Case Study: Global Market Entry Assessment (1/4)

Project aims, objective & scope – Client requested Frost & Sullivan services to support its decision on whether to invest in a plant to produce Chemical X via a new feedstock process

Client

- Client was a family-owned company established in 1842 and based in Germany
- Along with a focus on various metals, it has a Chemicals division with three plants across Germany, that supplies specific specialty chemicals based on sulphur chemistry for a variety of applications across global markets

Project objectives

- Client developed a process based on a low cost feedstock, which has higher efficiency and produces Chemical X with less by products than current production processes
- As part of the decision whether or not to invest in a production plant for Chemical X, the client asked Frost & Sullivan to conduct a global market assessment to determine the opportunity for the Client in the Chemical X market

Key Questions to be answered:

- What is the current global X market situation and expected situation in the future, including the development of volume demand?
- For which purpose and which products are X 70% and X anhydrous used and how are the application markets expected to develop?
- Who are the consumers of X, how high is their demand and where are they located?
- What expansion plans do current market participants have, and are there any future market participants expected, especially in China?
- What is the market share of suppliers, by volume?
- What are the market entry barriers for a new market entrant and how strong are they?
- What does the supply/demand equilibrium look like and how is it expected to develop?
- What are the prices of X 70% and X anhydrous and how are they expected to develop?

Project Scope

- Geographic: *Europe, US, Asia (China, India, Japan, Taiwan)*
- Product: *Chemical X in two separate forms (anhydrous & 70%)*
- Application: *Three main applications (one with 8 sub-applications) and scouting for new applications*

Case Study: Global Market Entry Assessment (2/4)

Proposed approach & timeline – Frost & Sullivan proposed a phased approach to ensure Client had an overview of the market in time to make a decision on investment & also to enable customer analysis to focus on the specific market segments of most interest to Client

Phase 1 – Supply Side

Overview of Global Chemical X Market

Research focus:
Existing Chemical X manufacturers & distributors

- Secondary & primary research (36 interviews)
- Analysis
- Short market report:
  - *Market sizing & potential by region/application*
  - *Growth drivers*
  - *Supply / demand equilibrium & future trends*
  - *Competitive landscape (supply side)*

On-site Workshop

- Identification of growth hot spots
- Go/no go investment decision
- Development of project roadmap i.e. selection of phase two segments to focus on

Go / No Go decision on whether to do further analysis and evaluation of the market segments to target

Phase 2 – Demand Side

Deep Dive: Understanding the Customer

Research focus:
Current & potential Chemical X end users

- Secondary & primary research (50 interviews)
- Analysis
- Final report:
  - *Customer information to understand purchasing requirements and decision making unit*
  - *Competitive landscape (demand side)*

Presentation of Findings

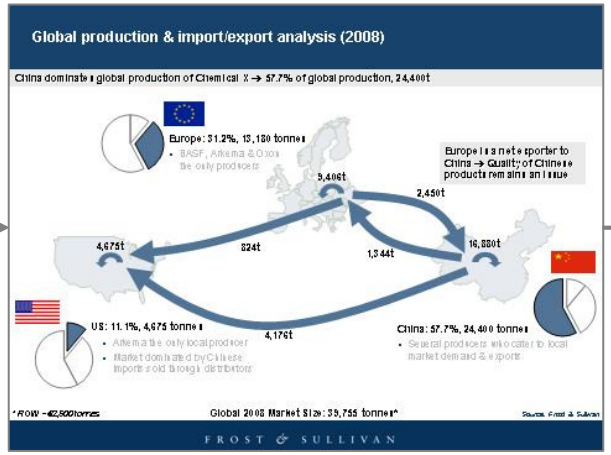
- Evaluation of global opportunities
- Onsite presentation of project findings

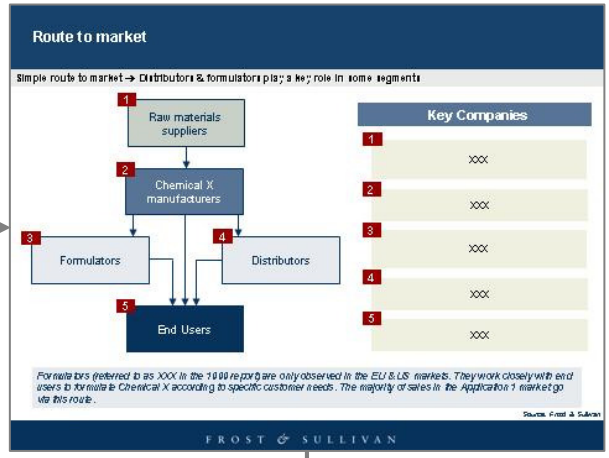
8 weeks from project kick off — **Estimate for 3 segments: 8-10 weeks →**

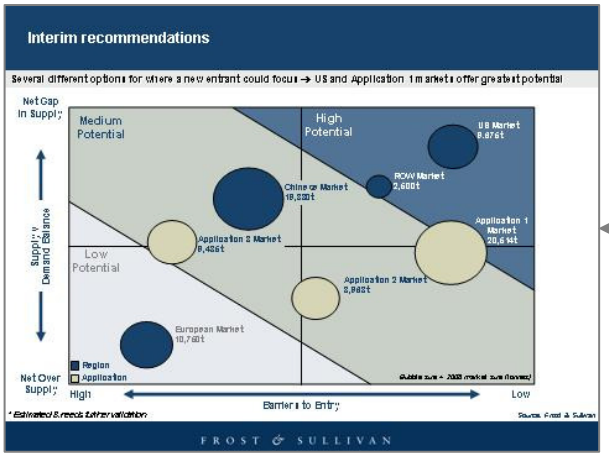
Source: Frost & Sullivan

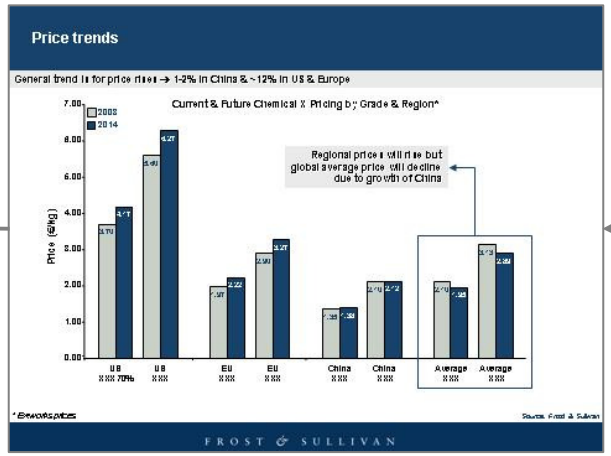
Case Study: Global Market Entry Assessment (3/4)

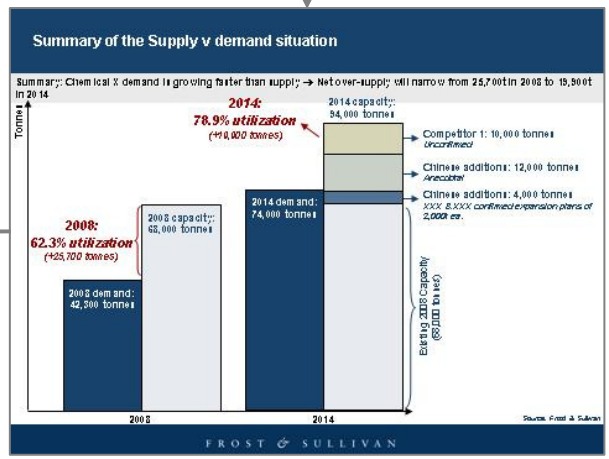
Project Output – Phase one findings confirmed that there were no red flags preventing market entry, therefore we moved to a second phase of the project to deepen demand-side understanding of the market in order to build a route-to-market plan









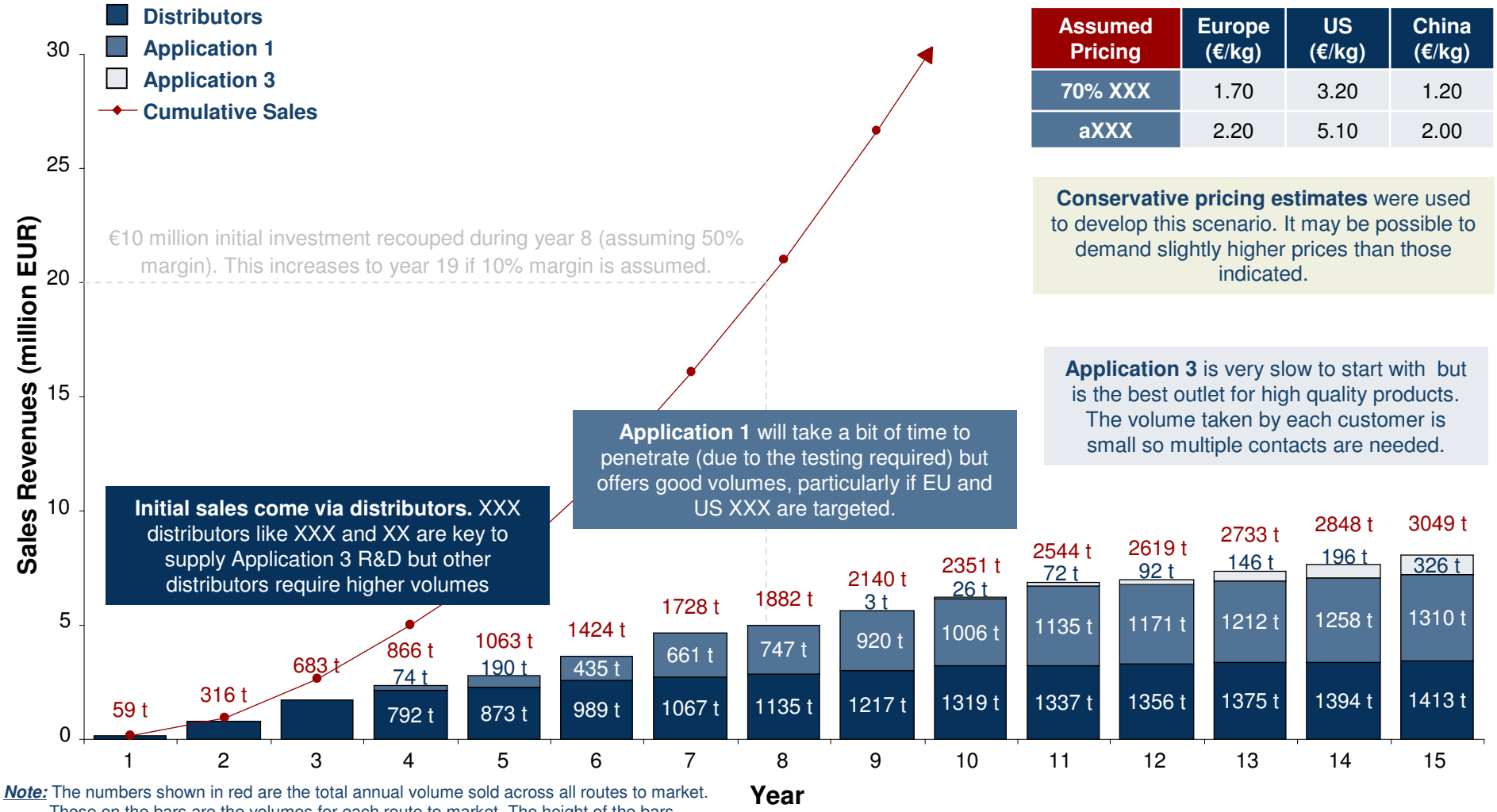


Source: Frost & Sullivan

Case Study: Global Market Entry Assessment (4/4)

Project Conclusion – Frost & Sullivan was able to create a 15 year potential sales scenario, based on recommended route-to-market and pricing

25 customers → all regions (EU 6, US 6, China 13) & all routes to market (distributors: 10, Application 1: 7, Application 3: 8)



Assumed Pricing	Europe (€/kg)	US (€/kg)	China (€/kg)
70% XXX	1.70	3.20	1.20
aXXX	2.20	5.10	2.00

Conservative pricing estimates were used to develop this scenario. It may be possible to demand slightly higher prices than those indicated.

Application 3 is very slow to start with but is the best outlet for high quality products. The volume taken by each customer is small so multiple contacts are needed.

Note: The numbers shown in red are the total annual volume sold across all routes to market. Those on the bars are the volumes for each route to market. The height of the bars represents revenue. All volumes are quoted as anhydrous (99%) Chemical X equivalents.

Source: Frost & Sullivan