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## **MARKET ANALYSIS**

The goal of a market analysis is to determine the attractiveness of a market and to understand its evolving opportunities and threats as they relate to the strengths and weaknesses of the firm.

Whether you are starting a new business or launching a new product, conducting a marketing analysis is the first step in determining if there is a need or audience for your idea. Knowing the market's needs and how it is currently serviced provides you with key information that is essential in developing your product/service and marketing plan. Too often, businesses spend thousands of dollars launching a "new" idea with a limited market because of competition. The owner is forced to reevaluate his strategy and determine if there is room for another player.

Although the quality of the product is critical, your development of the best product on the market will not necessarily correlate with the most sales. Up to 50 percent of a product's price can be for marketing. The company who wins the marketing game generally will capture the larger share of the market.

Conducting a market analysis will help you. Prepare to enter a new market, launch a new product/service and start a new business.

David A. Aaker outlined the following dimensions of a market analysis: market size (current and future), market profitability, market trends and key success factors.

### Market Size.

The size of the market can be evaluated based on present sales and on potential sales if the use of the product were expanded. The following are some information sources for determining market size: government data, trade associations, financial data from major players, customer surveys.

### Market Profitability.

While different firms in a market will have different levels of profitability, the average profit potential for a market can be used as a guideline for knowing how difficult it is to make money in the market. Michael Porter devised a useful

framework for evaluating the attractiveness of an industry or market. This framework, known as Porter's five forces, identifies five factors that influence the market profitability: buyer power, supplier power, barriers to entry, threat of substitute products and rivalry among firms in the industry.

#### Market Trends.

Changes in the market are important because they often are the source of new opportunities and threats. The relevant trends are industry-dependent, but some examples include changes in price sensitivity, demand for variety, and level of emphasis on service and support. Regional trends also may be relevant.

#### Key Success Factors.

The key success factors are those elements that are necessary in order for the firm to achieve its marketing objectives. A few examples of such factors include: access to essential unique resources, ability to achieve economies of scale, access to distribution channels and technological progress.