

SIZING YOUR MARKET



PROPERTY OF SHOCKWAVE INNOVATIONS.
DO NOT DISTRIBUTE WITHOUT PERMISSION.

SIZING YOUR MARKET

INTRODUCTION

Properly sizing the market you serve is critical for many reasons, not the least of which is demonstrating your upside potential to investors. There are various ways to size your market and properly message the result to investors and others.

In this assignment you will size both the total available market (TAM) and the serviceable market (SAM). You will also describe other key attributes of your market that might be of interest to investors and business partners.

Prerequisite Content: *This assignment leverages content presented or viewed in the video module titled "Sizing Your Market".*

RECAPPING KEY CONCEPTS

Market sizes are typically expressed in two ways:

- **Total Available Market (TAM)** – How big you would be if you sold your offering to every single constituent in your broad market, even if they aren't yet an ideal constituent.
- **Serviceable Market (SAM)** – The subset of the TAM that you're currently able to address (serve) with your solution and business model.

Some companies also have a Target Market, which is another filter beyond the SAM that describes your current area(s) of focus, when it comes to marketing activities.

When sizing your TAM, think broad in terms of the "market" but not too broad (ie – if you're offering is only sold to large enterprises, don't include global businesses of all sizes). Also, when sizing your SAM, consider filtering based on the following possible limitations:

- Geographic reach
- Language
- Buyer / user demographic
- Platforms (browsers, OS's, etc)
- Industry Verticals
- Company Size

ASSIGNMENT

1. Size your Total Available Market (TAM)
 - Write out the method you decided to use and the resulting calculation (ie - 2B smart phones globally x \$4.99 = \$10B)
 - Cite references where you were able to get specific data (ie - 2B smart phones globally in use)

- List any key assumptions (ie - \$4.99 offering price) and briefly justify your assumption (why you think it's valid).
2. Size your Serviceable Market (SAM)
 - What filters did you decide to incorporate?
 - Write out your resulting calculation
 3. If you plan to focus on an initial Target Market that is further refined versus the SAM, describe the market (ie - women 25-39 years old with young children).
 - What is it about this more focused market that makes it ideal to target initially?
 4. If there are other attributes about your market that should be interesting to investors and business partners, briefly describe them. Considerations are as follows:
 - Innovation
 - Growth rate
 - Disruption
 - Fragmentation

ADDITIONAL TIPS

- Certain monetization methods such as advertising or affiliate programs are more difficult to size using the described methods. See if you're able to come up with a formula and related assumptions to derive some meaningful result.
- Don't fall into the trap of taking an analyst's report on the total market spend and using that for your TAM. Even if you monetize based on market spend, your product surely doesn't replace 100% of the products in that already-sized market.
- If you sell a subscription-based offering (recurring fee), your market size figures will be expressed annually (ie - \$650M per year).

ADDITIONAL READING MATERIAL TO SUPPORT THIS ASSIGNMENT

- Article: "[Sizing Your Market](http://wp.me/p2EfeJ-sC)" by Shockwave Innovations (http://wp.me/p2EfeJ-sC)

POST-ASSIGNMENT RECOMMENDATION

Markets regularly, and sometimes rapidly, evolve. As they do you will want to revise and refine your market size figures. Additionally, as you present your market size to investors, closely gauge their reaction. Do they feel you're being too aggressive or too conservative? If more than one investor expresses a similar concern or doubt, make sure to better understand what's going on and decide if the issue is their misunderstanding or your miscalculation.

Additionally, remember there is such a thing as "big enough". In other words, if your calculations suggests a \$45B TAM but investors will only give you credit for a \$10B TAM, consider conceding the argument because \$10B is still a huge market.