

(A) Market & Demand Analysis

➤ In most cases, the first step in project analysis is to estimate the potential size of the market for the product proposed to be manufactured (or service planned to be offered) and get an idea about the market share that is likely to be captured.

➤ These are very important, yet difficult, questions in project analysis. Intelligent & meaningful answers to them call for an in-depth study and assessment of various factors like patterns of consumption growth, income and price elasticity of demand, composition of market, nature of competition, availability of substitutes, reach of distribution channels, so on and so forth.



Key Steps in Market & Demand Analysis & their Inter-relationships

- ➡ Situational Analysis & Specification of Objectives
- ➡ Collection of Secondary Information
- ➡ Conduct of Market Survey
- ➡ Characterization of the Market
- ➡ Demand Forecasting
- ➡ Market Planning



Situational Analysis & Specification of Objectives

► In order to get a “feel” of the relationship between the product and its market, the project analyst may informally talk to the customers, competitors, middlemen, and others in the industry. Wherever possible, he may look at the experience of the company to learn about the preferences and purchasing power of customers, actions and strategies of competitors, and practices of the middlemen.

► Suppose that a small but technologically competent firm has developed an improved air cooler based on a new principle that appears to offer several advantages over the conventional air cooler. The chief executive of the firm needs information about where and how to market the new air cooler.

The objectives of the market and demand in this case may be to answer the following questions:

- ➡ Who are the buyers of air coolers?
- ➡ What is the total current demand for air coolers?
- ➡ How is the demand distributed temporarily & geographically ?
- ➡ What is the break-up of demand for air coolers of different sizes?
- ➡ What price will the customers be willing to pay for the improved air coolers?
- ➡ How can potential customers be convinced about the superiority of the new air coolers?

- ▶ What price and warranty will ensure its acceptance?
- ▶ What channels of distribution are most suited for the air cooler?
- ▶ What trade margins will include distributors to carry it?
- ▶ What are the prospects of immediate sales?



Collection of Secondary Information

➤ General Sources of Secondary Information

The important sources of secondary information useful for market and demand analysis in India are mentioned below:

- Census of India
- National Sample Survey Reports
- Plan Reports
- Statistical Abstract of the Indian Union
- India Year Book

- ➡ Statistical Year Book
- ➡ Economic Survey
- ➡ Guidelines to Industries
- ➡ Annual Survey of Industries
- ➡ Annual Reports of the Development Wing, Ministry of Commerce and Industry
- ➡ Annual Bulletin of Statistics of Exports & Imports
- ➡ Techno-Economic Surveys
- ➡ Industry Potential Surveys
- ➡ The Stock Exchange Directory
- ➡ Monthly Studies of Production of Selected Industries
- ➡ Monthly Bulletin of Reserve Bank of India
- ➡ Publications of Advertising Agencies