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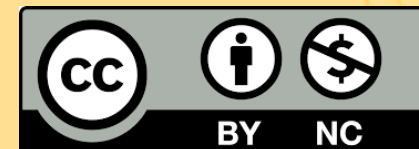
# MARKET STRATEGY FOR NATURE-BASED ENTERPRISES

## PART II : SECTOR-LEVEL ANALYSIS

### Lecture – online / in-person

Credit: Horizon Nua

*Content created in 2024*



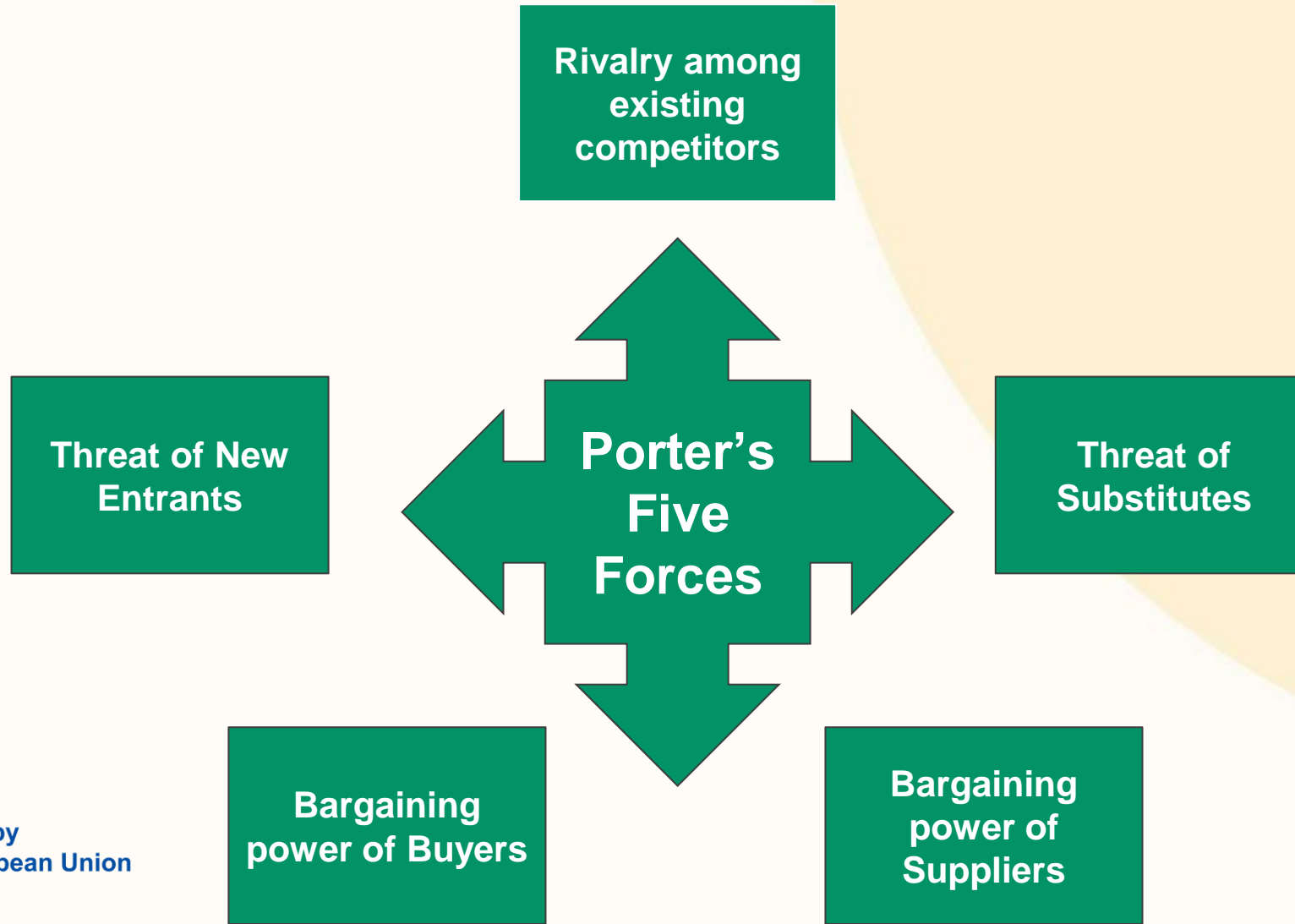
**Funded by  
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# Learning Outcomes for this Learning Unit

- Gain insight into the competitive forces and sector-level factors shaping nature-based enterprises.
- Attain experiential knowledge from peer-to-peer insights shared by practitioners across a range of sectors.
- Apply this knowledge to your own business context using frameworks to evaluate the potential impact of sector-level factors on your enterprise.

# Porter's Five Forces Analysis



Source: Adapted from Porter (1979)

# Porter's Five Forces Analysis Explained

- Even not-for-profits and social enterprises need to be familiar with the competitive forces shaping the industries in which they operate.
- **Force #1: Competitive Rivalry**
  - These are enterprises serving the same market at the same point in the value chain.
  - The greater competitive rivalry is, the less market share for each competitor and the more severe price competition becomes.
- **Force #2: New Entrants**
  - The pipeline of new businesses to an industry as an indicator for ease of entry.
  - The greater the threat of new entrants, the more pressure to keep pricing low that decreases profitability amongst industry players.



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# Porter's Five Forces Analysis Explained cont.

- **Force #3: Substitutes**
  - These are enterprises serving products/services that provide similar functional utility or address the same need/problem of the buyer.
  - The more effective substitutes are, the less loyalty from customers who may switch to substitutes, leading to a fall in industry profitability.
- **Force #4: Buyers**
  - Those end-users or intermediaries that purchase the products/services of an industry.
  - The more power buyers have to switch between suppliers/substitutes, the more they can squeeze prices and profits across the industry.
- **Force #5: Suppliers**
  - Those that supply raw materials or other inputs for the production of goods/services.
  - The more power suppliers have to charge for inputs (e.g., rare or valuable raw material) the higher they can charge the industry and squeeze profits.



# Considerations for the NbE Sector Overall - New Entrants

- Need to consider the overall availability of funding, resources and expertise as well as access to partnerships for new entrants (Neal, 2023).
- High Barriers to Entry for certain sectors:
  - Intensive start-up costs e.g., sustainable forestry/agriculture.
  - Regulatory barriers around licensing, for example, in the regenerative ocean farming sector.



# Considerations for the NbE Sector Overall - New Entrants

Example of NbS and Sustainable Agriculture:

- Practices include agro-forestry, grazing optimization, nutrient management etc.
- Sustainable practices are currently associated with just 0.04% of agricultural land worldwide.
- Challenges include lack of take-up of practices like regenerative agriculture in agro-food value chains and supports for farmers to deploy such practices on the ground (FAIRR report, 2023).



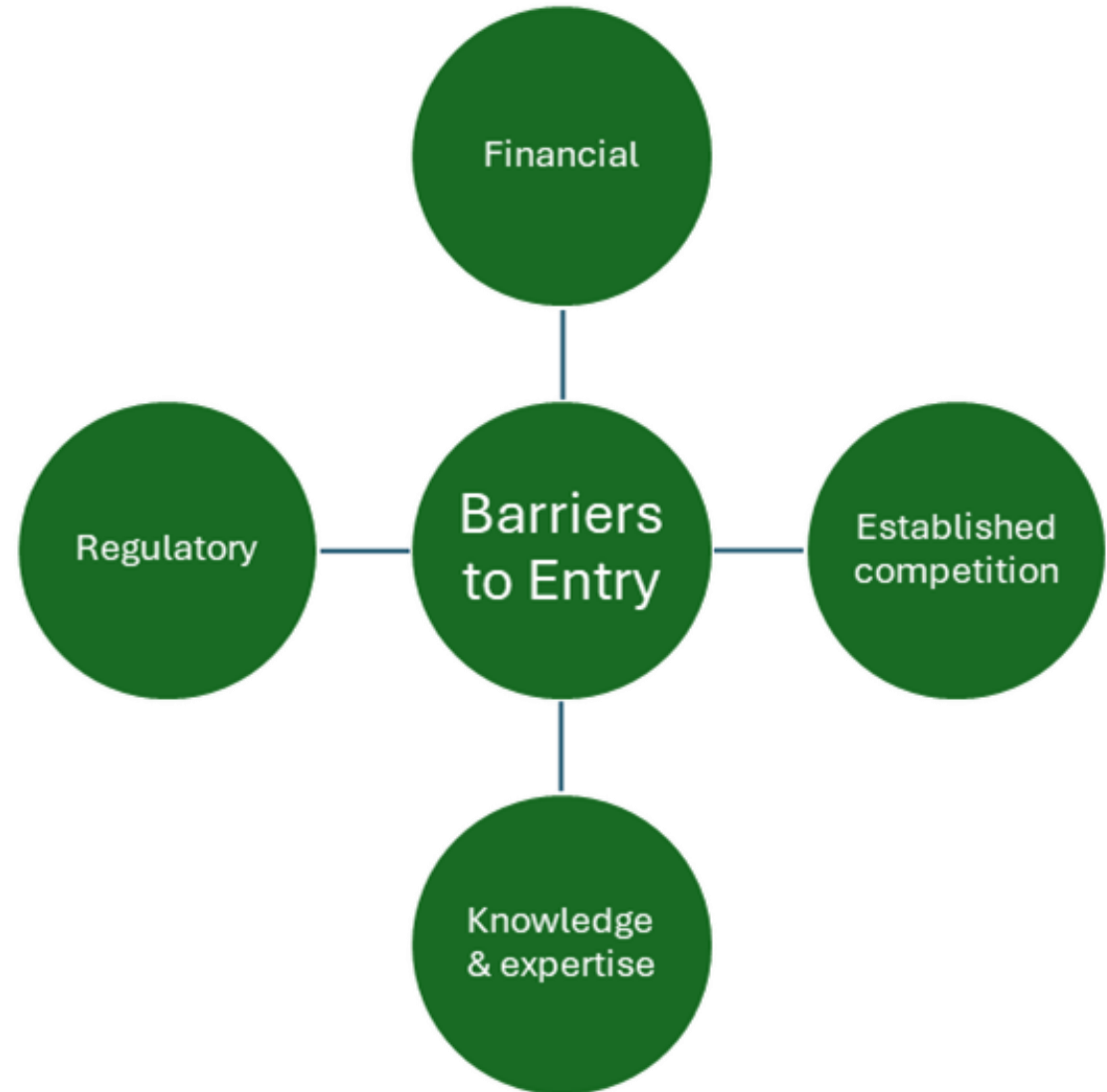
# Barriers to Entry

## Pair and Share / Group activity:

What are the barriers to entry for your NbE sector? Are they prohibitive?

Discuss and decide if such barriers are higher, lower or comparable relative to other sectors.

## ACTIVITY





# Considerations for the NbE Sector Overall - Substitutes

- Need to consider the quality, reach and accessibility of alternative solutions in order to identify gaps and differentiate offering (Neal, 2023).
- Competing or alternative approaches to nature conservation/restoration.
- Greenwashing among the corporate sector - mislabelling of practices as nature-based solutions. Creating negative backlash for industry as a whole.



# Considerations for the NbE Sector Overall - Substitutes

Example of NbS and Sustainable Tourism:

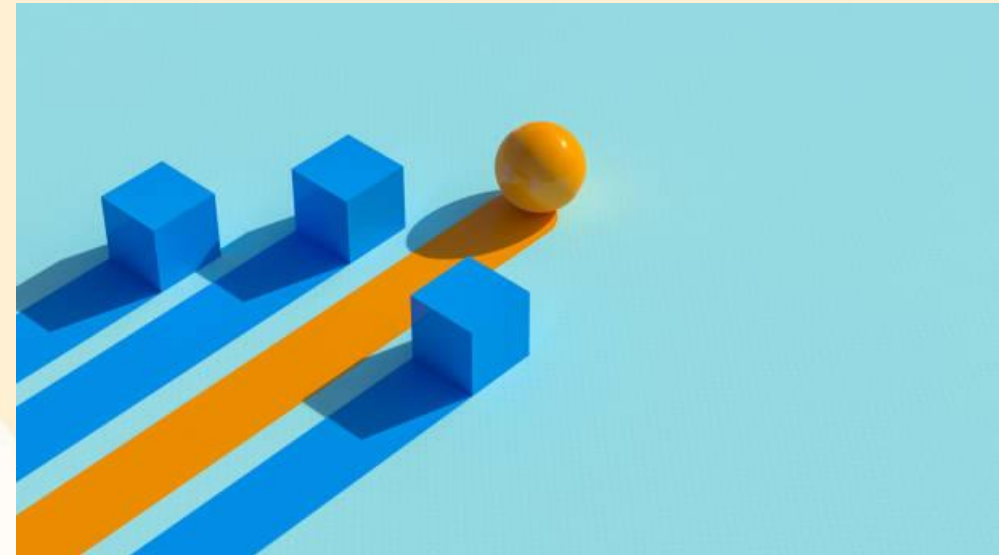
- Services include NbS for health and wellbeing, agritourism, eco-tourism and forestry tourism.
- In 2019, the global ecotourism market size was estimated at \$181.1 Billion and is expected to reach \$333.8 Billion by 2027 (Allied Market Research, 2021).
- Challenge of greenwashing - NbS substitutes that lure in customers on the basis of false eco-friendly claims. Need for sector to educate consumers on becoming more critical of products/services and demand transparency of supply chains (EC, 2022).



Source: Sementerie Artistiche, EC (2022)

## Considerations for the NbE Sector Overall - Existing Competitors

- Need to consider the degree of competitive collaboration, willingness to share knowledge and engage in opportunities for joint initiatives and partnerships (Neal, 2023).
- A need to share NbS knowledge, best practice and technologies within sectors.
- Cooperatives and other collaborative practices.



# Considerations for the NbE Sector Overall - Existing Competitors

Example of NbS and Blue Economy:

- Examples of regenerative ocean farming include marine permaculture, low impact harvesting methods and technologies etc.
- Individual fishermen partnering together as a means to pool resources, secure route-to-market and de-risk capital investments (C-FAARER NSA Cluster Insights Report, 2024).



Source: Hartvig Christie NIVA,  
EC (2022)

# Collaboration in Regenerative Agriculture



## Recording: Voices from the Field - Regenerative Agriculture

Published on November 17, 2023

Listen to the recording on <https://naturebasedenterprise.com/news/1766250>

Howard Koster of [De Biesterhof](#) in the Netherlands runs a 25 h/a nature-inclusive community farm. He's involved with a citizen led cooperative [Land van Ons](#) which purchases land on behalf of its participants and leases this land back to regenerative farmers below the market rate in order to encourage and support the restoration of biodiversity. Today they have over 26,000 members and manage over 300 h/a across the Netherlands.





# Considerations for the NbE Sector Overall - Beneficiaries & Stakeholders

- Need to consider the bargaining power of beneficiaries and stakeholders. This includes understanding the ability of beneficiaries and of stakeholders, such as funders and regulatory bodies, to influence the sector (Neal, 2023).
- Consider the alignment of interests between NbE and beneficiaries/ stakeholders.
- Power imbalances - Funders/investors who are sceptical of the long-term viability of NbEs, misalignment with non-monetary benefits or cause mission drift.
- Value of offering lost on beneficiaries.



# Considerations for the NbE Sector Overall - Beneficiaries & Stakeholders

Example of NbS and Green Buildings:

- Services include living green roofs, facades and walls, and interior greening.
- Even though green roofs are perceived as eco-friendly, there is still a lack of knowledge about their impact in terms of ecosystem services (EC, 2022).



Source: Köln Mühlheim, EC (2022)



# Regulatory Influence on Farming Sector

- The European Green Deal’s Farm to Fork strategy sets the target that at least 25% of the European Union’s agricultural area should be dedicated to organic farming by 2030.
- The share of the EU’s agricultural land under organic farming increased from 5.9% in 2012 to 10.5% in 2022 as a result of an increasing demand for organic products and policy support.
- The pace will need to almost double in the remaining years up to 2030 in order to meet the target.

Figure 2. Share of total utilised agricultural area under organic farming by country and in the EU-27, in 2012 and 2022



## Considerations for the NbE Sector Overall - Suppliers & Partners

- Need to consider the bargaining power of suppliers and partners. This requires an understanding of the cost and availability of resources and the risk of over-dependence on suppliers and partners (Neal, 2023).
- NbS is spatial and context-specific - driven by local need and maintained by local suppliers.
- The shortage in skilled suppliers of NbS results in unmet demand (EC, 2022).
- Public procurement conditions however often favour larger more established enterprises than smaller players for public contracts.



## Considerations for the NbE Sector Overall - Suppliers & Partners

Example of NbS and Sustainable Forestry:

- Services include forest management, urban forestry, agro-forestry, etc.
- The bargaining power of suppliers and partners (i.e. private and public forest owners, forest managers, lumberers and arborists) can be compounded by difficulties with access to land and skilled contractors.



Source: Forest in Borgotaro, EC (2022)

# Key Challenges to Sustainable Forestry - Scarcity of Resources & Lack of Incentives

- In some parts of the EU, private forest owners and managers, especially of small holdings, often depend on forests directly for their livelihoods and their main income comes from the supply of wood. The other benefits, especially the provision of ecosystem services, are insufficiently rewarded. Financial incentives are needed such as PES.
- In other parts of Europe, the biggest issue is access to land and the availability of skilled contractors. This is negatively affecting the ability to scale nature-based solutions in this space.
- Standards and integrity is another key issue.
- Community engagement is vital to making nature recovery work in the long-term.

*“Finance is not the issue any more. We are project & capacity constrained. It’s ‘can we get the land’ and ‘can we find the contractors and people with the skills on the ground to deliver them’.” (Ciarán Fallon, MD, The Nature Trust).*

*“Forestry & Land Scotland, from a combination of natural attrition and turnover, would need to recruit 174 people a year and last year the Scottish School of Forestry produced 11 graduates!” (Alan McDonnell, Programme Development Manager, Trees for Life)*

(Source: [EC 2024](https://naturebasedenterprise.com/news/1599778) and CNEP  
<https://naturebasedenterprise.com/news/1599778> )

# What do regenerative forestry NbEs say?

## Investing in Nature, People & Livelihoods

Webinar Reorcing & Key Takeaways



Ciarán Fallon  
Managing Director



Alan McDonnell  
Conservation Manager

Trees for Life

"Forestry & Land Scotland, from a combination of natural attrition and turnover, would need to recruit 174 people a year and last year the Scottish School of Forestry produced 11 graduates!"



Listen to the recording from June 2023 here <https://naturebasedenterprise.com/news/1599778>

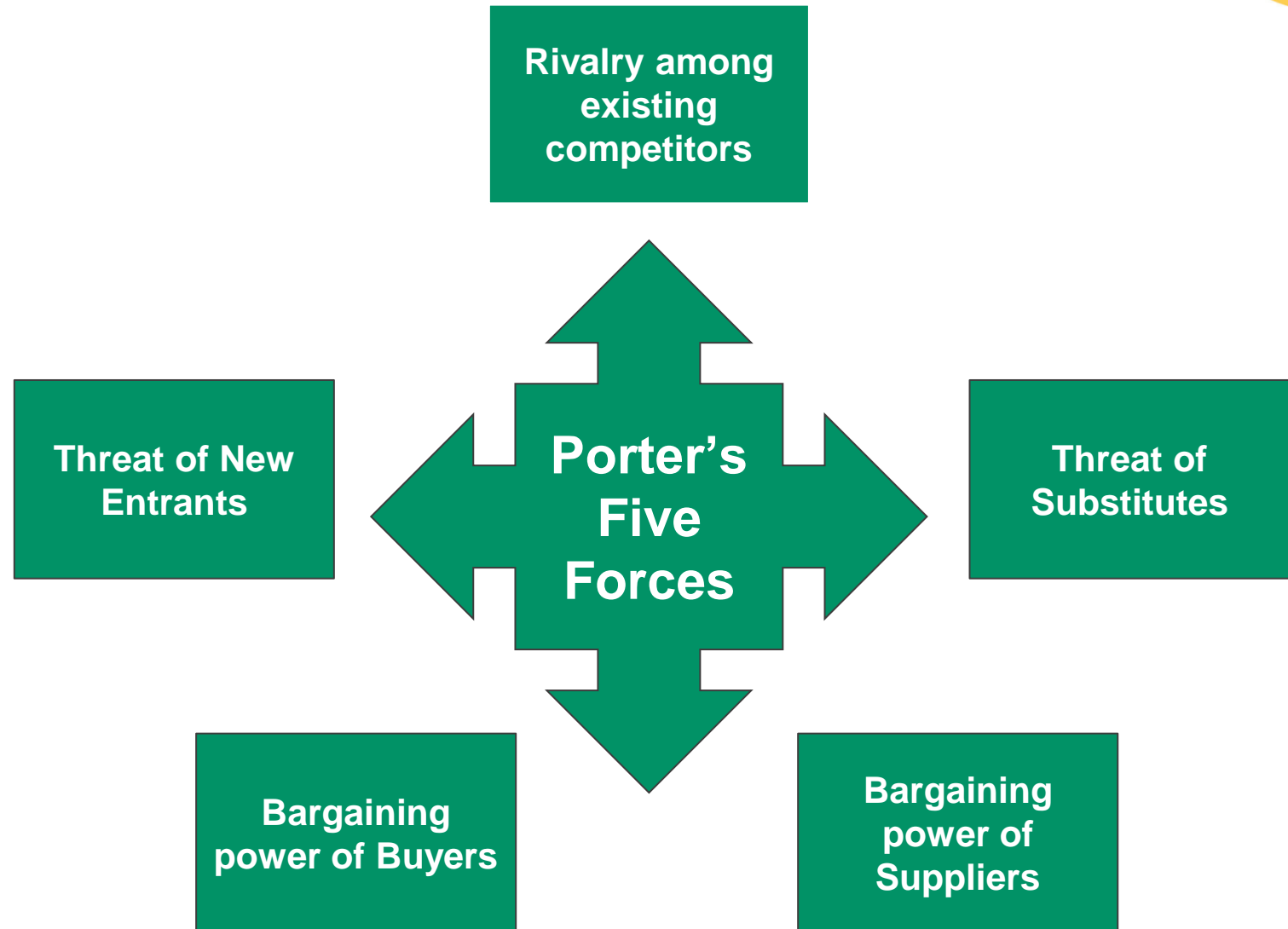


## Individual activity

Carry out a Porter's Five Forces analysis on your NbE sector. Consider how your industry fares in terms of:

- Existing competitors, new entrants, substitutes, beneficiary & stakeholder power and supplier & partner power.
- Identify a set of actions to alleviate your NbE's susceptibility to threats within its industry.

**ACTIVITY**



## Final Reflection: Market Strategy for Nature-based Enterprises Part II

*Reflect on your learning:*

- What is your key takeaway from this lesson?
- What new information will you share with others?



## Sources of Further Reading

- [Connecting Nature Enterprise Platform \(2023\). Investing in Nature, People & Livelihoods: Webinar Recording & Key Takeaways.](https://naturebasedenterprise.com/news/1599778)  
Accessed through: <https://naturebasedenterprise.com/news/1599778>
- [European Commission: Directorate-General for Research and Innovation, The vital role of nature-based solutions in a nature positive economy, Publications Office of the European Union, 2022, https://data.europa.eu/doi/10.2777/307761](https://data.europa.eu/doi/10.2777/307761)
- [European Environment Agency \(2024\). Agricultural area under organic farming in Europe. Accessed through: https://www.eea.europa.eu/en/analysis/indicators/agricultural-area-used-for-organic](https://www.eea.europa.eu/en/analysis/indicators/agricultural-area-used-for-organic)
- [Pangarkar, N., & Prabhudesai, R. \(2024\). Using Porter's Five Forces analysis to drive strategy. Global Business and Organizational Excellence, 43\(5\), 24-34. https://doi.org/10.1002/joe.22250](https://doi.org/10.1002/joe.22250)
- [Porter, M.E \(1979\). How Competitive Forces Shape Strategy. Harvard Business Review.](#)
- [FAIRR report \(2023\). The Four Labours of Regenerative Agriculture. Accessed through: https://www.fairr.org/resources/reports/regenerative-agriculture-four-labours](https://www.fairr.org/resources/reports/regenerative-agriculture-four-labours)



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## Thank you!

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