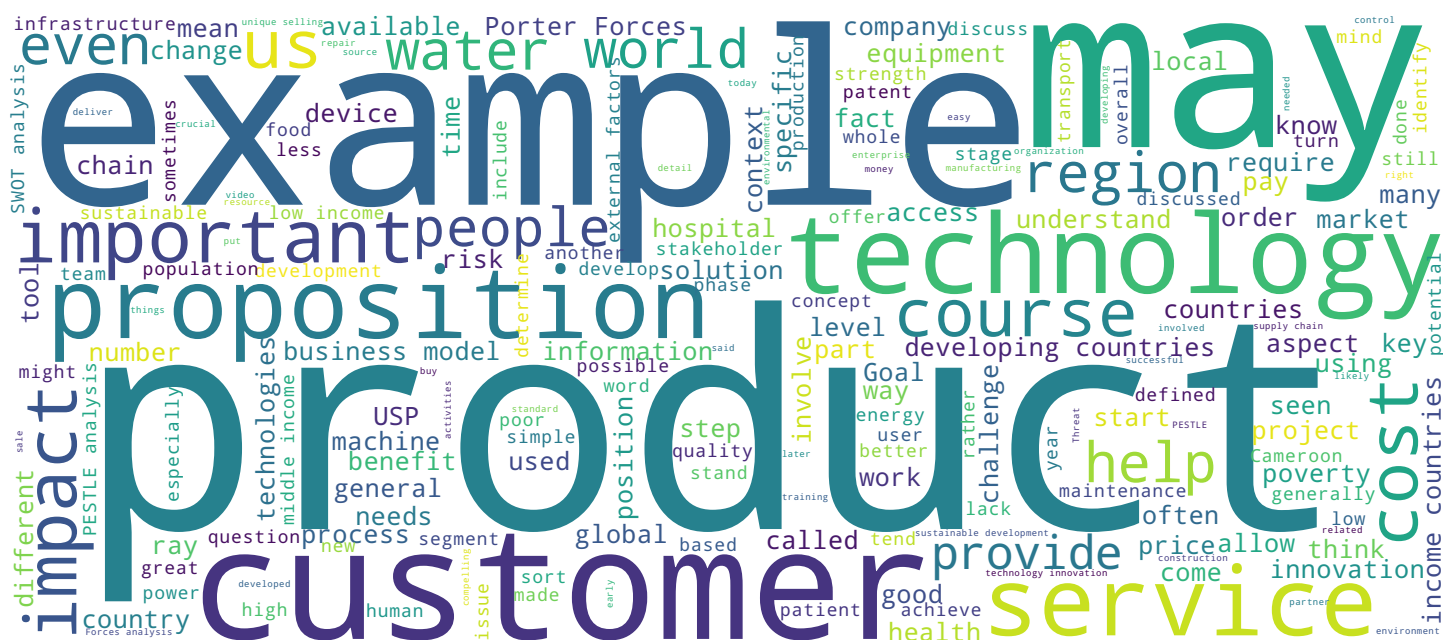
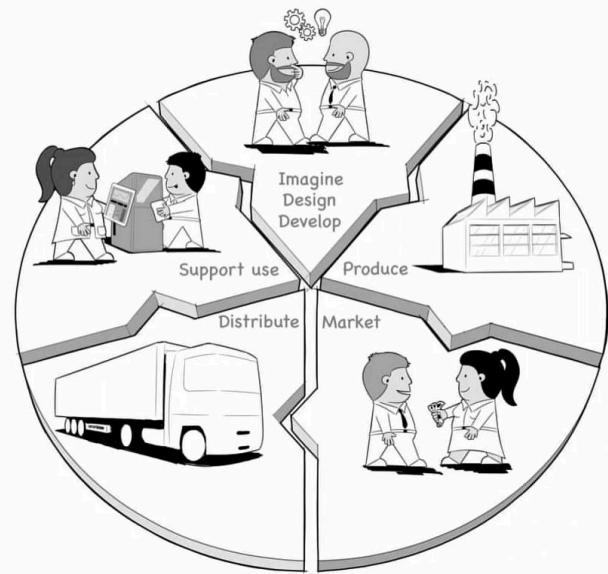


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# The Product Value Chain: The Market



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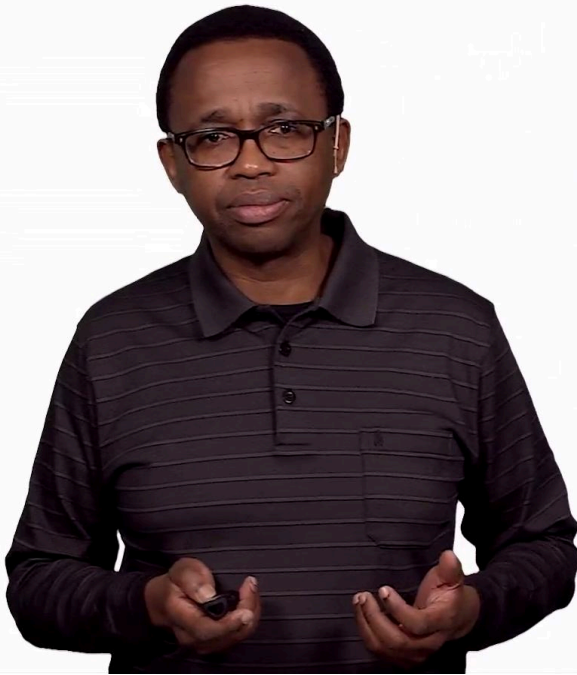
Now you have managed to deal with manufacturing issues and must now think about convincing your customers to buy the products you intend to manufacture.

Notes

Summary



0m 11s



- PESTLE
- Porter's 5 Forces
- SWOT
- Value Proposition & USP
- Market Demographics: LMICs

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In other words, you now need to establish or refine and finalize your marketing strategy. The main objective of a marketing strategy is to define the target customers and how to effectively reach them. Segmenting the market is especially important for small businesses, because they cannot go after every segment and need to allocate their limited resources selectively. In the following minutes, we will discuss various widely used approaches for defining or optimizing a market strategy. This includes methods such as Pestle, which stands for political, economic, social, technological, legal and environmental issues around your business. The Porter's 5 Forces The SWOT, which stands for Strengths, Weaknesses, Opportunities and Threats to your company and its products. Value Proposition, Unique Selling Point and positioning As well as typical or common Market Demographics found in developing countries.

Notes

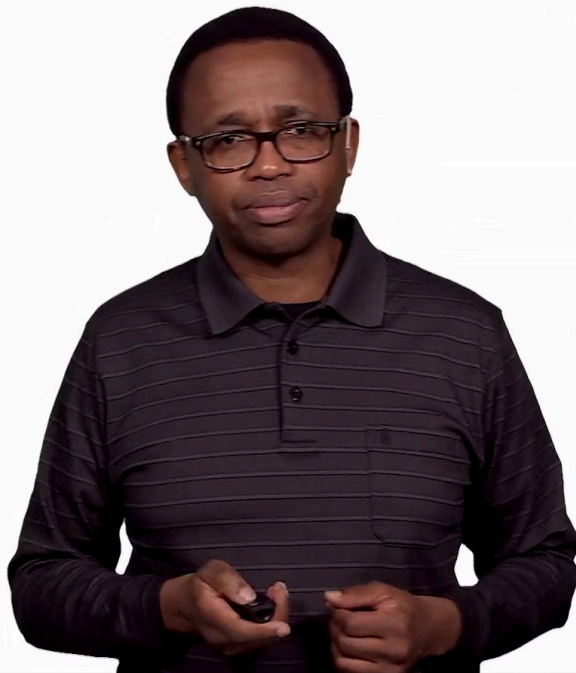
Summary



0m 23s



# The PESTLE Analysis



- Political
- Economic
- Social
- Technological
- Legal
- Environmental

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Now, your PESTLE analysis will help you to have a holistic view of the position of your product within its external environment. The analysis will help your enterprise understand the following factors: Political, this looks at the political trends. For instance, are these trends more or less in favor of your industry? Can you expect some incentives from the government? Could some laws change and impact your business? Economic, is the economy growing or rather in recession? How is the exchange or the interest rates evolving? And what about inflation and taxes? Social, how is the demography, the age pyramid, the average mortality? What is the average level of education? What are the lifestyle trends? Technological, are you in line with technological trends to come? Are there some technological or technologies that might make your product obsolete? Legal, how is the legal system in the region? And what about Intellectual Property and enforcement? Environmental, what sort of waste regulations exist for instance? What is the position on energy, savings and green technologies transportation issues, etc. Overall, the information derived from the PESTLE analysis also serves as useful input to the external factors In the SWOT analysis, which we discuss later.

Notes

Summary



1m 32s





# Porter's 5 Forces



1. Supplier Power
2. Buyer Power
3. Competitive Rivalry

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The Porter's 5 Forces tool is a simple but powerful tool that is often used to identify whether new products, services or businesses have the potential to be successful. It achieves this by helping you understand where power lies in the marketplace. This helps you understand both the strengths of your current competitive position and the strength of the position you are considering moving into. Five forces analysis assumes that there are five important forces that determine competitive power in a business situation. And, these are Supplier Power Here you try and assess how easy it is for suppliers to drive up prices. Here in general the few other supplier choices you have and the more dependent you are on them the more powerful your suppliers are on your business. Buyer Power Here you look at how easy it is for buyers to drive down prices. Again, this is driven by the number of buyers, because if you only have a few powerful buyers then they are in a dominant position to dictate terms to you. Competitive Rivalry Again, if you have many competitors and they offer equally attractive products and services, then you'll most likely have little power in this situation, because clients will go elsewhere if they don't like your offer.

Notes

Summary



3m 10s



# Porter's 5 Forces



1. Supplier Power
2. Buyer Power
3. Competitive Rivalry
4. Threat of Substitution
5. Threat of New Entry

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However, if no one else can do what you do, then you'll hold a dominant position. Threat of Substitution This is affected by the ability of your customers to find different ways of doing what you do. If substitution can be achieved easily, and it is viable then your position is weak. Threat of New Entry Power is also affected by the ability of new players to enter your market. If you have strong and durable barriers to entry then you are likely to have a favourable position. Such as a patent, for example. Now, the information from the Porter's 5 Forces analysis can thus also flag areas that may need attention before hitting the market.

Notes

Summary



4m 48s



# The SWOT Analysis

Internal Factors

**Strengths**

**Weaknesses**

**Opportunities**

**Threats**

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Notes

SWOT SWOT which stands for Strengths, Weaknesses, Opportunities and Threats is an analytical framework but is often used during strategic planning. Its primary objective is to help organizations develop a full awareness of all the factors involved in a decision by identifying both internal and external influences. It serves as a precursor to any sort of company actions, such as exploring new initiatives, making decisions about new policies identifying possible areas for change or refining and redirecting efforts midway through. The SWOT analysis requires the participation of at least the entire management team, for it to provide maximum benefits to your organization. Now, when drafting a SWOT analysis you typically create a table comprising of four quadrants, where you list each impacting element side by side for comparison. Do not necessarily expect strengths and weaknesses to match with the identified opportunities and threats. However, pairing external threats with internal weaknesses can help you identify the most critical issues faced by your organization. Internal Factors the first two letters in the acronym S for strengths and W for weaknesses, refer to internal factors which means, the resources and experience readily available to you.

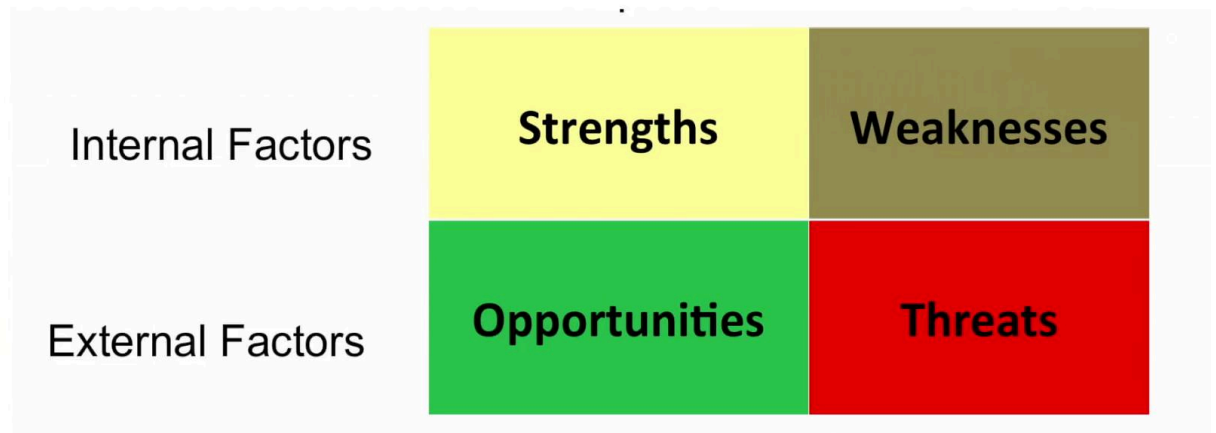
Summary



5m 42s



# The SWOT Analysis



Technology Innovation for Sustainable Development

Examples of areas typically considered include financial resources, core competences and intellectual property. Now, one word of caution when evaluating your core competences. You need to actually determine what you are uniquely good at and better than others, but which customers value. This could even be a core process, which is a key activity that turns inputs into outputs. Because, being exceptionally good at something is not necessarily a strategic advantage. Instead, you must be exceptionally good at something valued by customers. In fact, some of the information from your Porter's 5 Forces analysis could provide useful input here. It is recommended, though, to start by analyzing your strengths and weaknesses first, as these are factors you generally have control of, as opposed to external factors. External Factors the last two letters O for opportunities and T for threats refer to external factors, which are often things your organization does not have control of. In fact, many of these factors are the ones you assessed in your PESTLE analysis such as political, economic, social trends, etc.

Notes

Summary

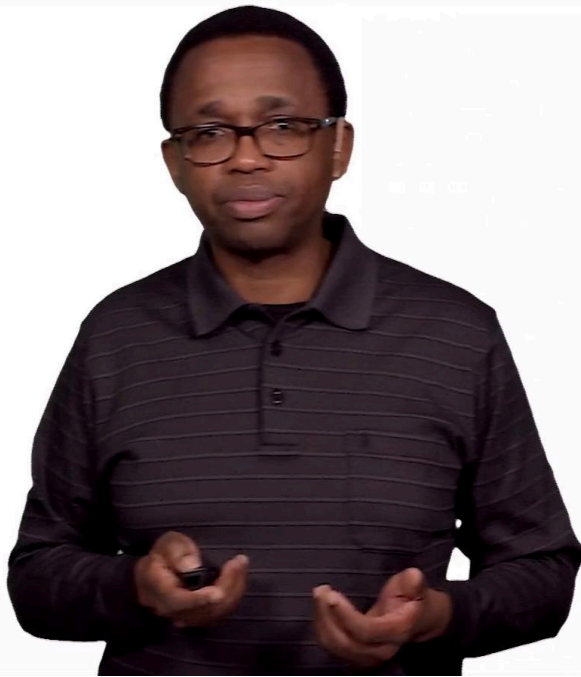


7m 23s





# The Market: Value Proposition



- Define the Problem
- Determine your Uniqueness

Technology Innovation for Sustainable Development

So, all in all, the SWOT tool serves as an aggregate or dashboard view that embeds the results from the other more detailed analyses we discussed before and provides an overview of both harmful and helpful issues to the enterprise. In the simplest terms, a value proposition is a positioning statement that explains what benefit you provide for who and how you do it, uniquely well. It describes your target buyer, the problem you solve and why you are distinctly better than the alternatives. As you set out to create your compelling value proposition consider the following four steps: Define, Evaluate, Measure and Build. Number one, Define the problem and verify whether it's really a problem worth solving. There is a saying in entrepreneurship. A problem well stated is a problem half solved. And unfortunately, many entrepreneurs still make the mistake of diving deep into the solution, before fully understanding what problem they are really seeking to solve. Evaluate. That means evaluate whether your innovation is unique and compelling. After you've determined and defined the problem you're solving and validated its criticality, ask yourself what is unique and compelling about your proposed solution.

Notes

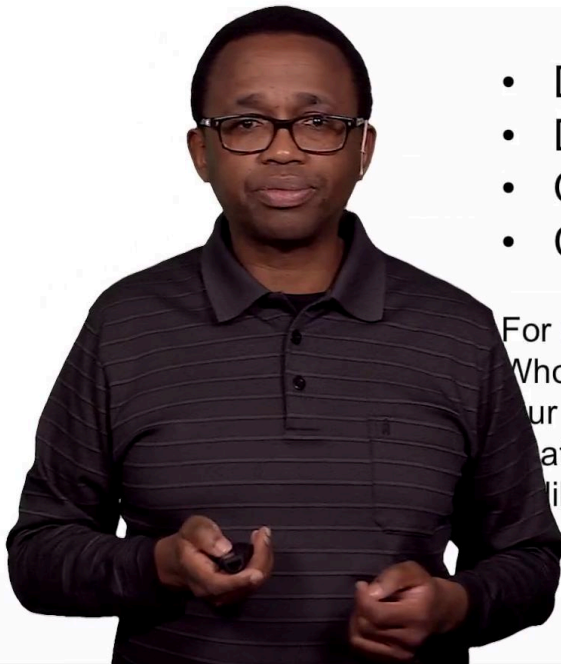
Summary



8m 48s



# The Market: Value Proposition



- Define the Problem
- Determine your Uniqueness
- Quantify GAIN to customer
- Construct Value Proposition

For (target customers);  
Who are dissatisfied with (the status quo);  
Our product is a (new product);  
That provides (key problem-solving capability);  
Unlike (the product alternative).

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Measure or estimate the potential gain for the customer in adopting your product. Simply saying that you have a product or service that is faster, cheaper and better is not good enough. Everybody says so. So, show me the money. It is said that, to be successful, a new venture or product must deliver an order of magnitude improvement over the status quo. So, if you can't deliver a ten times gain promise, you may face the risk that customers will typically default to doing nothing, rather than take the risk with a new and unknown product. As a famous saying goes: Better the devil you know.... Build the value proposition. Once you've gone through the steps of defining, evaluating and quantifying your value, you are now in a position to build your value proposition. And here is an example of a framework that you can use to construct your value proposition. For these (target customers); who are dissatisfied with (the current alternative or status quo); our product is (a new product); that provides (these key problem solving capabilities); unlike (the product alternative). This subject will be revisited in more detail when you carry out the business model canvas to later on.

Notes

Summary



10m 21s



# The Market: Unique Selling Proposition

- Unique Selling Proposition vs. Value Proposition
- Who is the Chicken & Who is the Egg?



Sustainable Development

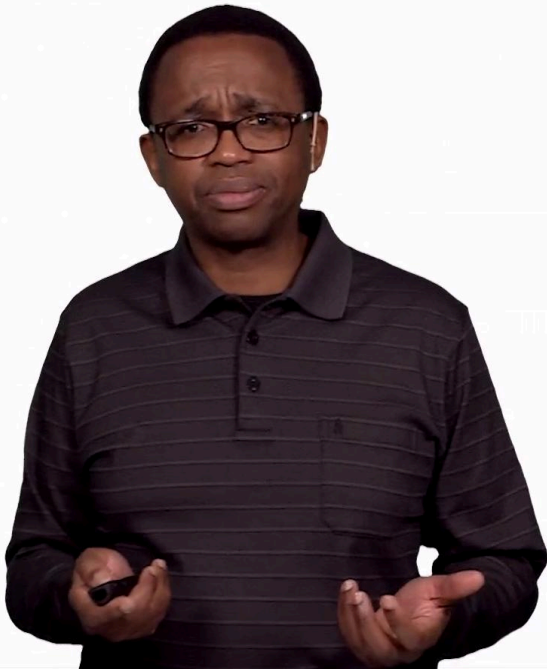
There is often confusion between value proposition and unique selling proposition or USP. So, who is the chicken and who is the egg?

Notes

Summary



11m 59s



## Coexistence of 3 Segments

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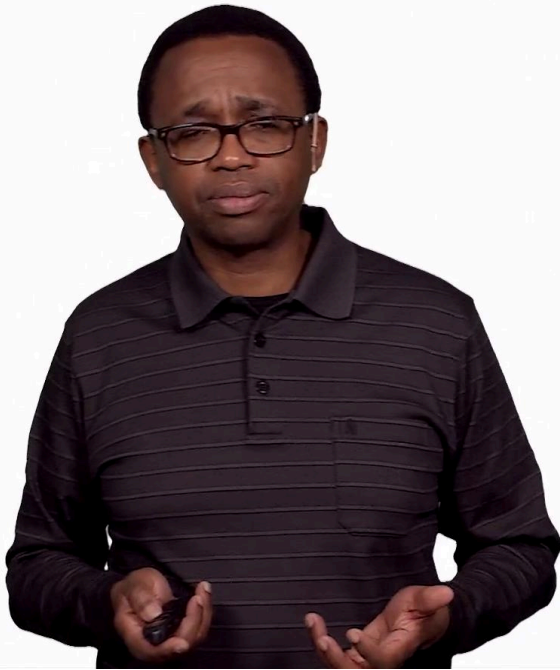
Now, as we heard before a value proposition is a description or a clear statement of the tangible results a customer gets from using your products or services. While a unique selling proposition, or USP is only that aspect that differentiates a product or service from all other similar products or services. So, if you want a successful product it is not enough to only consider to provide value, but it must be possible to set that value apart from other similar value bearing products currently available. So, both the USP and value proposition need to exist, but it must be pointed out that the USP is inherently part of the value proposition. So fortunately, here we have a clear answer of who is the chicken and who is the egg. In one of our earlier videos on essential technologies and construction, we talked about the rising and rapid rate of urbanization in developing countries. An issue, which has caught many of these cities off guard in these regions, and unprepared for these mass migrations, which resulted in the emergence of slums, as we discussed. So, estimating market demand and developing a market in developing countries poses a significant challenge.

Notes

Summary



12m 11s



## Coexistence of 3 Segments

- Rural Sector
- Urban Affluent Sector
- Urban Low-Income/Slum Sector

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This challenge arises from the coexistence of three distinct kinds of markets in a single country. The rural or agricultural sector. The modern urban or high income sector. And the very large transitional sector usually represented by low income urban slums. The modern sector comprises the rapidly expanding middle class that is typically located in the plush affluent areas of the city and may have easier access to all sorts of infrastructure and amenities. The traditional rural sector tends to work in the countryside as it has for decades. Now, production and consumption patterns vary across these three different sectors.

Notes

Summary



13m 39s





- Creative Pricing

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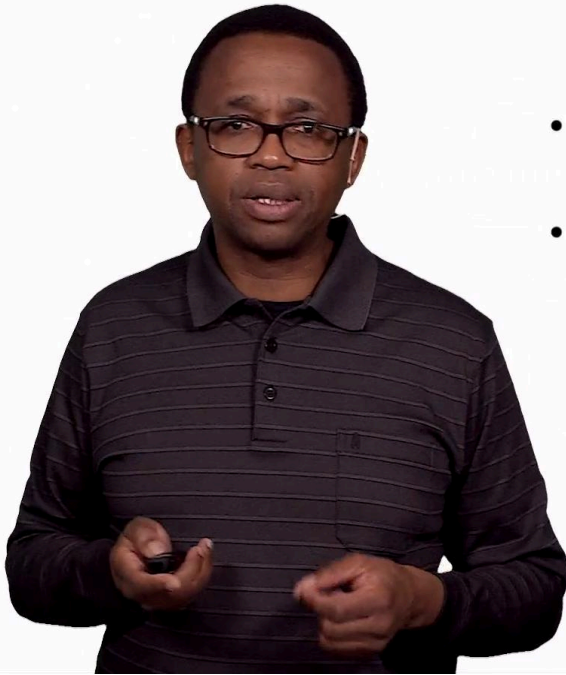
Therefore, when you establish a market strategy, one must take into consideration that developing countries will have these three different market segments. Each can prove profitable, but each requires its own marketing program and products and services that are appropriate for its market characteristics. For example, you may need to employ a two tier pricing plan, where you charge a slightly higher price for the affluent clientele, while offering a lower, affordable price to the public sector and rural districts. Now, when pricing for the less affording segments for certain products, it may be a good strategy to think about applying a price that considers not just the acquisition price, but rather the total cost of ownership during the lifetime of the product, such as routine servicing and the repair of certain parts, etc. Somewhat similar to the automotive industries that offer, say, a ten year warranty on a new car purchase price. This could be an important differentiating point from competition, as the clients in these markets tend not to have steady and reliable revenue streams, including governments. Which, in fact, is also one of the reasons that many enterprises in these markets employ a pay as you go or pay for use business model.

Notes

Summary



14m 29s



- Conquer Domestic Market First
- Expand Regionally

Technology Innovation for Sustainable Development

Now, branding is a very important and tricky subject, because even the customers at the bottom of the pyramid are highly sensitive to the prestigious and powerful brands. However, bear in mind that a lot of these products from powerful brands were designed for the needs of industrialized countries and tend to not fit well with the needs of the markets in developing countries. Therefore, you may have a great opportunity if you can better focus and tailor your value proposition and USP with this in mind. In general, it is highly recommended to launch your product in your domicile market, which may or may not be sufficiently large for your product to be sustainable. Whatever the case, it is strategically important to evaluate and export an expansion opportunities beyond your domestic market as early as possible. Today, virtually all developing countries tend to be part of regional trade corridors and economic agreements. As a first step towards achieving economies scale and being able to reach several countries in your region, adopt a regional approach. If we look at Africa as an example. Many organizations have tended to divide it into four zones. With roughly comparable GDP's.

Notes

Summary

15m 59s





- Conquer Domestic Market First
- Expand Regionally
- Benefit from Regional Trade Agreements

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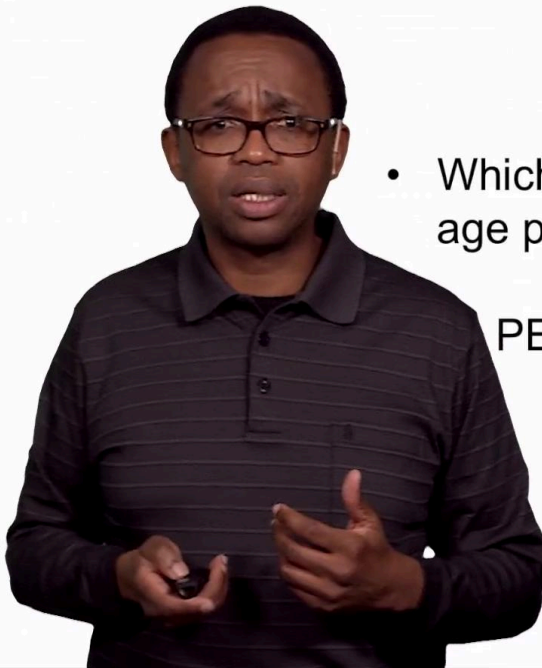
These zones are Southern Africa, Eastern Africa, Western Africa and Maghreb. Picking the correct regional breakdowns and developing sustainable partnerships with those regions can be highly beneficial on aspects such as supply chain networks, for example. As mentioned before you may also benefit from preferential bidding opportunities for large government tenders, even from other countries in the whole sub-region, in cases where trade corridors and agreements have or are being established. Such as is the case in Southern Africa and East Africa, for example.

Notes

Summary



17m 22s



- Which Region will have highest working age population by 2035?

PESTLE or not to PESTLE?

Technology Innovation for Sustainable Development

Now let's try and put some of the things we discussed today in perspective. Let me start by asking you a simple question. Which region in the world will have the largest working age population in the world by 2035? We'll come back to that question in a moment. Now, you might be asking yourself should I really bother about this PESTLE stuff or not? In our earlier lesson, we saw a bleak picture about the extent of poverty and all other doom and gloom in Sub-Saharan Africa, especially. In fact, it turns out that some of the fastest growing economies in the world are, in fact, in this region. It also turns out that Africa will have the largest working age population in the world of 1.1 billion by 2034. This is a highly valuable asset in this rapidly aging world today. And Africa will continue to have the highest urbanisation trends, which implies that there will be continued strong growth in the urban, low income market segments, but as well as the affluent segments, if taking into account the expected strong economic growth. Now, having all this knowledge could assist you in planning and making decisions timely to invest in tailored products and assuring proper supply chains for each of these segments.

Notes

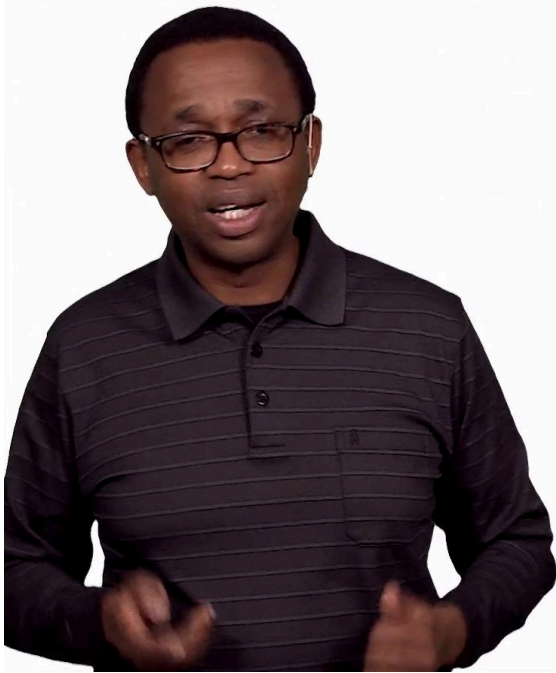
Summary



18m 03s



# The Market: Final Word



- Which Region will have highest working age population by 2035?
- To PESTLE or not to PESTLE?
- \$\$\$'\$\$\$'\$\$\$ : ???

Technology Innovation for Sustainable Development

And how would you timely obtain all of this information? By doing your PESTLE analysis, for example. And also the Porter's 5 Forces and SWOT analysis. And having your value proposition and USP will enable you to pinpoint your real, addressable market as opposed to trying to infer that from market reports which tend to be rather general and unaffordable to most entrepreneurs. So, in conclusion To PESTLE or not to PESTLE? That's the million dollar question. Goodbye.

Notes

Summary



19m 32s