Startup Camp Video 5:
Size and Segment Your Market
Market Sizing: Why?

Growth Goal
Market Sizing: Why?

Growth Goal

Funding strategy

Market Size

• Market size is measured in dollars
  • Not number of people
  • Not number of subscribers
  • Not number of “hits” to a website
Market Segmentation: Why?

You can’t do it all
Focus is critical
A Market Size Catch-22

Need for Focus:

Small

Need for investors:

Big
The Solution

Many Segments

One Segment Today

Tomorrow

Disruptive Innovation

One Underserved Segment Today

Sustaining Innovation
# Types of Disruptive Innovation

<table>
<thead>
<tr>
<th>Low Cost</th>
<th>More Accessible</th>
<th>New Market</th>
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<tbody>
<tr>
<td>• Cheaper</td>
<td>• More accessible</td>
<td>• Simply didn’t exist before</td>
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<tr>
<td>• Uglier</td>
<td>• Easier to use</td>
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<tr>
<td>• Smaller</td>
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<tr>
<td>• Less capable</td>
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<tr>
<td>• ... but good for some</td>
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Disruptive Innovation Example: Autos

1965 Ford Mustang
Disruptive Innovation Example

1966 Toyota Corolla

Market Size & Disruptive Innovation

One Underserved Segment Today

Sustaining Innovation
Market Size & Disruptive Innovation

One Underserved Segment Today

Sustaining Innovation

Small

Big

Market Size

- Which underserved customers will you focus on today?
- What’s the market potential in 5-7 years?
How to Choose the First Segment?

- Customer pain (Problem)
- Ease of reach (Channels)
- Price/Margin (Revenue/Cost)
- Technical feasibility (Solution)

Market Size - Terminology

- Potential Available Market (PAM)
- Total Available Market (TAM)
- Served Available Market (SAM)
- Share of Market (SOM)
Market Size - How to Estimate

• Secondary research:
  • How big is the overall space?
• Primary research:
  • What percent are your customers?

Market Size - Example

• Target: Young families
Market Size - Example

• Target: Young families
• Secondary research:
  • How many young families are there?

• Target: Young families
• Secondary research:
  • How many young families are there?
• Primary research:
  • Interview young families
  • How many (and which ones) are a fit?
Adoption Rate

What adoption rate do you expect?

Can you find a similar example?
Market Sizing Suggestions

• Tackle this with a team
• Get to know industry gurus
• Make educated guesses
• Write down guesses/assumptions
• Document sources!
• Base projections on as many facts as possible
• Just do it - it’s never a perfect process!

(Cheap) Secondary Research Resources

• Online news & industry Web sites
• Libraries (and a good research librarian)
• SEC filings (10Ks & S1s)
• Talk to experienced colleagues & experts
• Research companies
• Associations
Your Mission:

- Secondary research: how big is the space?
- Primary research: what % will but (& why)
- Review your “Problem Validation” interviews
- Prepare the “Market” slide for your pitch deck

Resources

- OTBC investor pitch deck outline
- otbc.org/tag_cloud:
  - market, market_research, market_size
- Discussion forum:
  - OnlineStartupCamp.com
Meetup #3: Thursday, July 19

► 3pm - 5pm (+ networking) at OTBC
► Share what you learned
► Show off your slides
► Q&A: Get/give feedback

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