The Sustainable Market Model
A new model for market mapping and business opportunity evaluation where sustainability is emphasized

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Sustainability has gone from a buzz word to a concept that is part of most companies’ business models. Today, most people are becoming aware of the impact humanity has on our planet and the problems that will rise if our current consumption habits continue. The global mega trend towards sustainability is therefore a fact and companies need to adapt. To help companies map and understand a defined market, understand how sustainability is connected to that market and finally, to find and evaluate viable business opportunities where sustainability is taken into account, The Sustainable Market Model was developed.

The Sustainable Market Model is displayed in Figure 1 and the reader of this article is strongly recommended to investigate it thoroughly. The model was developed using common strategic market analysis and market mapping tools that were modified and combined. Even though the model derive from known tools and models, The Sustainable Market Model is a new, modern market mapping and business opportunity evaluation tool that has never existed before. The Sustainable Market Model is adapted to modern companies’ business models and to the fact that sustainability is a mega trend worth considering.

The market pull towards sustainability has been developed in markets that are close to end-consumers and where the end consumer is affected by- and understands the sustainability features of what they are buying. Two examples of such markets are the food industry, with a market pull towards eco products, and the packaging industry with a market pull towards bio based and non toxic packages. However, many researches state that sustainability is
now gaining market attention all along the value chain, from consumption all the way to the source. Sustainability has therefore become a wide and complex concept that has to be adapted to where it is used. Global companies often use a system thinking approach where they achieve sustainability by reducing their impact throughout their value chain such as consuming less energy, contributing less to global warming and contaminate less water. A consumer on the other hand often associates sustainability with more local attributes, where the origin of the feedstock is valued as well as the possibility to decompose the material naturally.

To find a business opportunity and understand a market, the concept of sustainability therefore needs to be adjusted to the defined market, which is the 1st phase of The Sustainable Market Model. When having defined sustainability, the macro parameters, the 2nd phase, of the defined market can be investigated and evaluated to gain the first holistic understanding. With this first holistic understanding of a market, it is possible to segment the market to make each market segment manageable in terms of sheer amount of data. These segments are in The Sustainable Market Model the results of the Selection process of 1st and 2nd Phase. In the following three phases, the 3rd, 4th and 5th phase, the market mapping and business opportunity evaluation is deepened using modified, but well renown growth strategy, market analysis, market evaluation and market mapping tolls such as Ansoff’s Matrix, PESTEL, the GE McKinsey Model, Porter’s five forces and SWOT. The modification and combination of these tools results in a model and methodology that find and evaluates business opportunities in a defined market in a structured, manageable manner. Throughout the whole analysis are the defined sustainability core characteristics emphasized.

Key Findings when using The Sustainable Market Model

To evaluate the performance of The Sustainable Market Model, the authors applied the developed model on a market segment in order to understand & map the market segment and evaluate potential business opportunities. The Sustainable Market Model was also tested on a global company’s business to make the testing and evaluation as realistic as possible.

The global company is engaged in the chemistry industry and hence was the market segment that was mapped Sustainable Chemistry. The key findings obtained, by using The Sustainable Market Model were:

- From a a consumer’s perspective in Europe, Sustainable Chemistry is
decided to value the following characteristics: bio based, biodegradable, low toxicity and recyclable.

- A Sustainable Chemistry product must have the same performance and the same quality as a conventional product.
- To make a Sustainable Chemistry product competitive on the market at least one of the following must be fulfilled: there has to be a willingness to pay from the end consumers, the Sustainable Chemistry Product must be cost competitive to conventional products, laws and regulations must encourage Sustainable Chemistry products instead of conventional products.
- There especially exists a willingness to pay for market segments and product groups that are close to the end consumer, where the cost can be transferred to the end consumer or where there is a defined and mature market pull.
- Factors that are considerably important to increase the competitive performance of a Sustainable Chemistry Product are the following: The product should have sustainability characteristics that are easy to understand for- and communicate to- the end consumers. Such characteristics are e.g. bio based, recyclable packaging. Furthermore, it is positive if the sustainability characteristics only stand for a fraction of the total product cost as in e.g. packaging.
- The current low price of fossil feedstock makes it difficult for Sustainable Chemistry products to compete on price. If the fossil feedstock price does not increase, there is a need for political incentives and regulations to push the development and to increase the attractiveness for Sustainable Chemistry products on the market.

Performance of The Sustainable Market Model

After developing *The Sustainable Market Model* and applying it on a new market segment, Sustainable Chemistry, the performance of the model is decided to be satisfactory. The model has helped the authors to map and understand a market and find business opportunities within the defined market segment for a global company. Phase 3 and 4 of the model are decided to be of highest importance since they rate and weigh each market segment and each product group in a structured, unbiased way. When using the model, it is decided to be of great importance that the people performing the mapping and evaluation should have experience in using various market analysis and evaluation tools such as the GE Mckinsey Matrix, Swot, PESTEL, Ansoff’s Matrix and Porter’s five forces. The strength of *The Sustainable Market Model* is that it combines the best of each tool and emphasizes sustainability, which according to the authors is a global mega trend which will affect companies business and competitive advantage to a great extent in the future. *The Sustainable Market Model* is also a modern tool that tries to highlight modern companies business issues and business opportunity scanning methods.
The authors hope that *The Sustainable Market Model* will continue to be developed and become a well renewed market mapping and business opportunity evaluation tool in the future.