

Understanding Supply Markets

I. Prepare for a supply market analysis

II. Assess the degree and effects of competition

III. Forecast market developments

IV. Understanding what drives the market

V. Assess price

VI. Segment the supply market

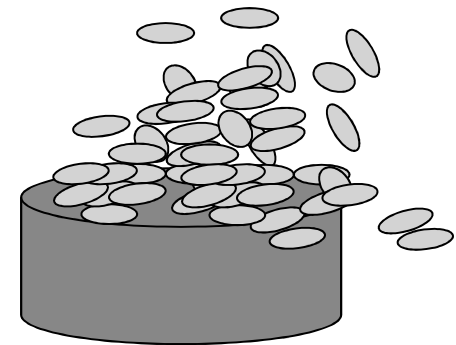
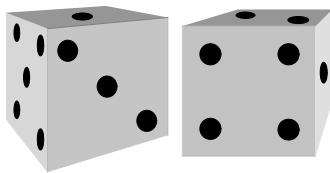
VII. Screen out less relevant segments

The steps to follow

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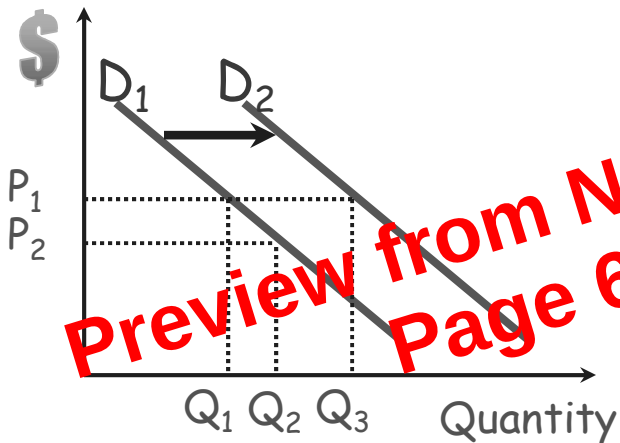
Step II: Assessing the degree & effects of competition

- Factors influencing the DEGREE of competition
- Risks & opportunities in markets with different degrees of competition

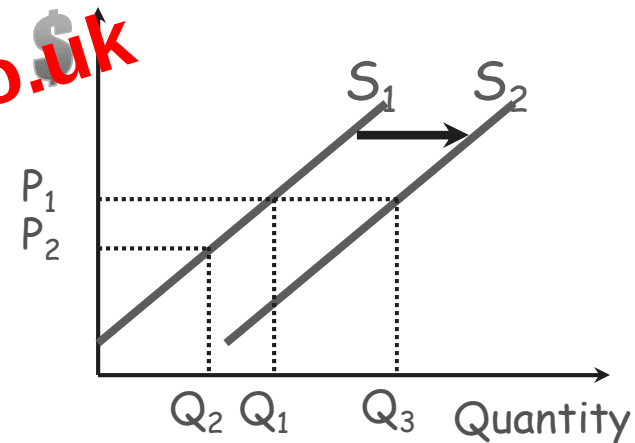


Demand and Supply

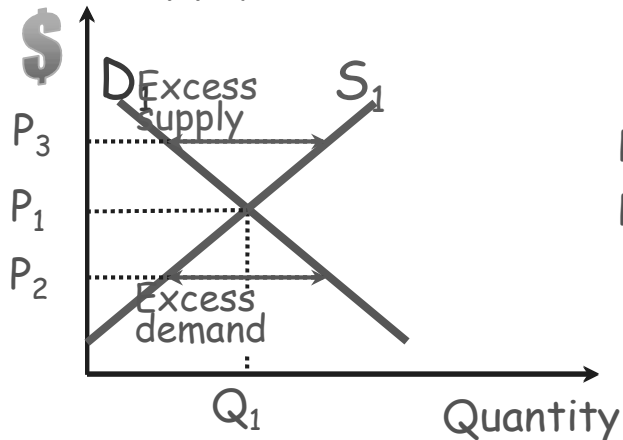
Shifts in demand



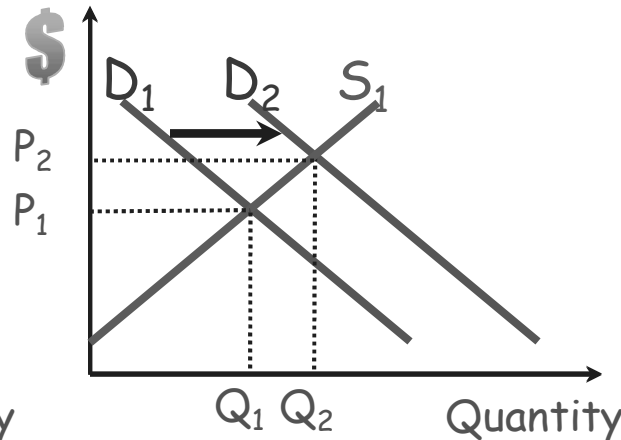
Shifts in supply



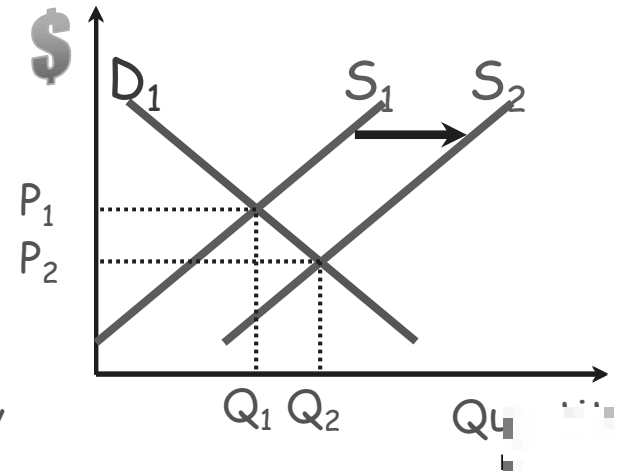
Balancing demand & supply...



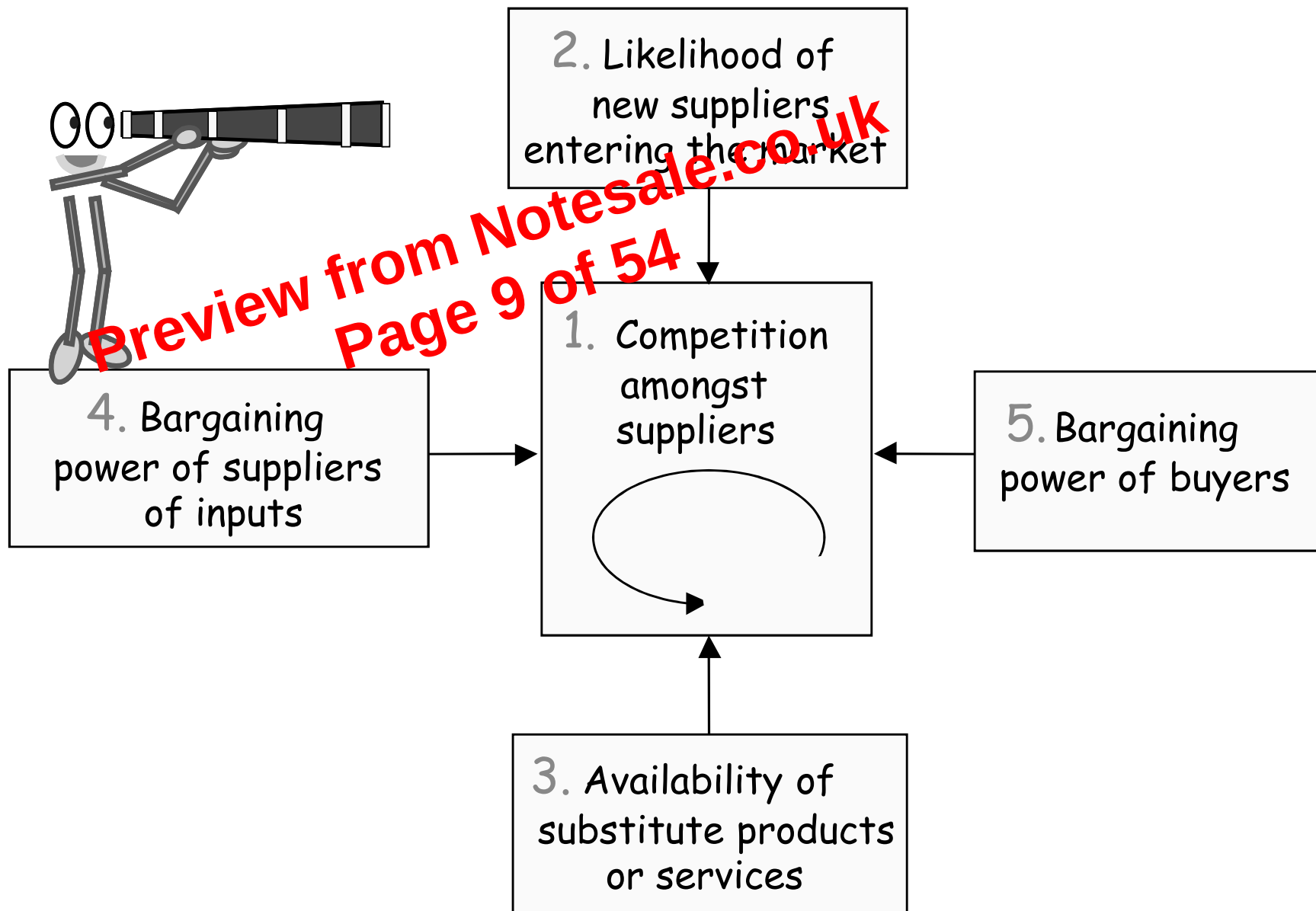
...when demand shifts

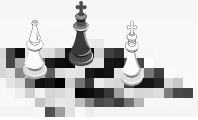


...when supply shifts



The 5 Forces in the Supply Market



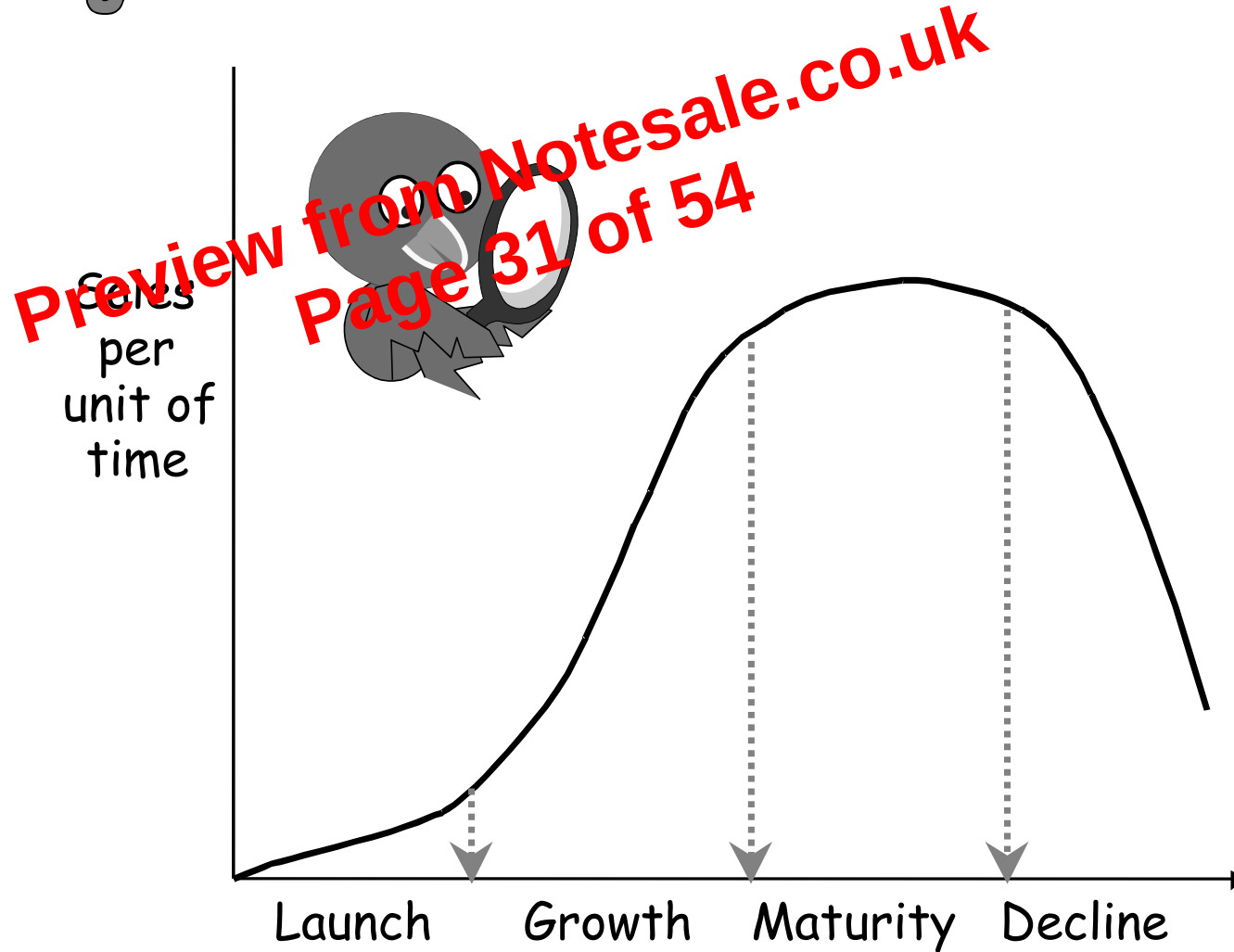


Analysing the competitive profile of a market

MARKET FORCE	COMMENT
Competition amongst suppliers	
Product differentiation	
Product substitutability	
Barriers to market entry	
Concentration	
Bargaining power of buyers	
Your firm's position relative to other buyers	
Conclusion	

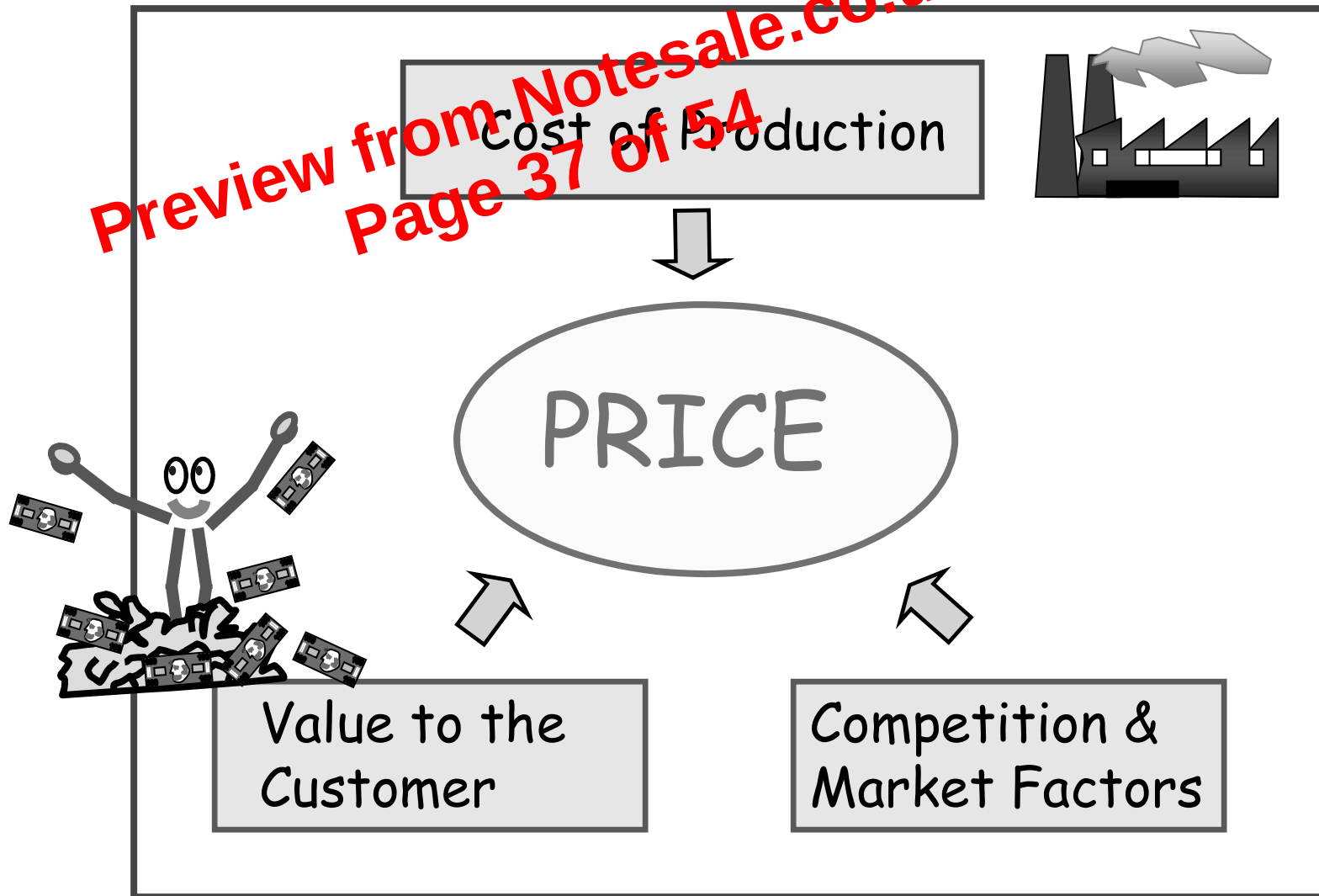
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Stages in the Product-Market Life-Cycle



Step V:

Understanding the factors influencing price





Which segmentation variables are relevant - Part II

- Segment options which represent different risks and opportunities.

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- Main differentiating risks and opportunities.

Step VII: Screening out segments

- Analysing each segment takes time!
- Don't waste time on segments which are unlikely to be useful!
- Don't segment.



- ➡ When there is only one supplier or one segment is not any different from another (in terms of risk & opportunity)
- ➡ Where certain countries, technologies or supply channels are not accessible to you
(*e.g., costs of transport is too high, you can't use a certain technology, the quantities you require are not big enough to buy directly from manufacturers.*)