

Market Sizing

Types of questions:

- Individual based
 - How many pairs of boxers are sold in the U.S. each year?
- Household based
 - How many garden hoses are sold in Europe each year?
- Population based
 - How many gas stations are there in the U.S.?
- Random
 - How much does a Boeing 747 weigh?



The steps to a successful market sizing case:

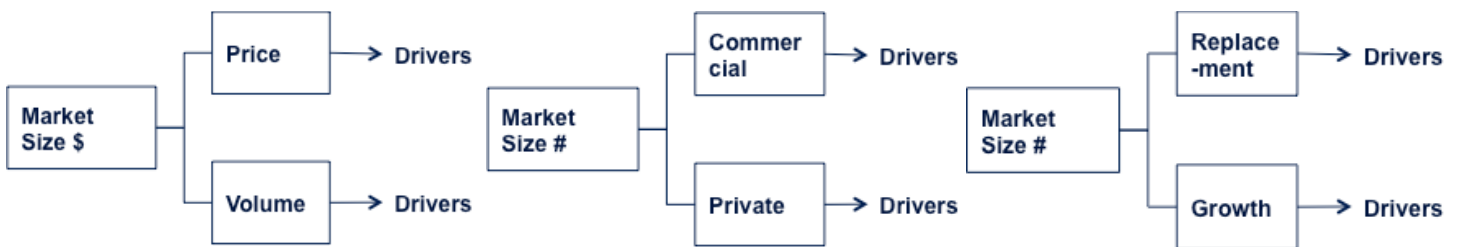
1. Ask clarifying questions:
 - What is the final objective: \$ (Revenue) or # (Unit)?
 - Who to include: Residential (Individuals), Commercial (Corporations) or/and Public

Other potential questions:

 - Type of product: Mass-market, premium or niche?
 - Place in value-chain: manufacturer, wholesaler, retailer?

2. Build out your structure:

- Market Drivers:
 - What drives the calculation you're about to undertake?
 - New to the world, growth, replacement etc.
- Particular Factors:
 - Population sizes (US=320M, EU=500M, CH=1.3B etc.)
 - Segmentation variables (Age, Income, Gender etc.)
 - Size variables → household size, life-span of products, frequency of purchase etc.
- The initial tree:



3. Start working the numbers:

- Have separate papers (one for you structure and answers, and one for calculations)
- Use rounded numbers (US= 318.9M ≈ 320M or 300M)

- State assumptions clearly and base them on some piece of logic (e.g. I assume 1 gas stations per 5K people; because I grew up in a town with 10K inhabitants and we had 2 gas stations)
 - Write down the numbers, and do the math!
4. Pressure test result (sensitivity)
- Triangulate your result with any known factors:
 - Analogous products/services
 - Same products/services in comparable countries
 - Trends in the market
 - *Assess your assumptions* – what parts would have to be researched further?