Core Guidance Note A: The Market Map

Summary

The **Market Map** is the framework that Practical Action uses to visualise market systems in an intuitive way.

We use the Market Map to steer preliminary analyses and organise detailed information about the market system. We have also found it to be a powerful participatory tool – useful for building market literacy among marginalised actors and as a focus for interaction between different market actors.

You’ll find it helpful to refer to this core guidance note when following many of the steps of the Participatory Market System Development Roadmap. It is especially relevant for **Step 2: Preliminary Market Mapping and Analysis** and **Step 6: Participatory Market Mapping**.

Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1: The market system and the Market Map</td>
<td>2</td>
</tr>
<tr>
<td>Section 2: The market chain</td>
<td>5</td>
</tr>
<tr>
<td>Section 3: Supporting inputs and services</td>
<td>8</td>
</tr>
<tr>
<td>Section 4: The enabling environment</td>
<td>10</td>
</tr>
<tr>
<td>Section 5: An example – the dairy market system in Nepal</td>
<td>12</td>
</tr>
<tr>
<td>References and further reading</td>
<td>14</td>
</tr>
</tbody>
</table>
Section 1: The market system and the Market Map

The Market Map is a framework to visualise market systems for the purposes of analysis and market literacy, and to catalyse action in market actors.

What is a market system?

In Participatory Market System Development (PMSD), we use the concept of a ‘market system’ to describe the chain of actors that trade a particular product (a good or a service), the supporting markets that support the chain with inputs and services, and the enabling environment of rules and norms that shape the way the chain functions.

Examples from the field – some examples of market systems Practical Action have work in:

- Hibiscus in Sudan
- Charcoal in Kenya
- Pond fisheries in Bangladesh
- Dairy in Nepal
- Dairy in Bolivia
- Livestock in Sudan
- Feed and fodder in Nepal
- Biomass in Sri Lanka
- ICTs in Nepal
- High value vegetables in Sri Lanka
- Animal health services in Zimbabwe
- Vocational skills training and employment in cocoa and coffee in Peru

A market system therefore describes a set of actors, relationships, functions and issues which together form a product subsector. We put a special emphasis on understanding the system as a whole, the way market actors are interconnected within the system and how they interact with each other to get a good or a service from its primary production to its end markets.

Definition – Market actors: These are the people who make up the system, shape it with their activities and often derive incomes from it.

The phrase market actor can mean an individual, an organisation, group or company.

Examples include: producers, service providers, buyers, traders, processors, input suppliers, government extension agents and policy-makers.
Areas of the market system

The Market Map is the framework that Practical Action uses to visualise market systems.

In the Market Map, the market system is made up of three areas:

- The market chain;
- The supporting inputs and services;
- The enabling environment (which in many cases turns out to be a disabling environment).

Figure 1 presents a generic Market Map that we use in this guidance note to describe the areas of the market system.

Figure 1: A generic Market Map
Uses of the Market Map

In PMSD, the Market Map is used in three quite different ways. All of these ways have significant elements of participation of market actors:

**Analysis:** It is a helpful framework to steer questions and organise information when you carry out an analysis of the market system. During the PMSD process you carry out analysis in a preliminary way (with limited participation from market actors, discussed in Step 2: Preliminary Market Mapping and Analysis) and in a participatory way (drawing on the perspectives of a wide range of market actors, discussed in Step 6: Participatory Market Mapping).

- **Market literacy:** The Market Map is used to help market actors to understand their market as a system. It enables them to build an appreciation of how the relationships and arrangements between market actors shapes how efficient the market system turns out to be. This is discussed in more detail in Step 4: Empowering Marginalised Actors.

- **Catalysing action:** When the groups of market actors map out the market system in a participatory way, it becomes a relationship-building activity in its own right. It supports market actors to develop a shared understanding of their market system and a vision for change for the future. This is discussed in more detail in Step 6: Participatory Market Mapping.

Understand the unique context with the Market Map

In this guidance note we describe the market system using a generic Market Map. The generic Market Map is a good starting point to describe the three areas of the market system.

In practice however it is essential that you develop a Market Map that is specific to the unique situation that you are working in. The success of the PMSD process depends on it! You must therefore always use the Market Map to build up a unique analysis of each situation. Step 2: Preliminary Market Mapping and Analysis and Step 6: Participatory Market Mapping provide guidance on how to do this.

You should never use this generic Market Map. Nor should you ever use a Market Map from another context to guide you in a new situation.
Section 2: The market chain

The market chain describes the channels through which a product moves from primary producers to final consumers, passing through each actor who has legal title over the good or service.

Market chain actors own the product

In the middle of the Market Map is the market chain. This is the core of the market system. We call these actors the market chain actors. They include primary producers, consumers in the end markets and all who own the good or service along the chain in between. Figure 2 presents the market chain of a generic market system.

Market chain actors found between the end markets and the primary producers are called intermediaries.

Channels and product transformations

It is common for the market chain of a market system to split into channels. In different market systems channels branch out in different ways. A few common examples include:

- Different end markets supplied by common sources;
- Different sequences of intermediaries along the market chain adding value through storage, bulking, transport, processing and packaging;
- Different kinds of primary producers supplying common intermediaries.
The product is **always transformed** in some way along the chain. This transformation might be significant – such as the processing of milk into curd – or less significant – such as bulking up or packaging. This means that the product at one point in the market chain is almost always different in some way from other points in the market chain.

Different channels in the market chain often correspond to different transformations. For example, in a dairy market system, milk from the same source might be processed into curd for local markets and processed into powdered milk for urban markets, creating two different channels at the point where the milk undergoes a different transformation process.

**Grouping market systems together**

In some cases market systems for different but related products have systems with very similar structures and issues and it is practical and cost effective to group these market systems together.

For example, in central Bangladesh, our teams grouped vegetables together and mapped them as a single sub-sector system for vegetables.

You must be careful not to group products with systems that have very different structures and issues. In Bangladesh, our teams excluded organic aubergines (brinjaal) from the vegetable sub-sector Market Map and mapped this separately because its context was very different.

**Demand from end-markets and the direction of the chain**

The chain itself can be considered from two directions.

Starting with the primary producer and ending with the end-markets, the chain seen in this way captures the flow of goods or services as they pass through intermediaries.

The same chain can also be reversed, beginning with the end-markets and ending with the primary producer. In this case the chain represents the flow of money (or value) from final consumer through different intermediaries to the primary producer.

In the Market Map we orient the arrows of the market chain to show the flow of money from the end markets to the primary producer. This emphasises that a market system depends on the demand of final
consumers and that all value derived by market actors in the system could not exist sustainably without reliable, realised demand on the part of final consumers.

Explore the market chain

The level of detail you are able to build into the Market Map will depend on the availability of time and resources and the research methodology you use. It also depends on the market system context itself – you will often find it very difficult to collect some types of information, regardless of how you go about it and how many resources are at your disposal.

In all situations however, you should make sure that the market chain captures all the actors that own the product between the primary producer and the end market. You should also ensure that all the different channels of flow are mapped. This will allow you to make conclusions about how competitive, efficient and inclusive a market system is.

Here are some examples of steering questions to help explore the market chain. You may identify other questions that are important to explore in the context you are working:

- **Competition:** What are the different channels? Are they competing with each other over particular segments of the end market?

- **Efficiency:** How long are the market chains? What are the value-adding roles of each actor along this chain?

- **Value retention:** How is the value distributed across the market chain? What are the profit margins, trade volumes and total profits of different market chain actors?

- **Inclusion:** Where are the poor and marginalised actors? Are they in the chain, or are they conspicuously absent? How many are involved? What roles are they playing?

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**Examples from the field: Common misconceptions about who holds value - Aloe margins in Kenya**

In the Tarkana district of Kenya, Practical Action facilitated meetings between market actors to discuss how they could work together to increase the competitiveness of their local market system. They hoped to access to national and international markets for the sought-after aloe extracts that other Kenyan regions were able to reach.

Practical Action’s team initially expected to find that the role of traders – middle men – was problematic, taking value away from the producers and unnecessarily reducing the efficiency of the market chain. Analysis of the market chain however revealed that traders were delivering critical bulking and brokering functions often very efficiently, working within very tight margins.

As a result of the analysis, facilitators turned their attention to helping the market actors to improve coordination, quality of production and processing, reduce energy costs along the market chain, and coordinate advocacy around policy issues.
Section 3: Supporting inputs and services

The market chain is only able to function because it accesses inputs and services from supporting market systems.

Supporting the market chain

In order for the market chain actors to carry out their functions, they access a variety of supporting inputs and services. In the Market Map, these are placed below the market chain. Figure 5 adds the inputs and services supporting the market chain in a generic market system.

Figure 5: A generic market chain with supporting inputs and services

It is helpful to include both inputs and services that market chain actors already use together with those that are important for market chain actors but that currently missing and or not working well. Using different colours to differentiate these is very useful (not shown in Figure 5).

Map the supporting inputs and services

It is relatively straightforward to map out the supporting inputs and services. Work the way along the market chain asking the following question for each market chain actor:

- What inputs, services and advice does this core market chain actor need to use to play the role that it does in the market system? Include both what they currently have access to and what they might not, but need to become more efficient.
Explore supporting markets and providers

In a single market system, supporting functions are almost always made accessible by a wide variety of providers and through a number of different mechanisms. Their nature and effectiveness consider considerably. Here are some example questions to help explore the supporting inputs and services:

- **Effective access, partial access, or absence:** How effective is the access to and delivery of each supporting input and service for the different market chain actors?

- **Providers:** Who is delivering each supporting input and service? They are likely to include private enterprises, government agencies, and non-governmental organisations.

- **Delivery mechanisms:** How is each supporting input and service accessed? Are there free markets operating, controlled and/or subsidised markets or fully controlled delivery mechanisms?

- **Formality:** Are the supporting inputs and services accessible through formal, informal or illegal mechanisms?

Mapping supporting markets

It is possible to map the market for a supporting input or service. To do this, the supporting function becomes the subject of the market chain and a whole Market Map for the supporting market system can be explored.

It may be desirable to map out a supporting market system if it becomes clear that it is a priority issue for the primary market system. However, be aware of the additional time and resources required to carry this out.

**Examples from the field – Mapping supporting market systems:**

Practical Action have piloted the use of Market Maps focused on products and services that are more often found in the supporting input and services area. Our experiences indicate that the Market Map is an effective framework in all the cases we’ve tried. A few examples: We’ve used Market Maps to analyse charcoal and biomass energy provision systems in Kenya and Sri Lanka respectively\(^1\), we’ve used Market Maps to understand how best to achieve effective technology transfer and innovation around climate change technologies around the world\(^2\), and we are also using Market Mapping to enable us to understand vocational skills and employment systems in Peru and Nepal.
Section 4: The enabling environment

The enabling environment of a market system covers the diverse set of issues that act like the ‘rules of the game’, shaping how the market chain and supporting inputs and services operate.

The rules of the game

Many issues shape how market actors in the market chain and in the supporting markets do business and secure their livelihoods – they are like the ‘rules of the game’. Examples include:

- Macro-level economic and market trends;
- Laws, policies and regulations, and the mechanisms through which they are enforced, enacted and implemented;
- Quality, trading and other standards, and the mechanisms through which they are assured;
- Informal norms in the economy, society, culture.

In the Market Map these issues are summarised above the market chain, in the area called the ‘enabling environment’. Despite the name, issues included in this area should include issues with positive, negative and ambiguous impact on the market system. Figure 6 shows the enabling environment of a generic market system summarised above the market chain.

Figure 6: a generic market chain with enabling environment
Explore the enabling environment

Issues in the enabling environment cover a diverse set of factors that define the ‘rules of the game’ of the market system. Here are some examples of questions that can help steer the exploration of the enabling environment:

- **Laws, policies and regulations**: What are the government directives that formally define how land tenure, natural resources, contracts, trade and taxation are managed?

- **Enforcement, enactment and implementation**: What are the government provisions for the enforcement of laws, enactment of policies and implementation of regulations? Are they effective? Are there elicit activities that circumvent government directives?

- **Standards**: What standards exist that market actors interact with? What are their terms and how are they assured?

- **Power structures**: What are the power structures behind the formal and informal institutions involved in the market system? Who is empowered and protected and who is marginalised in these structures?

- **Economic norms**: What are the common ways of doing things? What are the reasons – economic or otherwise – behind them?

- **Informal social and cultural norms**: What social and cultural factors affect gender equity and social inclusion in the market system? Consider the power structures behind notions of community, gender, ethnicity, religion caste and class relationships.

Further resources on the enabling environment

You can find much more information about analysing the enabling environment of a market system on USAID’s Microenterprise Learning, Information and Knowledge Sharing (microLINKS) wikispace.³
Section 5: An example – the dairy market system in western Nepal

This is an example of the Market Map framework used to describe the dairy market system in western Nepal.

The dairy market system in western Nepal

The example below is the May 2010 Market Map for the dairy sector in western Nepal, covering the districts of Dhading, Tanahu, Gorkha and Chitwan. This particular map is the result of a series of situational and policy analyses, preliminary market mapping and scoping studies, and most importantly Participatory Market Mapping Workshops in each district, carried out between 2008 and 2010.

Figure 7: The dairy Market Map for four districts in Western Nepal
The market chain

In this example, it is possible to observe the different channels through which smallholder, medium and large scale dairy farmers sell the milk. This milk goes on to be traded through urban and rural cooperatives and collection facilities, and processed by large firms before reaching a variety of end-markets for milk and dairy products.

Percentages are included to give an indication of the importance of different channels, and the volumes and prices of products as they pass through the chain are marked under each set of market actors. Importantly, this Market Map also highlights the new, upcoming, large scale dairy processor Chitwan Dairy Project (Now Chitwan Milk Ltd.) and its projected volume, together with the potential for new smallholder commercial dairy producers.

Supporting inputs and services

In the Nepal dairy example a number of critical inputs and services are shown including financial products for poor farmers, fodder, grass and feed, veterinary services, and equipment for collectors and processors.

Enabling environment

Finally, it is important to analyse the institutional and business environment in which the market system operates. The Market Map for the dairy sector in western Nepal captures broad issues such as the mass migration of youth out of rural areas, conflicts and strikes (bandhs), as well as factors that are much more specific to the dairy sector, such as artificial insemination service practices and the government influenced pricing scheme of milk.
References and further reading

