

31. Market System Map

How can I analyse the drivers of my market?

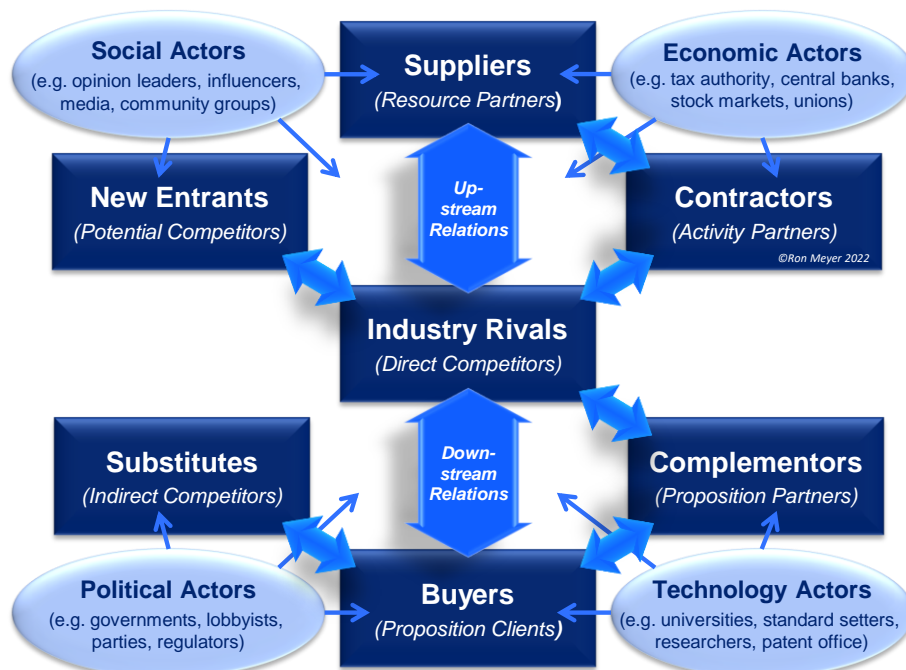
Key Definitions

A *market* is a place, real or virtual, where supply and demand are brought together. On the demand-side there is a group of potential buyers with a similar desire, while the supply-side consists of a group of potential sellers with a similar proposition. A *market system* is broader, encompassing all people and organizations who influence the buyer-seller interaction.

These people and organizations are the *actors* who jointly make up the market system. Their actions and interactions are shaped by a variety of *factors*, some structural (e.g. cost level, number of actors, cyclical), others organization-specific (e.g. strategy, culture, resources).

Conceptual Model

The *Market System Map* outlines the 11 categories of actors who need to be analyzed to understand market dynamics. The 7 categories in dark blue are the *market actors* potentially involved in the exchange of goods and services, while the 4 categories in light blue are the *contextual actors*, who indirectly influence the conditions under which the market actors operate. The middle 3 market actors are called the *industry column*, the left 2 the *shadow competitors* and the right 2 the *potential collaborators*. For all 11 categories it is crucial to go beyond mapping the actors, to understand the factors driving their current and future behavior.



Key Elements

The 11 categories of actors shaping each market are the following:

1. **Buyers.** These potential proposition clients are often divided into segments ('market segments'), depending on such factors as their differing needs, negotiation power, buying behavior, price sensitivity, purchase volume, geographic location, and brand loyalty.

2. **Industry Rivals.** These direct competitors can also be divided into specific competitive groups, depending on such factors as cost structure, distinctive competencies, geographic focus, and type of differentiation, with competitive intensity varying between groups.
3. **Suppliers.** All providers of tangible and intangible resources fall into this category, including the suppliers of materials, machines, buildings, semi-finished products, money, labor, data, and a variety of services. Each subcategory will be driven by different factors.
4. **Substitutes.** If potential clients consider a different category of products or services as a viable alternative, the providers of these substitutes must be seen as indirect competitors. So, movie theaters compete with each other, but also with other forms of entertainment.
5. **New Entrants.** Firms threatening market entry are potential competitors. Whether they actually step in typically depends on structural barriers to entry such as economies of scale and patents, but also on organizational factors such as strategy and available resources.
6. **Complementors.** When firms offer their value proposition to buyers via, of together with, a collaborating firm, such a partner is called a complementor. Common subcategories of complementors include distributors, platforms, solution providers and consortium partners.
7. **Contractors.** When firms outsource some of their value-adding activities to a collaborating firm, such a partner is called a contractor. Almost all activities can be contracted out to third parties, depending on such factors as cost, risk, speed, and flexibility.
8. **Social Actors.** These include all actors shaping society such as the arts, sports clubs, religious organizations, charities, support groups, educational institutions, and the media.
9. **Economic Actors.** These include all actors shaping the economy such as central banks, employer federations, industry associations, labor organizations and customs authorities.
10. **Political Actors.** These include all actors involved in government policy, such as political parties, municipal governments, national ministries, international agencies, and the courts.
11. **Technological Actors.** These include all actors shaping new technologies, such as research institutes, standard setting bodies, user organizations and incubators.

Key Insights

- **Market systems are broader than markets.** When some say “the market”, they mean buyers, but a market consists of buyers and sellers. The market system is broader, including all aspects that shape how buyers and sellers deal with each other.
- **Market systems are driven by actors and factors.** Every market system is shaped by *who* is in the game (the *actors*) and *what* determines how they behave (the *factors*).
- **Market systems are driven by market and contextual actors.** Every market system consists of 11 generic categories of actors. There are 7 categories potentially involved in economic transactions (the *market actors*) and 4 categories influencing the general circumstances (the *contextual actors*). Each category can be further subdivided.
- **Market systems are driven by structural and organizational factors.** Each actor’s behavior will be shaped by external rules of the game (*structural* conditions that are largely fixed) and internal dynamics (*organizational* conditions that are part fixed and part choice).
- **Market systems are more complex than 5 forces.** Porter’s Five Competitive Forces Model (1979) is a limited external analysis tool, focusing on 5 categories of structural factors that influence the level of profitability in a market. The Market System Map takes a broader perspective, encouraging analysts to also consider organization-specific factors, as well as to map the associated actors, in 11 instead of only 5 categories.

Meyer's Management Models

Insightful Tools to Kickstart Your Thinking

Publication Schedule

| | | |
|------------------------------|--|--|
| <i>July 2019</i> | <i>Mind the Gap Model</i> | <i>Change Management</i> |
| <i>August 2019</i> | <i>Digital Platform Map</i> | <i>Digital Strategy</i> |
| <i>September 2019</i> | <i>Interaction Pressure Gauge</i> | <i>Interpersonal Interaction</i> |
| <i>October 2019</i> | <i>Revenue Model Framework</i> | <i>Revenue Model Typology</i> |
| <i>November 2019</i> | <i>House of Engagement</i> | <i>Organizational Engagement</i> |
| <i>December 2019</i> | <i>Confidence Quotient</i> | <i>Trust Building</i> |
| <i>January 2020</i> | <i>Competition Tornado</i> | <i>Competitive Strategy</i> |
| <i>February 2020</i> | <i>11C Synergy Model</i> | <i>Corporate Synergy Management</i> |
| <i>March 2020</i> | <i>Leadership Fairness Model</i> | <i>Leader-Follower Interaction</i> |
| <i>April 2020</i> | <i>Strategic Agility Model</i> | <i>Strategy Process Approach</i> |
| <i>May 2020</i> | <i>Control Panel</i> | <i>Corporate Control Dimensions</i> |
| <i>June 2020</i> | <i>Rising Star Framework</i> | <i>Talent Management</i> |
| <i>July 2020</i> | <i>Strategy Development Cycle</i> | <i>Strategy Process Steps</i> |
| <i>August 2020</i> | <i>7I Roles of the Corporate Center</i> | <i>Corporate Organization</i> |
| <i>September 2020</i> | <i>Storytelling Scripts</i> | <i>Leadership Communication</i> |
| <i>October 2020</i> | <i>Strategic Bets Framework</i> | <i>Strategic Decision-Making</i> |
| <i>November 2020</i> | <i>Rebound Model of Resilience</i> | <i>Organizational Resilience</i> |
| <i>December 2020</i> | <i>4C Leadership Capabilities</i> | <i>Leadership Competences</i> |
| <i>January 2021</i> | <i>Digital Product Model Dial</i> | <i>Digital Strategy</i> |
| <i>February 2021</i> | <i>Digital Distribution Model Dial</i> | <i>Digital Strategy</i> |
| <i>March 2021</i> | <i>Empowerment Cycle</i> | <i>Employee Empowerment</i> |
| <i>April 2021</i> | <i>Innovation Box</i> | <i>Innovation Approaches</i> |
| <i>May 2021</i> | <i>Knowledge Sharing Bridges</i> | <i>Best Practice Sharing</i> |
| <i>June 2021</i> | <i>Followership Cycle</i> | <i>Leader-Follower Interaction</i> |
| <i>July 2021</i> | <i>Everest Model of Change</i> | <i>Change Management</i> |
| <i>August 2021</i> | <i>Fruits & Nuts Matrix</i> | <i>Priority-Setting</i> |
| <i>September 2021</i> | <i>Powerhouse Framework</i> | <i>People & Organization Strategy</i> |
| <i>October 2021</i> | <i>Strategy Hourglass</i> | <i>Strategy-Making Steps</i> |
| <i>November 2021</i> | <i>Disciplined Dialogue Model</i> | <i>Interpersonal Communication</i> |
| <i>December 2021</i> | <i>Team Building Cycle</i> | <i>Team Building Process</i> |
| <i>January 2022</i> | <i>Market System Map</i> | <i>External Analysis Framework</i> |
| <i>February 2022</i> | <i>Strategic Alignment Model</i> | <i>Business Level Strategy</i> |
| <i>March 2022</i> | <i>Creativity X-Factor</i> | <i>Creativity Enhancement</i> |
| <i>April 2022</i> | <i>Organizational System Map</i> | <i>Organizational Analysis</i> |
| <i>May 2022</i> | <i>Customer-Centricity Circle</i> | <i>Organizational Design</i> |

| | | |
|----------------|--------------------------------|-------------------------------|
| June 2022 | Partnership Distance Model | Interorganizational Relations |
| July 2022 | New Pyramid Principle | Presentation Approaches |
| August 2022 | Corporate Value Creation Model | Corporate Level Strategy |
| September 2022 | Embedded Identity Model | Personal Awareness |
| October 2022 | The Tree of Power | Organizational Power |
| November 2022 | Stakeholder Heat Map | Stakeholder Management |
| December 2022 | Needs Radar Screen | Motivation Analysis |