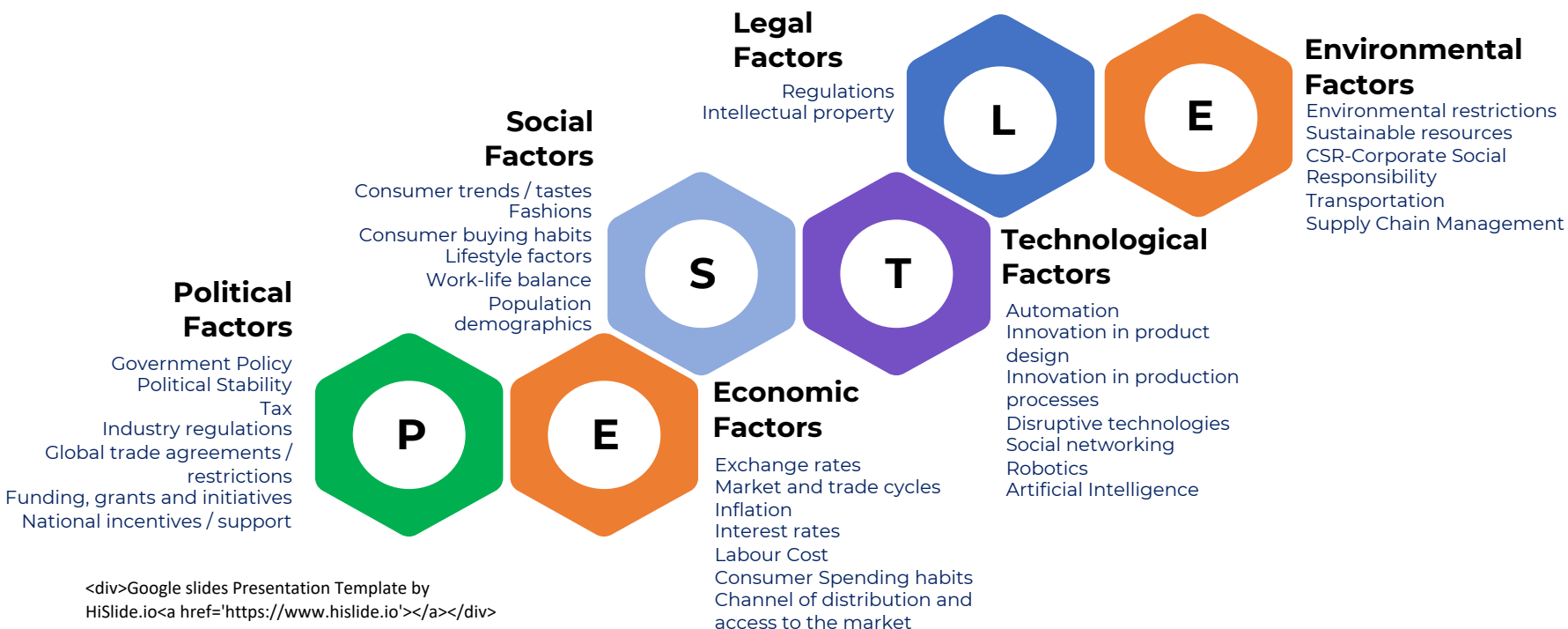
A PESTLE analysis is a framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation. The result of which is used to identify threats and weaknesses which are used in a SWOT analysis.



3. PESTLE Analysis

3.1 Main elements of PESTLE analysis

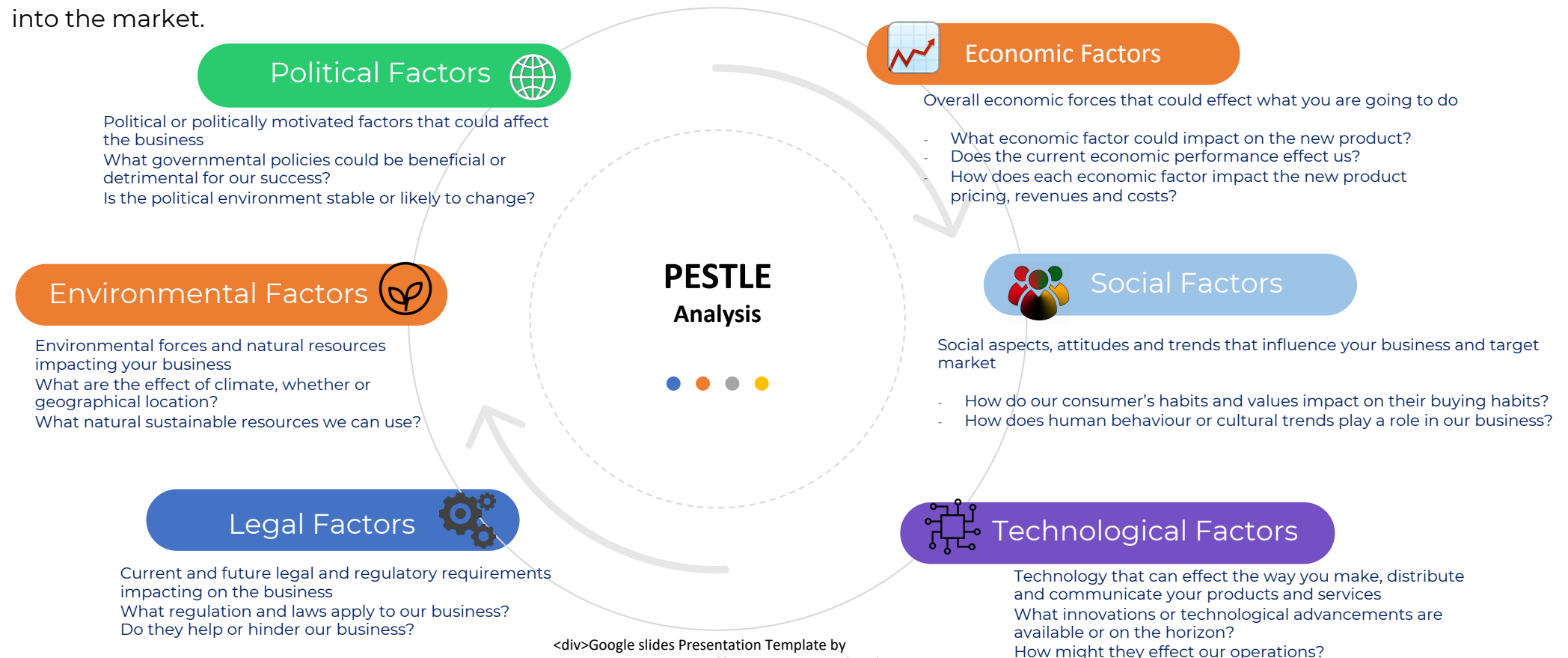
The analysis was given the name PESTLE in reference to the acronym formed by the initials of the six categories of macroeconomic variables included in the model (Political, Economic, Socio-cultural, Technological, Legal and Environmental). Firstly, the model allows managers to identify the macroeconomic variables to take into consideration for the development of the business (opportunities vs. potential risks), whose likelihood is still relatively uncertain. Then, the model can help the manager to start conceptualising different scenarios based on these uncertain variables to better predict what might happen and make the right decisions now for the future.¹⁰



3. PESTLE Analysis

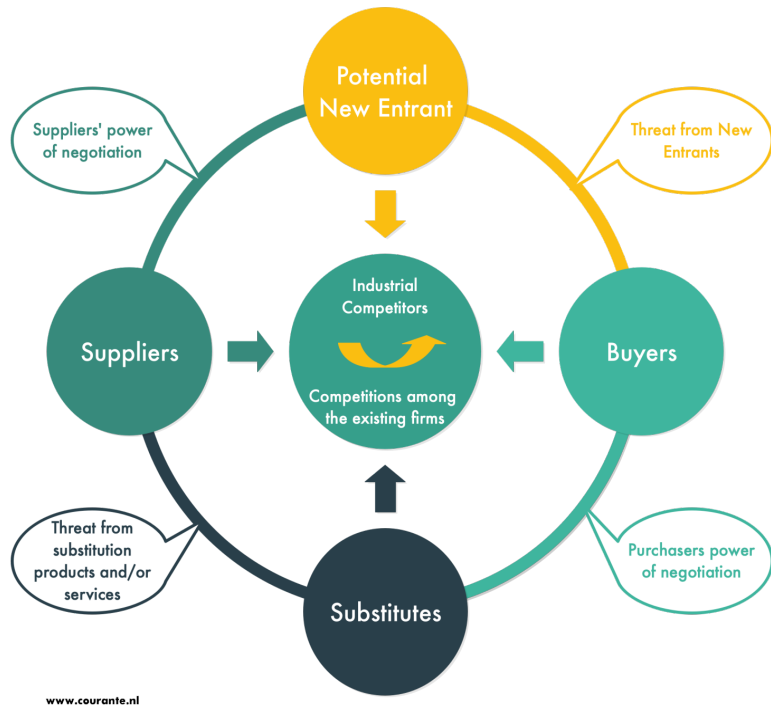
3.2 Brainstorm your PESTLE factors

The primary objective of the PESTLE analysis is the identification of unavoidable macroeconomic changes that might have a significant impact on the development of a company in terms of its products, its brand or even its entire organisation. Therefore, it is not about conducting a comprehensive study of the external environment: the in-depth analysis of macroeconomic variables is only relevant in relation to a specific company and for the specific scope it is implemented, in our case for the introduction of a new product into the market.



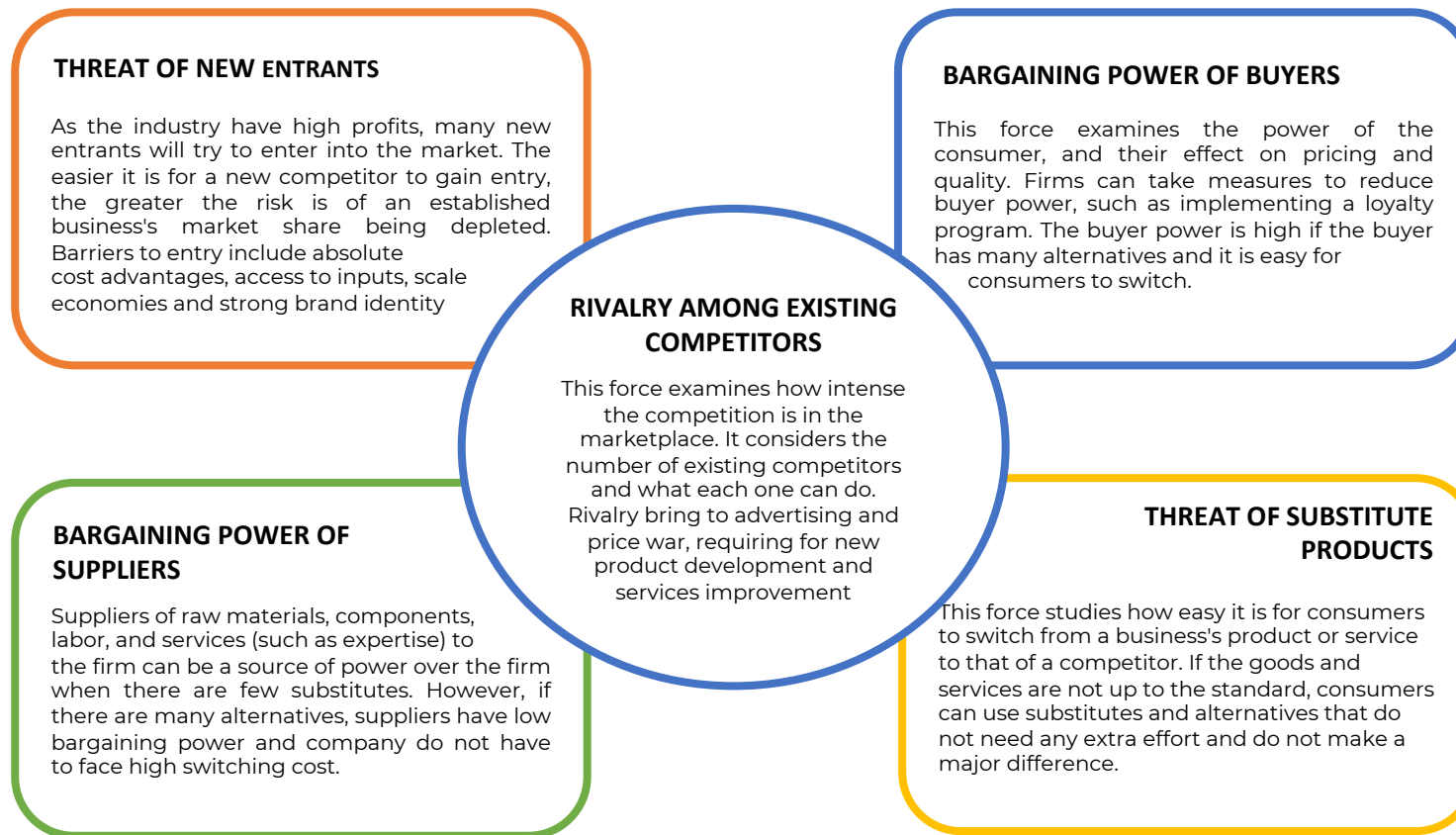
4. PORTER'S Five Forces

Originally developed by Harvard Business School's Michael E. Porter in 1979, the five forces model looks at five specific factors that determine whether or not a business can be profitable in relation to other businesses in the industry. ¹¹ Using Porter's Five Forces in conjunction with a SWOT analysis will help you understand where your company or business fits in the industry landscape and which strategy to adopt when introducing a new product into the market according to its specific features.



4. PORTER'S Five Forces

They consist of those forces close to a company that affect its ability to serve its customers and make a profit. The overall industry attractiveness does not imply that every firm in the industry will return the same profitability. Firms are able to apply their core competencies, business model or network to achieve a profit above the industry average.



11. Porter Five Forces Analysis – (Industry analysis) – Definition, Advantages and Criticism - Ibrahim Mohammad Rihan -

<https://www.academia.edu>

10. How Porter's Five Forces Can Help Small Businesses Analyze the Competition – Marci Martin - <https://www.businessnewsdaily.com>

12. Porte's Five Forces Analysis Case Study Solution & Analysis – Harvard Case Studies - <https://www.casequiz.com>

4. PORTER'S Five Forces

4.1 Templates for PORTER Analysis

Threat of Competitive Rivalry*

THREAT LEVELS Low High

DF⁺ ☐ Few/Leader Existing Competitors Numerous/Balanced

☐ High Industry Growth Slow/Negative

☐ Low Fixed and/or Storage Costs High

☐ High Product Differentiation Low

☐ High Switching Costs Low

☐ Low Strategic Stakes High

☐ Small Increments Capacity Expansion Large Increments

☐ Low Exit Barriers High

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of Substitutes*()

THREAT LEVELS Low High

DF⁺ ☐ More Expensive Price/Indirect Costs Less Expensive

☐ Low Buyer Price Sensitivity High

☐ Lower Performance Higher

☐ High Buyer Switching Costs Low

☐ Risk Avoidance Buyer Profile Risk Seeking

☐ ↓ Cost, ↑ Performance Substitute Industry Price/Performance Trends ↓ Cost, ↑ Performance

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of New Entrants*

THREAT LEVELS Low High

DF⁺ ☐ High Supply-Side Economies of Scale Low

☐ High Network Effects Demand-Side Benefits of Scale Low Network Effects

☐ High Switching Costs Low

☐ High Capital Requirements Low

☐ First Mover Benefits Incumbency Late Mover Benefits

☐ Limited Access Distribution Channels Easy Access

☐ Regulations Government Policy Subsidies

☐ Retaliatory Anticipated Incumbent Response Welcoming

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

4. PORTER'S Five Forces

4.1 Templates for PORTER Analysis

Threat of Suppliers/Supplier Groups* (_____)

THREAT LEVELS Low High

DF⁺ ☐ Many Organizations Supplier Concentration Few Organization

☐ High % Supplier Volume/Profit Low %

☐ Not Feasible Supplier Forward Integration Credible Threat

☐ Standardized Supplier Products Highly Differentiated

☐ Low Industry Switching Costs High

☐ Many Viable Options Supplier Substitutes No Viable Options

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
2.	

Threat of Buyers/Buying Groups* (_____)

THREAT LEVELS Low High

DF⁺ ☐ Single/Few Buyer Orders Large Volumes

☐ Low Buyer Information High

☐ Not Feasible Buyer Backward Integration Credible Threat

☐ Highly Differentiated Industry Products Standardized

☐ High Buyer Switching Costs Low

☐ Low % Overall Buyer Costs High %

☐ High Profits Buyer Profitability Operating Losses

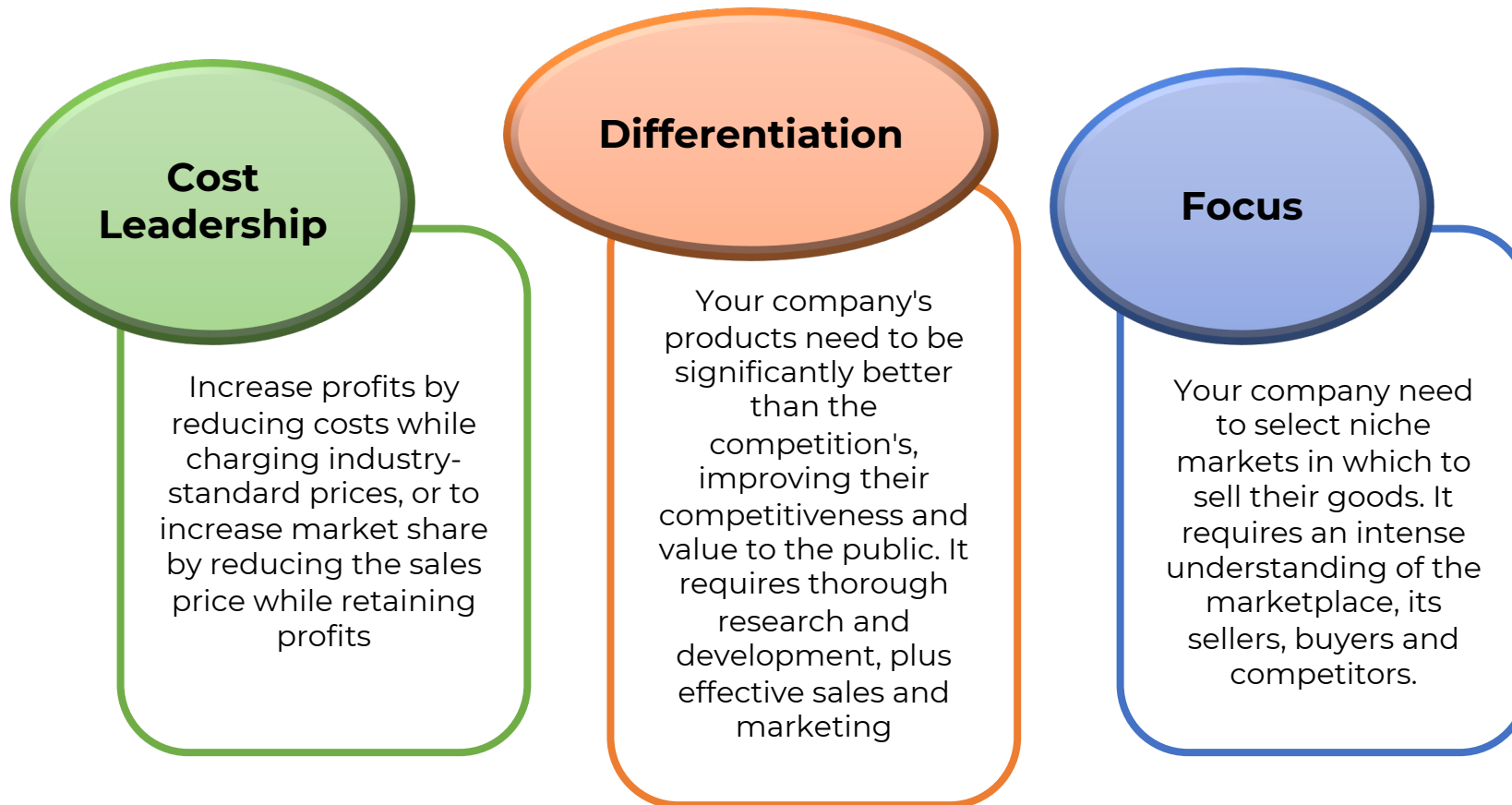
☐ High Impact Buyer Product/Service Low Impact

THREATS	
1.	
2.	
OPPORTUNITIES	
1.	
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4. PORTER'S Five Forces

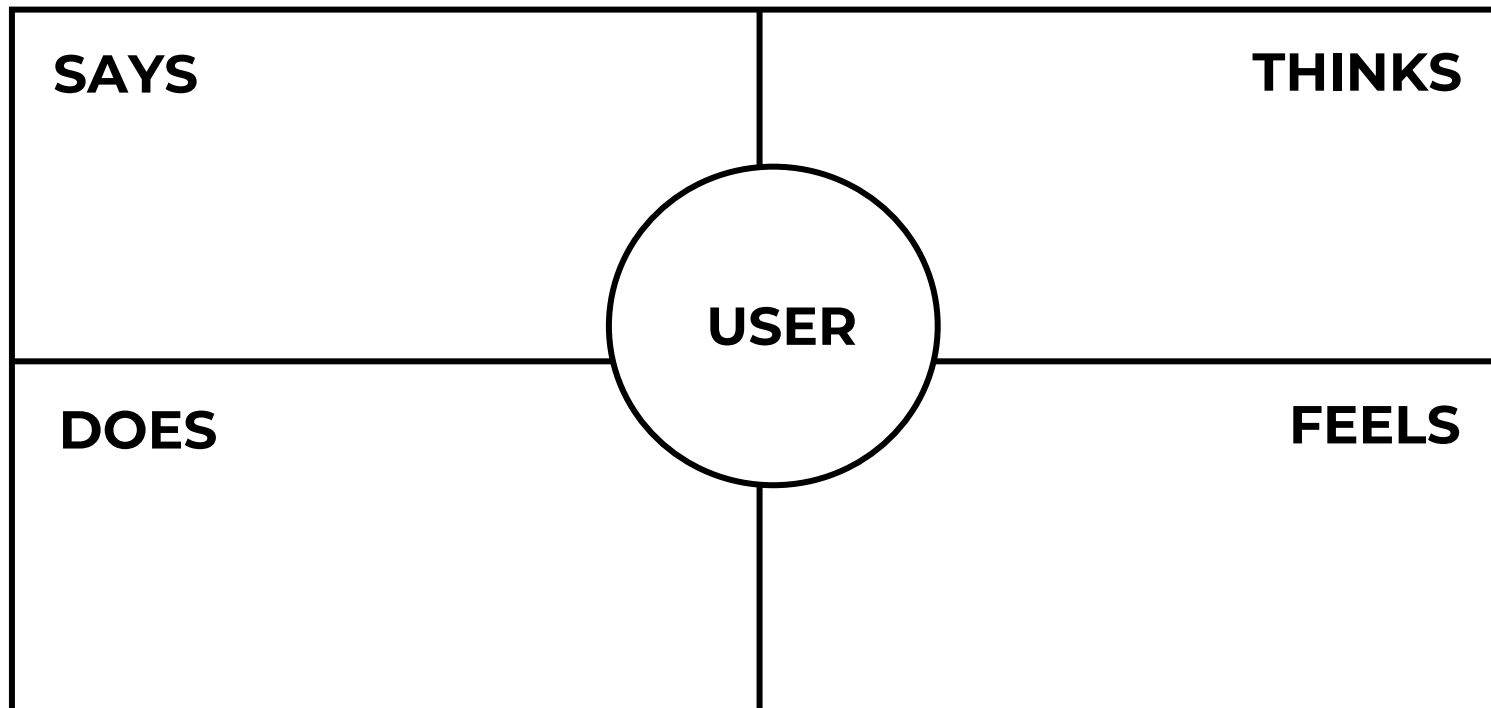
4.2 Strategy definition

Once analyzed the different factors that can affect your business ability to get a profit and compete in the market, it is the time to set a strategy to successful introduce your product into the market and expand your business competitive advantage.



5. EMPATHY MAP

An empathy map is a simple, visual tool that captures knowledge about a user's behaviours and attitudes. For teams involved in the design and engineering of products, services, or experiences, an empathy mapping session is a great exercise to “get inside the heads” of users. The exercise of creating the map helps participants consider things from the user's perspective along with his or her goals and challenges. Innovation is all about combining existing knowledge in a value creating way. In order to do that it is crucial having a deep understanding of your target customer. Without this knowledge, your new products will not provide the value that you intend and your market expansions might not work out the way you imagined.



5. EMPATHY MAP

5.1 Build an Empathy Map : the main steps

1. Establish Focus and Goals

Segment your customers

Group your customers into distinct segments based on their demographics and personas

Define your goal

Product innovation
Enter a new market

2. Humanize your segment

Once you have your top segments, you need to make them real. This can be done by assigning fake names and building an entire person through adding details such as their age, educational level, income etc.

3. Empathize with your segment

In a team put your representative from each segment on an empathy map. Then start asking the following main questions and thinking of the answers from the representative's point of view:

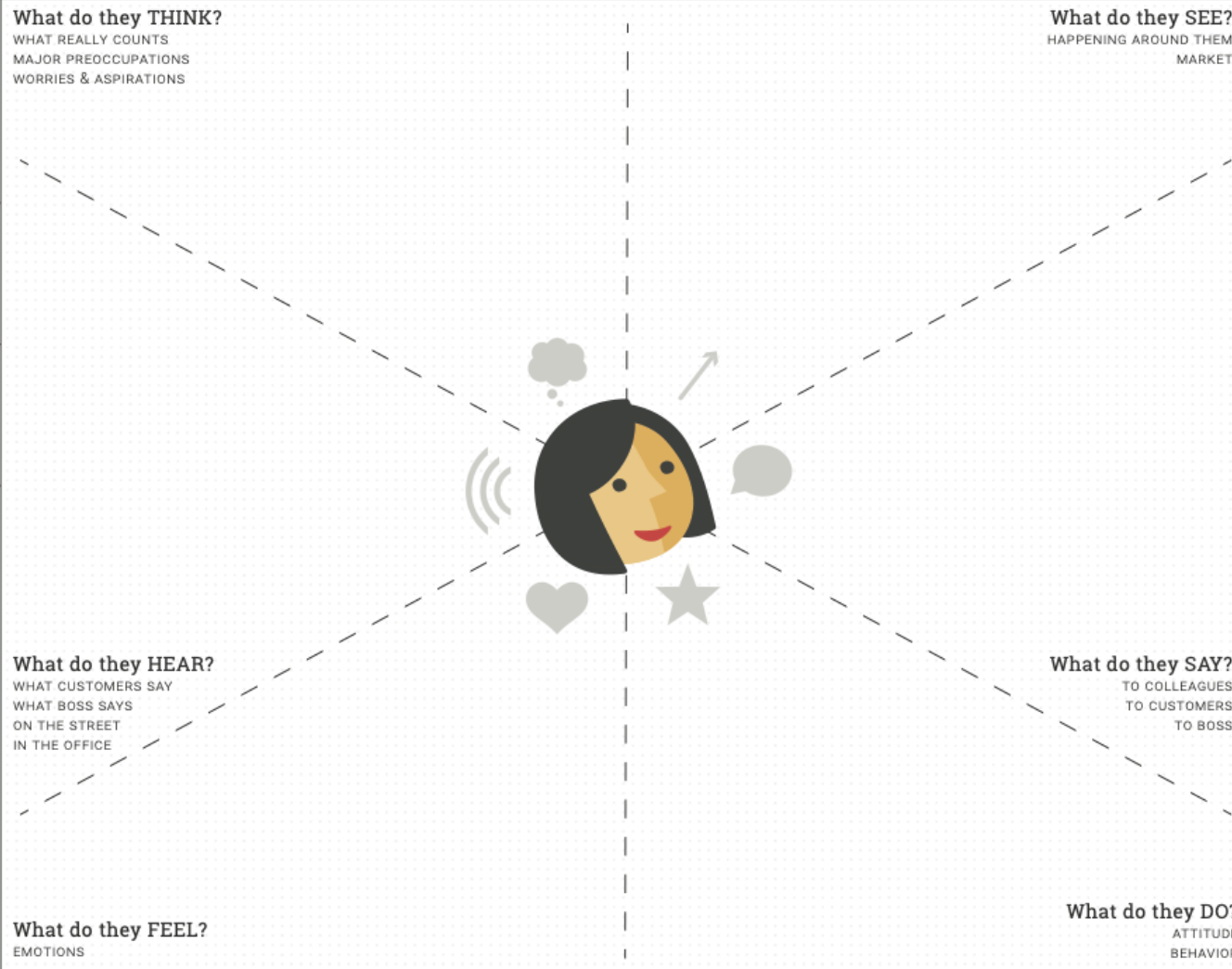
- What thoughts does this customer normally have and how does he usually feel? (positive and negative feelings)
- What or who does the customer normally listen to? (external influences)
- What does the customer see? (personal experiences)
- What does this customer say and do? (personal behavior)
- What is this supporter's pain? (frustrations and challenges)
- What is his gain? (aspirations)

4. Validate your empathy map

Once you have this comprehensive list mapped, it is necessary to validate it with actual customer responses obtained with users interviews.

5. EMPATHY MAP

5.2 Template to develop an Empathy Map

<p>Empathy Mapping for organizational insight is a valuable tool to ensure change is designed in a people-centered way. Call it user-centered design or human-centered design; the principle is to start with the people who will directly experience change and design with their needs in mind.</p>	<div data-bbox="539 328 1877 1385">  <p>The diagram is a central circle containing a stylized person's head with a thought bubble, a speech bubble, a heart, and a star. Six dashed lines radiate from the center to the corners of the map, dividing it into six sections. Each section has a title and a list of prompts. The sections are: 'What do they THINK?' (top-left), 'What do they SEE?' (top-right), 'What do they SAY?' (bottom-right), 'What do they DO?' (bottom-right), 'What do they FEEL?' (bottom-left), and 'What do they HEAR?' (bottom-left).</p> </div>	
<p>1 Segment your organization. Identify the relevant audiences impacted by the change. Possible segmentations include geography, function, hierarchy, or stakeholder type</p>		
<p>2 For each segment, put yourself in the shoes of people in that segment. Imagine what they think about on a daily basis, what they see, say, do, hear, and feel.</p>		
<p>3 Better yet, meet with them, observe them, interview them, and engage them. Once you fill out an Empathy Map, show it to several people in that segment. Invite them to validate and challenge your assumptions.</p>		

5. EMPATHY MAP

5.2 Template to develop an Empathy Map



Conclusions



The benefits of a good market research exercise should never be underestimated. Perceived sometimes (and wrongly) as a costly project to undertake, the lack of it in any business will ultimately play with the bottom line, and probably not in a positive way.

Market research should be a constant in any business strategy, from testing a new product to helping devise next steps in promoting a service or even to figure out how to best foster a team approach to your offer.

To support the market analysis different tools and instruments can be used, in the previews slides we learned about the main features of some of them, understanding how they can be used and providing some useful templates to help gathering the needed information.

It is important to consider the market analysis as an ongoing process accompanying all the different phases leading to the launch of a new product / design. The decision concerning the features of the new product / design and the related communication strategy can be adjusted accordingly to the market analysis findings, in order to maximise the chances to be successful into the market.

Visit <http://destexproject.eu/> to see the rest of the intellectual outputs of the project



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