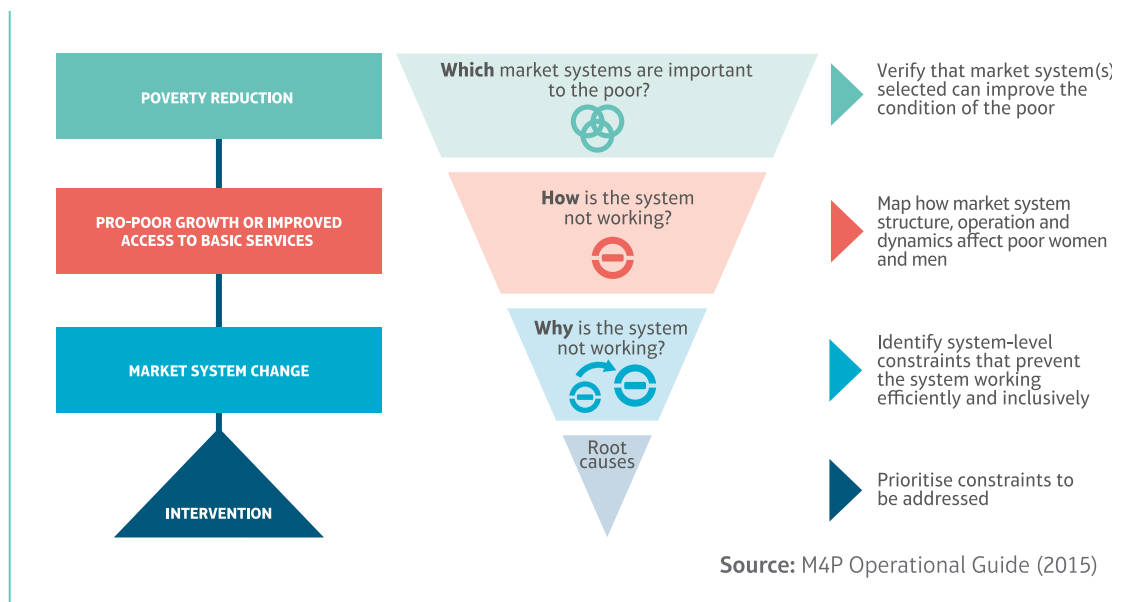# Market analysis

01

Objectives of market analysis

Market analysis is a diagnostic process to uncover the root causes and not just the symptoms of why markets underperform for poor people. A thorough market analysis will help you understand how the market operates and how it affects the poor.

> ### M4P Operational Guide. Chapter 2 - Diagnosis
>
> Core principles and frameworks for diagnosing system constraints.

Market systems are complex, so identifying root causes can be difficult and time-consuming. The M4P helpfully suggests a four step process:

1. **Verify that the initial market systems selected are still valid**. If you are an implementer, check that your funder's data is up to date: the market may have changed dramatically between analysis and implementation. Are your initial assumptions still true?

2. **Map the market system.** Investigate opportunities to affect the target group by identifying how key market system(s) operates, who the major players are, and how the market system is changing.

3. **Identify system-level constraints (root causes)**. Understand why the system is underperforming.

4. **Decide what constraints are priorities.** Focus on the most pressing constraints and the ones that could be tackled within the programme's lifetime.

Source: M4P Operational Guide (2015)

The diagnostic process

Stopping the process too soon could mean energy is focused in the wrong places. But taking too long can lead to 'paralysis by analysis'. Aim to have a strong understanding of current market dynamics, a good grasp of the existing incentives and capacities of relevant market players, and an idea of how to influence or change their behaviour.

▤ VCD Wiki: Value chain analysis

The four steps for value chain analysis: data, mapping, analysis, and vetting with stakeholders.

▤ A framework for inclusive market system development

Aimed at USAID and implementers to promote a common understanding of market systems.

Market analysis provides the initial foundation to build credibility and design an intervention. This foundation is not fixed, as markets are dynamic and constantly evolving. Prepare to maintain and update your market intelligence over time and accept that analysis is never really complete.

Step one of eight ＞