

Case #4

Company: N/A

Topic: Market Estimation

Industry: Consumer Products

About the Case

This is a market sizing case. The case is based off estimations and the candidate's ability to work with those estimations. While there are no right/wrong answers in market estimation cases, the interviewer usually has a range of 'correctness', if you will. Your answer should fall within interviewer's estimate to the extent that your assumptions are realistic.

Defining the Problem

How would you estimate the size of the annual U.S chewing gum market?

Prompt 1: Solution approach – Ask the candidate to walk you through his thought process – top-down, bottom-up. Once his /her structure is in place, ask him/her to compute the calculation. Various methods may be used to estimate the answer; one approach is outlined below.

Suggested Answer

- Population of the US: 300 million
- The heaviest users are between the ages of 10-20. They comprise roughly 20% of the population, or 60 million.
- Estimate that these people chew two packs per week. Estimate number of packs/year: 2 packs/week * 60 million people * 50 weeks = 6,000 million packs.
- For all other users, (80% of 300 million population, or 240 million) estimate a usage rate of one half pack per week: 0.5 packs/week * 240 million people * 50 weeks = 6,000 million packs.

- Adding these two figures, estimate the total chewing gum market to be $6,000 + 6,000 = 12,000$ million (or 12 billion) packs per year.
- Now check for reasonableness. We have the volume, what about the revenue? How much is 12,000 million packs in terms of dollar sales? Estimate for average price of pack: \$0.75. $12 \text{ billion packs} * .75 = \9 billion

Author's Commentary/Notes

Market estimation cases have no right or wrong answer, rather the interviewer is looking for a logical approach and structure to the candidate's problem-solving skills. Always clarify the assumptions that you make. The above solution is just one of many ways to answer this question