

11/July/2013

Class 9 – TAM and Market Estimation

Summer 2013

Accelerating Information Technology Innovation





Introducing the Total Addressable Market

- Make a first pass **TAM** (Total Addressable Market) calculation on this first market. This is how much annual revenue there is available to you for your product if you achieved 100% market share.
- This is only for your first “beach head” market which you should be able to do with some clarity.

Michelle's profile

"I am both excited and unsure"
- many moms

\$70K Income _____

College _____

Educated _____

28 years old _____

"I would like to what he
enjoys...even before he is born"
- Renee S. (mom)

Lives with
partner _____

"When I read to him, how
does he react?"
- Pierre F. (dad)

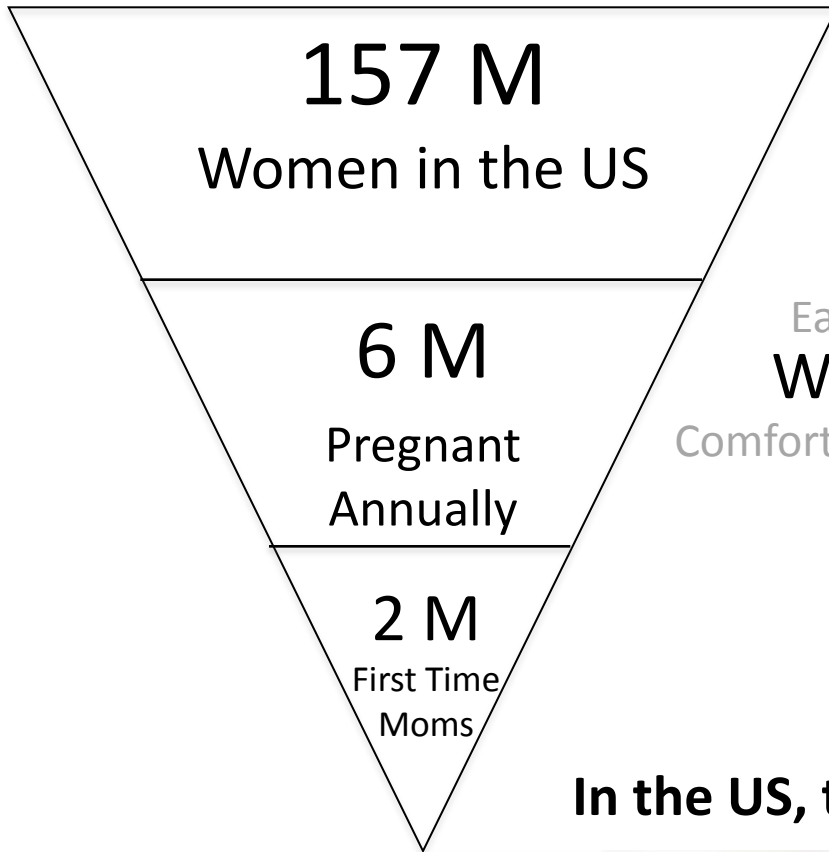
4 months
pregnant _____

Wants to establish intimacy with her unborn baby...but how?

**Question to class ... How many
Michelle's are there?**



Market Potential



Use mobile “apps” to track health

Technology Savvy

Extend her excitement

Capture pregnancy experience

Indications

Easy to use

Low maintenance

Want convenience

Real-time feedback

Comfortable to wear

Intuitive

Share monthly pregnancy photos

Share via social media

Connect with family and friends

Update her care network

In the US, there are 2 Million women like Michelle

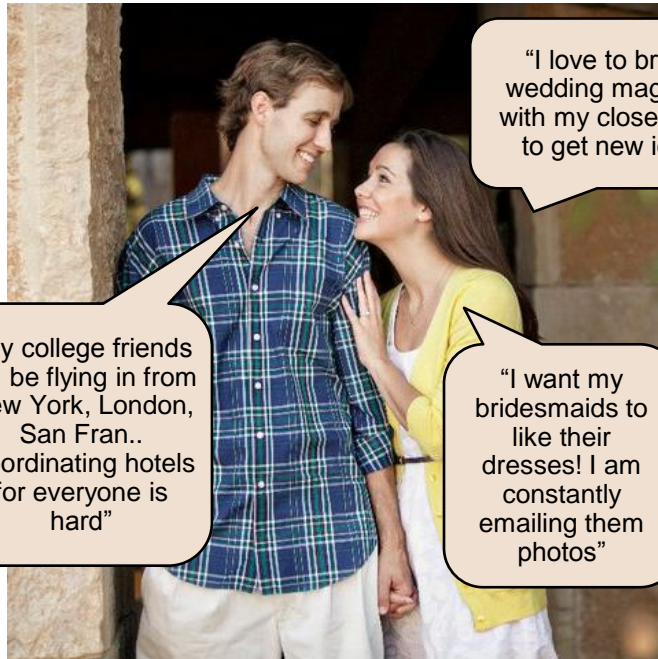


Photo: visualphotos.com

inTouch

Connecting mommies with their babies

Meet Lindsey, 28 year old BCG consultant and bride-to-be



"I love to browse wedding magazines with my close friends to get new ideas"

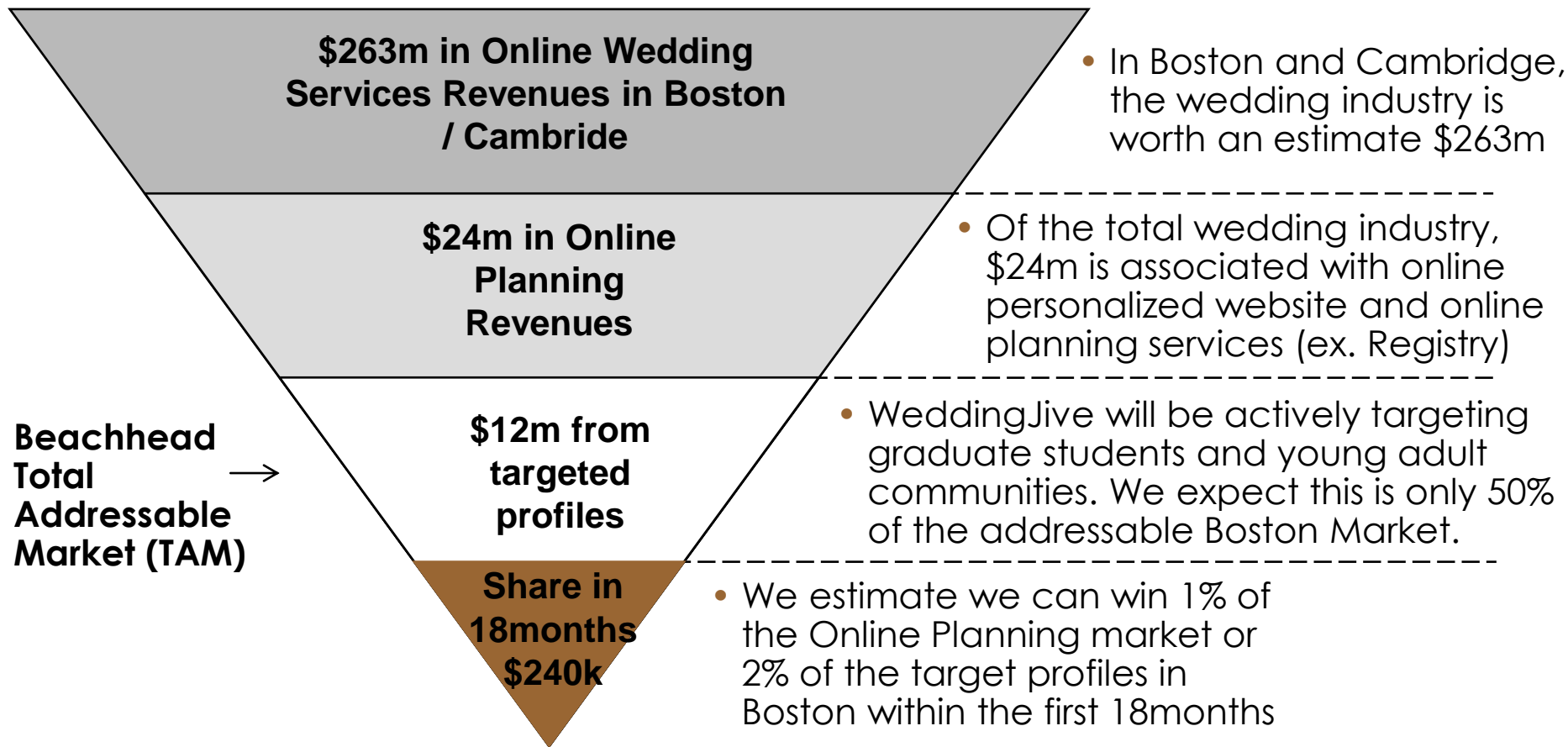
"My college friends will be flying in from New York, London, San Fran.. Coordinating hotels for everyone is hard"

"I want my bridesmaids to like their dresses! I am constantly emailing them photos"

- Met in college at Northwestern in Chicago; friends all over the country
- Got engaged last month on a trip to Spain
- Splitting the cost of the wedding with their parents; total budget \$40K
- Majority of the budget is for food and alcohol
- Want to incorporate friends and family into planning process despite the distance

Our Beachhead market TAM is worth \$12m

Top Down Market Sizing of our Beachhead Market





Name: Amy Hyemin Moon

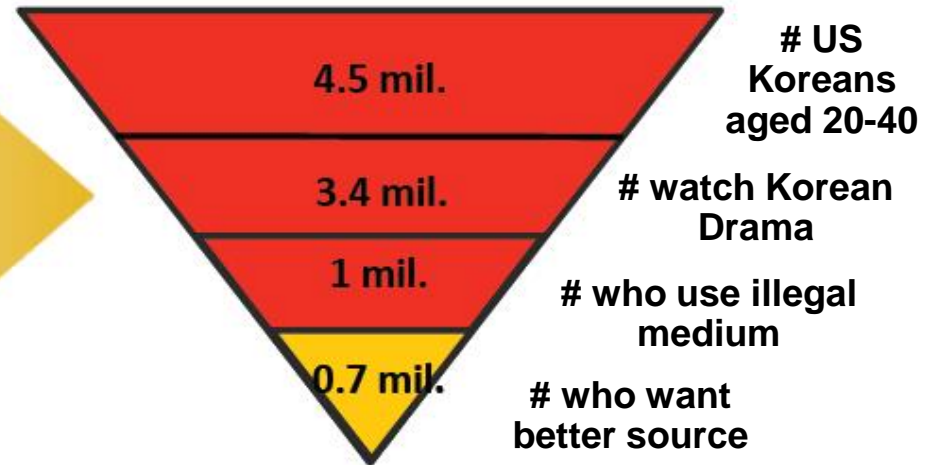
Age: 28

Nationality: Korea

Residency: USA

Hobby: Watches ave. 2 hrs per day **Korean drama** through **illegal websites**

Note: **Not satisfied** with the **illegal websites' services** and its **quality of contents**



Joonmedia, Bada, Dabdate

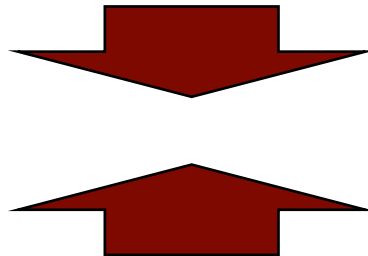


Anytime, Anywhere. Anyway⁴⁵



Methods for Estimation

Top down: Estimate the overall market and then filter with the proportions you intend to capture.



Bottom up: Identify the market segment, and then estimate the size and growth individually

The analysis could get more complex depending how you want to segment your customers

Weekend Exercise – How much Fufu?

- Estimate how many **kilograms of fufu** are eaten in **one year** by university students at the University of Ghana, Legon, University of Ashesi, and the Regional Maritime University





Weekend Exercise – How much Fufu?

- Estimate how many **kilograms of fufu** are eaten in **one year** by university students at the University of Ghana, Legon, University of Ashesi, and the Regional Maritime University
- Write down **every step** and what **logic** you used to arrive at your final number
- Write down all of your **assumptions**
- First, write on paper, then write in an email to **joshuap@mit.edu** by 9 am on Monday



Application to your mobile apps - SMS school bills to parents

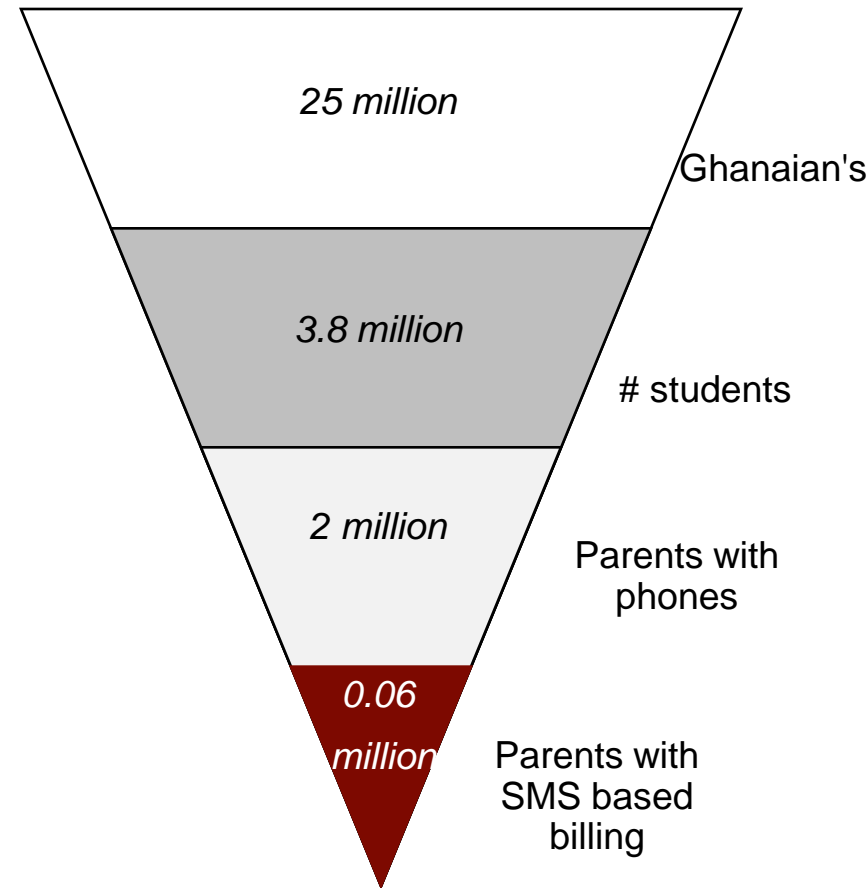
- Send school bills and grades to parents over SMS
- Parents can check balance
- Parents can pay bill via SMS

Top down approach

- Size of Ghana population: 25 million
- 15% (10/64) school age : $25 \text{ million} \times 15\% = 3.8 \text{ million students}$
- 3 kids per family: 3 kids and 2 parents => 2.5 million parents
- 80% own mobile phones: $2.5 \text{ million} * 0.8 = 2 \text{ million parents use mobile phones}$
- 3% use the SMS bill system: 0.06 million!
(This is your TAM)

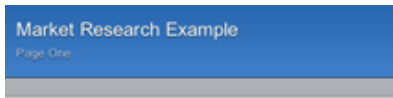
Additional Task:

- Estimate the growth rate of the market
- ... and the share your system could capture



Steps to Bottom-up

Gather Data on a Sample of Your Target Beach Head Segment



Thank you for being part of our research group. Your answers
If you have any questions please give us a call

The first page will go over basic demographic information. Please

1. What age range do you fit into?

- 18- 24 year olds
- 25- 29 year olds
- 30- 36 year olds
- 37- 45 year olds
- 46- 52 year olds
- 53- 65 year olds
- 65 and older

Electronic Survey
(try survey Monkey)



Paper Survey

Interview Surveys

Extrapolate



Watch People in Use Environment

How many movie goers see a movie at Accra mall each week?



Try bottom-up techniques