

Step 2: Preliminary Market Mapping and Analysis

‘Facilitators start to make sense of the system and identify key actors’

Summary

Step 2, *Preliminary Market Mapping and Analysis*, is about building up a **picture of the market system** with enough knowledge to be able to facilitate a participatory process of change.

By the end of Step 2 you will have made an initial sketch of the market system using the Market Map framework. You will use *iterative investigation* – a quick and organic method – to gather further strategic information about it. You will have identified the **key market actors** in the system and had initial discussions about the **critical issues**.

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Section 1: ‘Quick and dirty’ Market Mapping

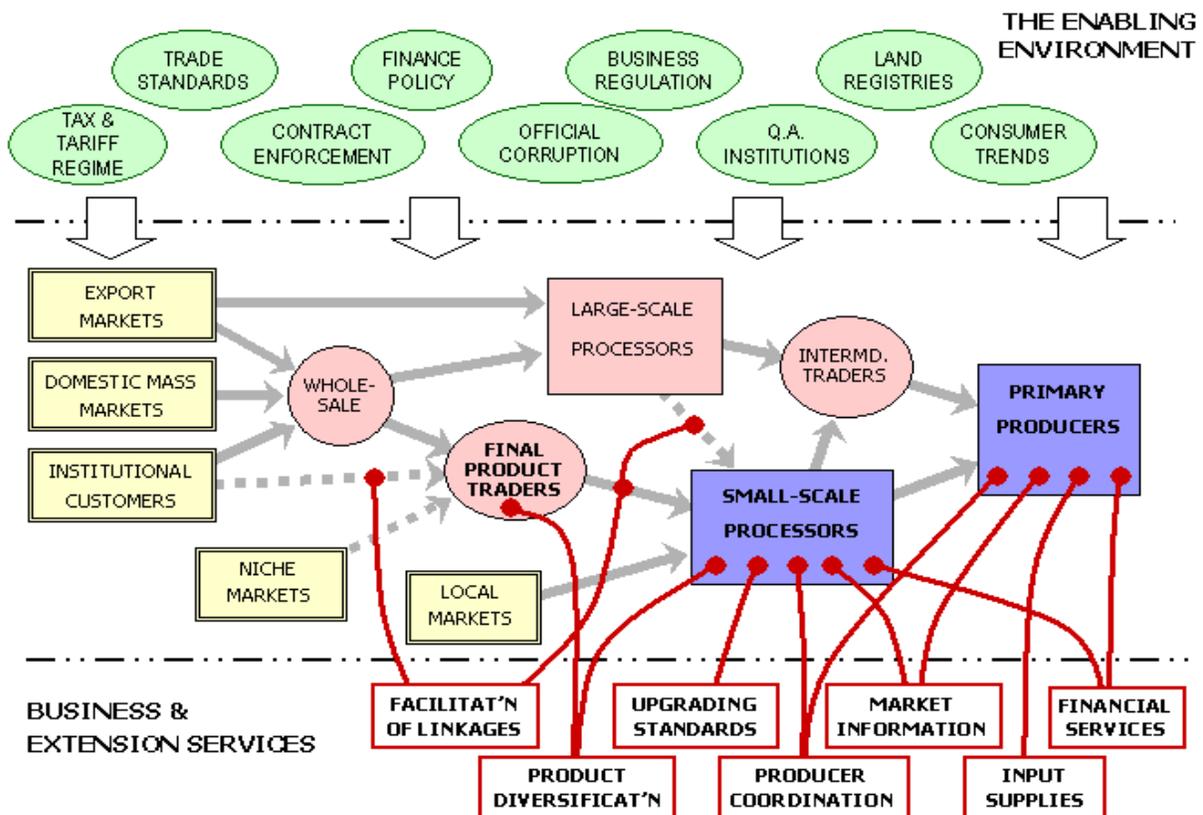
In this section you and your team attempt a first Market Map of the market system you have selected. The objectives of this exercise are to put down on paper what you already know and to identify gaps in your understanding.

The Market Map

The Market Map is the framework that Practical action uses to visualise the market system.

Read [Core Guidance Note A: The Market Map](#). This guidance note introduces the Market Map. A generic example of a Market Map is shown below:

Figure 1: A generic Market Map



Which market system to focus on?

In [Step 1 – Market System Selection](#) – you carried out a process of analysis to select one or a small number of market systems to be the focus of the PMSD process. In this step, and from now on, we assume that you have selected a single market system. If you have chosen to work across a number of

market systems, you need to carry out the activities in this and the subsequent steps for each market system.

Level of detail of the Market Map

Some areas of the Market Map make sense to be mapped at a very local level. In other areas it makes sense to take a broader lens. How do I decide whether to map the local market system or the national market system or somewhere in between?

Don't limit yourself to a single level. Different parts of the Market Map will naturally require different geographical levels.

Whenever local focus is more relevant, make sure you concentrate on the reality of the particular geographical region you are focusing on and the target population you are ultimately aiming to impact. But also make sure you place this local context within the broader district, regional and national level context in which your chosen region fits. Take a look at the Market Map of the maize market system on riverine sand banks in central Bangladesh (called *chars*) for an illustration of this – Annex 1.

What is most important is that your completed first attempt at the Market Map provides you with a realistically “good enough” picture of the system, its key actors and relationships, and how poor people participate in it. This is likely to require ‘zooming in’ and ‘zooming out’ during the mapping process.

Action Point A – First attempt at mapping the market

With your team begin to map out what you already know about the market system that you have selected. There are two objectives of this first attempt at mapping the market:

- To put down on a single diagram everything that everyone in the room **already knows**. You might surprise yourself how much this is!
- To **identify your knowledge gaps**. It is normal that there will be many areas where you have nowhere near enough understanding on which to base an intervention. Your first market map is an opportunity to identify what areas require further research.

Our recommendations for the first attempt at market mapping

An energetic, fluid brainstorming process: The first attempt at a Market Map is a brainstorming process. Let your team discuss ideas and ask each other questions. Write everything down (you can always discard ideas later). Carry out the exercise using a very large sheet of paper, and use coloured cards that you can move around to map out the elements of the Market Map. Market systems are complex so it's normal that mapping them can get messy very quickly. Don't worry about it getting messy - as you are brainstorming, you can always tidy it up when you have finished.

Refer to [Core Guidance Note: The Market Map](#) for steering questions to help you.

Begin with the market chain, from both ends and work inwards: Remember, the market chain contains all the actors that have ownership over the good in question at some point in its journey from primary producer to end-market consumer. Working from the two ends inwards helps you to focus on both the BIG picture of the end-market demand (up to the national level and beyond), and the local context of the primary producers you are ultimately trying to assist. You can use this method even if the poor are involved in different areas of the system, as wage labourers for example. The chain may involve branches at different points. Mapping the market chain first gives you a reference point for the supporting inputs and services area and the enabling environment area.

After the market chain, consider the supporting inputs and services: Mapping out the supporting inputs and services is often relatively straightforward. You can carry out the mapping process by moving along the core market chain actors and asking the following question for each market chain actor: "What inputs, services and advice does this core market actor use or need to play their role in the market system?". Map out functions rather than actors in this area of the Market Map.

Finally, consider the enabling environment: The enabling environment involves thinking of the issues that shape the way the system works, for example policies, standards and norms.

Use the generic Market Map to give you ideas, but don't let it limit you: The generic Market Map shown in this step and in the guidance note on the Market Map is **not exhaustive**. If you follow it too closely it is easy to ignore aspects of the market system you are mapping that are omitted from the generic map. Use it to help you along if you need to, but try to think about the system you are mapping without looking at the generic map as well!

Be as specific as possible: It's easy to put down generic information on the map that is not very useful. Avoid this by repeatedly asking yourself: "Does this reflect the real situation, or are we missing something? Can I be more specific?"

Document your knowledge gaps: Identifying areas that need further investigation is one of the objectives of this exercise.

Section 2: Identify key actors

Market actors are the people who make up the market system and who can lead sustainable change on a large scale. In this section you identify the key actors who you must engage with in the participatory and facilitative process that PMSD follows.

Why is it so important to identify the market actors in the system?

The primary focus of this step is on identifying key market actors. The objective of this is for the implementation team to understand the market system well enough to know who needs to be brought together in the PMSD process.

The **participation** of market actors in the leadership of the PMSD process and the role of the implementing agencies as **facilitators** are fundamental principles of PMSD. They have emerged from our experiences that show that when market actors come together to discuss problems in their sectors and agree on actions they can take, change in the system is more sustainable than if we, as the implementers, design the solution ourselves and try to get 'buy-in' from the actors once the intervention is designed. We have also seen that solutions designed and driven by market actors themselves are more likely to be copied by others.

These principles and the experiences that they are based on are discussed in more detail in [Step 3: Strategic Design and Planning](#).

Market actors

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

The term 'actor' can mean an individual, an organisation, a group or a company. A number of different individuals work within these organisations, and you must pay special attention to identify specific individuals you will want to reach out to for strategic reasons. Note also that in many situations an actor refers to a single individual who represents others like him/her formally or informally (e.g. an individual producer or trader). The identification of the right individual to engage with is discussed in [Step 4: Empowering Marginalised Actors](#) and [Step 5: Engaging Key Actors](#).

Examples from the field – some examples of market actors:

- | | | |
|--|--|-------------------------------------|
| - Producer associations | - Buyers and traders | - Local shops selling the product |
| - Local micro or small enterprise service providers | - Private sector processors | - Input supply companies |
| - Financial institutions | - Government ministries and departments setting policy | - Medium and large-scale producers |
| - Government technical extension agencies | - Technical research institutions | - Wage labourers and employees |
| - Urban retailers | - Transport and storage service companies | - Chambers of Commerce and Industry |
| - Media companies (e.g. commercial radio and newspapers) | - Exporters | - Standards regulators |

Actors in the supporting markets and enabling environment

In the Market Map you identified a set of core market chain actors who own the product as it moves from primary producer to end-market consumer. In the area of supporting inputs and services of the Market Map however, supporting functions are mapped instead of actors. In the area of the enabling environment of the Market Map issues are mapped instead of actors. It's important to identify the actors behind the supporting input and service functions, and the actors behind the issues in the enabling environment.

Relevance and influence – How to identify key actors

Market systems are often made up of a very large number of market actors. In order to be able to facilitate change in a market system in a participatory way, it is necessary to identify a subset of **key actors** to engage with.

The two dimensions that make some market actors key actors are **influence** and **relevance**:

- **Relevance** relates to how important a type or category of market actor is to the functioning of the system. Would the market's performance suffer if these actors were not there? Would the functions that these market actors carry out be taken up by another group of actors, or would such functions cease to occur? If the market actors' functions can be replaced by another group, how easily or quickly could this happen?

Warning: Be careful categorising actors that you have put onto the Market Map as “not relevant”. Market systems are complex, and unintended consequences of changes in the system are very common. A market actor that appears to be irrelevant might turn out to be supporting some functions of the system in ways that are difficult to detect. They could also be an unexpected

catalyst or driver of change in a participatory market mapping or in other key events of the PMSD process. Keep an open mind.

- **Influence** of a market actor describes how capable an actor is to either change things directly or mobilise others to change. Influence can manifest in different ways. Some market actors, such as a government regulator, have explicit or direct power: a government regulator has the power to set a rule that affects every business in a sector across the country, and finance companies have the power to change their lending practices, which in turn affects how businesses operate. Other market actors have more invisible or indirect power. For example, a lead farmer or a small cooperative may not be able to produce significant change on their own, but their ideas or practices may influence how many other peers think or act – which in itself can lead to structural changes.

Definition – Key actors: These are the market actors who are either highly relevant to the functioning of the market system, or have a high degree of influence to bring about change in the market system, or both.

Action Point B – List of market actors

Now that you have made a first attempt at a Market Map of the market system you have chosen to focus on, you are in a position to begin identifying key actors in the system that you will need to engage in the participatory process.

In your team make a list of the market actors involved in the market system. You must include actors in the market chain, and also actors involved in delivering supporting inputs and services, and shaping issues in the enabling environment. Once again it may be easiest to start with the core market chain, then move to the supporting inputs and services, and finally consider the enabling environment.



You must be as specific as possible. In order to identify market actors in these areas of the market system, you may find it helpful to speak to strategically chosen market chain actors who are likely to know more about the market system than you do. You can also use the following steering questions to help you do this:

- **Supporting inputs and services:** Who are the individuals, organisations, groups or companies who deliver the functions that you have put down? If the function is not currently delivered but needs to be, identify potential candidates to carry out the function.
- **Enabling environment:** Who are the individuals, organisations, groups or companies who have the relevance and influence to shape the issues that you have put down?

Action Point C – Influence-Relevance Matrix

You will need to know who the key actors in the system are in the later steps of the PMSD process.

The Influence-Relevance Matrix (Figure 2, below) helps you to quickly identify who are the **key actors**. It has two dimensions: *relevance*, and *power and influence*. In your team deliberate and come to a consensus as to where to place each market actor in the list you produced in Action Point B in the Influence -Relevance Matrix. Use the descriptions of the dimensions listed above to help you.

In each of the boxes in the Influence -Relevance Matrix, you will find a recommendation on how to engage with the actors falling into this box. These are recommendations for how to deal with these market actors in your further investigation and planning process: the rest of this step and [Step 3: Strategic Design and Planning](#). As you move into the fully participatory stage of the PMSD process, from Step 4 onwards, your approach to engagement will shift up a gear with all market actors, and this is discussed in [Step 4: Empowering Marginalised Actors](#) and [Step 5: Engaging Key Actors](#).

Figure 2: Influence-Relevance Matrix of market actors

Power and influence	High	<p>Stay open minded about these actors: they are powerful and they may turn out to be important drivers of change, despite them not seeming very relevant at this stage. If they show an interest, be quick to provide them with information about your investigation and preparation process and subsequently keep them informed.</p>	<p>Actively target these actors: they are both important parts of the system and the 'movers and shakers' that have lots of power to change things. Engage them as early as possible and throughout the investigation and preparation process</p>
	Low	<p>Stay receptive towards these actors: although they do not seem important, nor very relevant at this stage, they may still prove to be as you continue to build your understanding of the system. If they show an interest, provide them with information about your investigation and preparation process</p>	<p>Stay open minded about these actors: they are an important part of the market system. Ignoring them may have severe unintended consequences. Keep them informed about the investigation and preparation process</p>
		Low	High
		Relevance	

Section 3: Pre-empt issues in the system

Market actors should decide which issues in the market system to try to change themselves. You should play a facilitative role. Nevertheless, in order to be a good facilitator you must have done your homework and be able to pre-empt the issues that market actors will be interested in.

Prepare for the participatory and facilitative process

Now that you have made a first attempt at a Market Map and have identified and classified key actors in the system, it is likely that you will begin to know what some of the issues are in the system.

PMSD is a participatory and facilitative approach however. We have already mentioned in Section 2 above that in our experience changes in the market system are more sustainable and are more likely to have an impact on a large scale when they have been identified and acted on by market actors themselves. PMSD's participatory and facilitative approach and how it affects the sustainability and scale of interventions is discussed in more detail in [Step 3: Strategic Design and Planning](#).

It is therefore important that you do not use the preliminary market mapping and analysis described in this step as the basis for firm and inflexible intervention design. You must strive to leave the process open and flexible enough to respond to the interests of market actors that you will learn about through the participatory process in [Step 6: Participatory Market Mapping](#).

Nevertheless, it is important that you and your team have a good basis of understanding about the market system, and are able to pre-empt some of the issues that market actors are likely to identify and choose to take action around.

Issues in the system

In order to be well-prepared for the participatory and facilitative process that comes later, you should explore the market system and its actors a little more at this stage. It is helpful to consider three kinds of issues in the market system:

Definition – Systemic blockages: A blockage, sometimes also referred to as a constraint or a bottleneck, is a situation or a process that hampers the ability of the market actors to make the market system work better (i.e. become more inclusive, efficient and productive).

Systemic opportunities: A moment in time or a combination of favourable circumstances that create an opening or leverage point that market actors can use to achieve their objectives and that would result in the market system becoming more inclusive, efficient and productive.

Systemic risks: Risks are the possibility of negative consequences of circumstances and events upon the efficiency, inclusiveness or productivity of the market system, or that may expose the market actors to dangerous situations, that can result from actions taken either by market actors or by yourself as a facilitator.

Don't try to find the solutions

You should not try to work out solutions to blockages and how to take advantage of opportunities at this stage.

This task is best led by the market actors who are involved and affected. They are the ones with the best understanding of their interests and motivation and who can negotiate new arrangements and business models where their incentives align. Details about how to facilitate this process of dialogue and negotiation is found in [Step 6: Participatory Market Mapping](#), [Step 7: Participatory Planning](#) and [Step 8: Facilitating Change](#).

Examples from the field – Poor animal health in Zimbabwe's livestock market system: In Zimbabwe, the beef sector was less competitive than it could have been as a result of a general issue with poor cattle health. The poor health of cattle translated into poor quality meat, limiting the prices that it fetched and the markets it could reach. The problem of animal health was particularly acute in the case of poor livestock farmers, excluding them from markets that did function efficiently.

Improvements in veterinary care were not materialising because there was a coordination failure between multiple market actors who each faced individual problems. The government Department of Livestock Production and Development had limited coverage to deliver veterinary extension. Drugs firm VETCARE could not see a big enough demand for its products to invest itself in extension. Local animal health workers (para-veterinarians) were poorly trained. They operated within community systems that had limited interaction with the public and private actors. Farmers had knowledge about the importance of animal health but did not know how to deal with the issue. Traders and other market chain actors did not see animal health as their problem.

Identifying an increasing demand for better quality animals, carcasses and meat, and the opportunity it offered for market actors across the system, Practical Action brought together market actors in the livestock sector in Guruve district of Zimbabwe. Market actors discussed their market system and its blockages, and the issue of animal health in particular. Through a process of discussion and information sharing, the Department of Livestock Production and Development, drug firm VETCARE, local para-veterinarians and farmers agreed to develop a new arrangement that would address the blockage and take advantage of the rising demand for high quality animal products. VETCARE and the Department of Livestock Production and Development co-invested in a training programme for local para-veterinarians. These para-vets in turn raised awareness and delivered much improved veterinary assistance to farmers. Traders and other market chain actors took a keen interest, seeing the cattle and meat that they traded improve in quality, and assisted in the awareness-raising work for good animal health.

A risk of working with only one private sector company to deliver improved veterinary services to poor livestock farmers is that farmers would receive biased advice from a company ultimately interested in pushing its products. The possible consequences of this are that farmers might be detrimentally encouraged to neglect traditional remedies or more appropriate services from other suppliers. Facilitators looked to mitigate these risks by working closely with the government department to ensure that para-vets were offering unbiased advice. Practical Action also communicated the new arrangements widely to encourage other drug suppliers to seek similar arrangement and increase the level of competition with VETCARE and the number of products on offer to small producers.

Action Point D – Identify systemic issues

Use your first attempt at the Market Map and the information you have about the key market actors to discuss with your team some of the biggest issues in the market system. Try to cover possible blockages, opportunities and risks.

Issue	Short description	Who are the key actors most affected and involved in this issue?

You will use this information to plan the participatory activities of the PMSD process, described in steps 4 – 8.

Section 4: Continue to investigate

In order to have a good enough understanding of the market system to prepare for the participatory process, you are likely to need to address some of your knowledge gaps. Iterative Investigation is a quick and organic method that helps you to stay focused and strategic in your further investigation.

Never finish investigating

You have now completed a first attempt at mapping the market, identified its key actors and discussed some of its systemic issues. An essential question to ask now is:

- Do we think we have enough understanding of the market system, its key actors and its issues to make our final preparations for the participatory process?

Given that your Market Map is currently based on the existing knowledge of your team, the answer is almost certainly, “No”!

You must therefore carry out further research to increase your knowledge and then come back and add to the Market Map and the key actor analysis. This is called *iterative investigation*.

Iterative investigation

As discussed in [Step 1: Market System Selection](#), an *iterative process* is a process where you repeat a particular procedure with the aim of approaching a desired goal. Each repetition of the procedure is called an ‘iteration’ and the results of one iteration are used as the starting point for the next iteration.

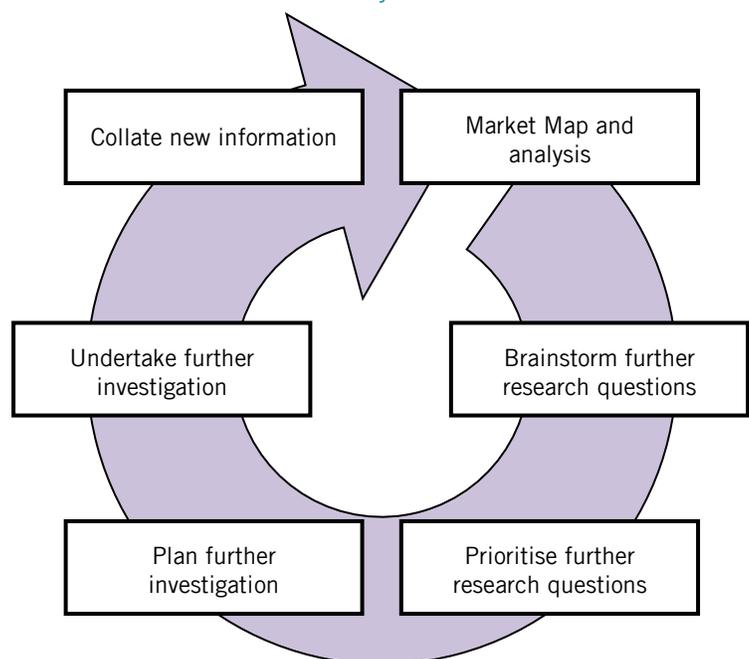
Iterative investigation therefore means a process of developing your knowledge on a subject by repeating iterations of searching and learning. With each iteration, you look back at your existing understanding, and seek to build on it with a new set of research questions based on your knowledge gap.

Use iterative investigation to build your knowledge of the market system

Figure 3 presents the process of iterative investigation applied to preliminary market mapping and analysis.

It begins with a **review of what you already know** using the Market Map and the analysis of key actors and issues. This is used to

Figure 3: Iterative investigation in preliminary market mapping and analysis



identify your knowledge gaps and brainstorm further research questions. You then need to **prioritise a manageable number of research questions** and **plan the further investigative activities.** Once these have been completed, you should **collate the new information** and add it to your current knowledge by **revising the Market Map and analysis.**

This process of iterative investigation can be applied as many times as you feel is necessary and have resources for to hone your understanding of the market system, its actors and issues.

Rapid investigation methods

There are many different ways to collect information. Sometimes the best approach is to seek out key informants within the system or in the government and speak with them to access their knowledge and gain their perspectives. Other times it is appropriate to carry out desk-based research and read government policy or regulatory material or data produced by the public or private sector. You may also feel that you need to triangulate your information, and therefore seek perspectives through a number of different methods.

Learn with the market actors

Even when you move onto the participatory facilitation process, you should always look to learn more about the market system and how market actors are behaving, and feed this back into the Market Map and analysis. In this way you can continue the iterative process all the way through the PMSD process. This will help to ensure that you are basing your actions on your best available understanding of the market system.

Action Point E – Further investigation

In your team use iterative investigation to identify and fill the knowledge gaps in the Market Map and analysis. The following guidance will help you do this:

Steering questions to help you brainstorm further research questions

- **Market chain, supporting functions and issues in the enabling environment:** Are there gaps your understanding of how the market chain works, what supporting functions exist and are important, and what are the shaping issues in the enabling environment? Do you need more detailed or specific information?
- **Linkages:** Are you sure the linkages between different market actors are direct, or could you have missed some intermediaries?
- **Market actors:** Are you as specific as you can be about the market actors? Do you know the names and locations of the companies and associations? Are you aware of the specific organisations and associations that represent particular groups in the market system? Do you know what the relevant offices are within government departments?
- **Quantification:** Think about the numbers. How many individual market actors are carrying out each process along the market chain? What volumes are they shifting? What are their production costs? What are their sale prices? How do these numbers change and fluctuate over time?

Tips and recommendations for prioritising research questions

- **Importance and ease:** When you prioritise research questions, you must strike a balance between the importance of the question, and how easy it will be to collect information to answer the question.
- **You will continue learning as you facilitate, so concentrate on what is most pressing:** Your understanding of the market system will not end after this step. You will continue to learn about the market system as you facilitate the participatory process and you will have further opportunities to undergo another iteration of research. So at this early stage, focus on the important questions that are the most pressing.
- **Know enough:** Having said the above, be careful about moving onto intervention planning and the participatory process if your understanding of the market system is limited. PMSD provides very big opportunities, but also big risks, so make sure you are confident that you have carried out enough research.

Continued on the next page...

Action Point E – Further investigation *(continued)*

Template to plan further investigation

Once you have identified the priority research question, you can use this template to plan specific investigative activities to collect information.

Research Question 1:			
Activities	Responsibility	By when	Resources needed

Research Question 2:			
Activities	Responsibility	By when	Resources needed
Etc.			

Collating new information and revising the Market Map and analysis

Good iterative research depends on good collation of information from the iterations. It is therefore very important that you allocate some time and resources to integrate what you have learnt from further research into your Market Map, analysis of key actors and identification of constraints, opportunities and risk. This will allow you to refer to your research at any time in the PMSD process and be confident that you are always looking at the most up-to-date and complete information.

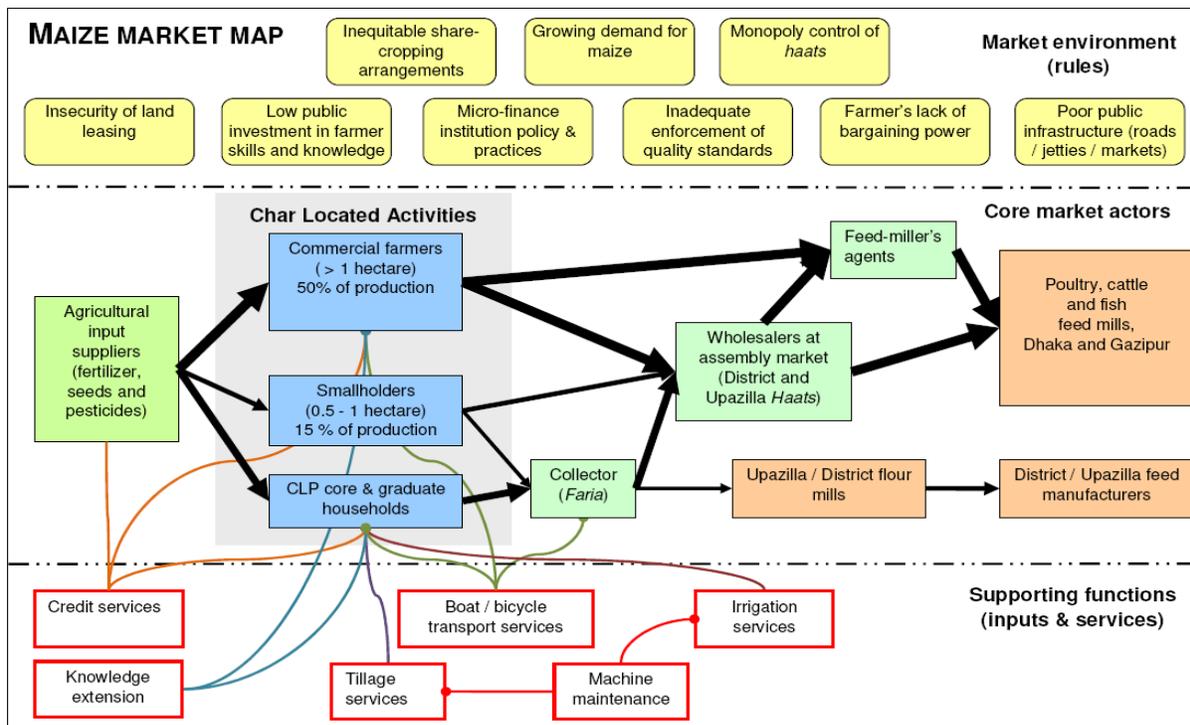
Step 2: Preliminary Market Mapping and Analysis

'Facilitators start to make sense of the system and identify key actors'

Annexes

Annex 1: The Market Map and different geographical levels

Figure 4: A Market Map of the maize market system on riverine *chars* in central Bangladesh



The Market Map above was developed as part of a study commissioned by DFID's Chars Livelihood Programme (CLP) in Bangladesh. The purpose of the study was to explore some of the critical market systems affecting the central Bangladesh riverine sand banks (called *chars*) and how char-dwellers participate in them.

The grey box in the Market Map illustrates the functions of the market system that occur on the *chars* themselves. Around these activities the market 'zooms' out to include actors, functions and issues that span a number of different geographical levels, from local (e.g. poor public infrastructure), sub-district and district (e.g. some of the end-markets for maize) to the national level (e.g. credit services for agricultural input suppliers, and Dhaka feed mills).

The outcome of this approach is a Market Map which does not easily lend itself to quantitative analysis because different areas of the map are at different scales. It does however provide a realistically "good enough" picture of the system that affects char-dwellers, its key actors and relationships, and how the char-dwellers participate in it.

'Zooming in' and 'zooming out' during the mapping process is an essential part of achieving this.

Note that in this Market Map the arrows in the market chain are directed from primary producer to end market, following the movement of the maize, rather than the flow of money. The thickness of the arrows provide a qualitative impression of the volumes traded through the different channels.