

## B. Market development



### What does this type of evaluation tell us?

Evaluating market development gets to the core of what makes interventions sustainable: the creation of a viable, self-sustaining market and the balance between supply and demand. Market development evaluation considers the extent of market penetration, the profitability of enterprises involved, dependencies on subsidies and the nature of the market and supply chain. Market development can be applied to all those interventions that promote the purchase of a product (e.g. improved stove, smoke hood, haybox) or fuel (e.g. LPG, ethanol).

### Key questions

#### Customer and demand

- Who are the decision makers and customers? How can the market be characterized and segmented?
- What percentage of the market has been penetrated by the intervention?

- What is the current size of the market for the products/services in the intervention? (i.e. all those that have adopted =  $y$ )
- What is the potential market for the products/services in the intervention? (i.e. all those who would adopt if they were willing and able =  $x$ ).
- Percentage of market penetration =  $(y/x)*100$
- Which credit/financing mechanisms are available for the purchase of the intervention?
- How do people's willingness and ability to pay affect the market? How has this been addressed (e.g. by ensuring satisfaction, provision of credit)?
- Which factors determining demand have been addressed by the project or programme (e.g. number of new energy kiosks where people can buy LPG)?
- What is the growth rate of adoption?
- How effective have promotional activities been?
- How has the project itself affected adoption and behaviour patterns, and what are the implications of the withdrawal of the implementing organization? For example, if spare parts are provided by the implementing organization, what happens when the organization withdraws? What structures have been put into place to ensure continuity after the project ends?

#### Manufacture and supply

- Who are the manufacturers, distributors, installers and other entrepreneurs in the supply chain for improved stoves/technologies (including components supply) and cleaner fuels?
- What is the profitability or rate of return for enterprises in the supply chain?
- How many manufacturers of improved stoves/technologies and/or suppliers of cleaner fuels have been set up and/or supported during the project?

- How many improved stoves/technologies have been produced, sold and disseminated?
- Are the enterprises profitable? Is this dependent on subsidies or support from the implementing organization (e.g. access to credit or markets)? How is this being addressed?
- What are the limiting factors for ensuring the supply of cleaner fuels or improved stoves/technologies, and how have they been addressed?
- Which credit/financing mechanisms are available for the production of improved stoves/technologies?
- What actions have been taken by local or national governments to facilitate growth in supply as a result of lobbying (e.g. reductions in tariffs for import of gas stove components)?

### Sustainability and scale-up

- How are demand and supply balanced?
- Is the present market growth reliant on the implementing organization, and what will be the implications of withdrawal?





### What are the challenges?

The tools for evaluating market development are complex. Not all organizations have skilled enterprise or market development staff, and it may be necessary to forge partnerships or source expertise for this aspect of evaluation.

### Available methods

Evaluating demand overlaps with a number of other evaluation areas, namely *Adoption*, *Performance*, and *Time and socio-economic impacts*. These aspects of evaluation are all strongly linked to people's response to the interventions, i.e. whether the interventions meet their needs and expectations. Available methods to evaluate market development are listed in Table 4.

**Table 4 Evaluating market development**

ID	Method	Organization	Relevant section of method	Rating
<b>Recommended methods</b>				
B1	Breathing Space commercialization toolkit	Shell Foundation	All	
<b>Additional methods</b>				
C4	Kitchen performance test	Household energy and health team, UCB	Questions on user satisfaction	
Y4	Measuring successes and setbacks	GTZ/HERA	Monitoring and evaluation with producers and distributors (Section 4.2)	
Y5	Methodology for participatory assessment	ARECOP	Section C	

A – Adoption; B – Market development; C – Performance; D – Pollution levels and personal exposure; E – Health and Safety; F – Time and socio-economic impacts; G – Environmental impacts; Y – Generic methods.