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AI-generated content may be incorrect.A blue triangle with black text

AI-generated content may be incorrect.**Disciplined Entrepreneurship Workbook**

# Step 4: Calculate Total Addressable Market (TAM) for Beachhead Market Worksheets

### (Editable version of above graphic provided in additional Powerpoint document)

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **I.** | **One Time Charge Data Point** | **Freemium**  **(Holidaymakers)** | | Millennial and Gen Z Holidaymakers | Frequent Millennial/Gen Z travelers | | | Millennial/Gen Z holidaymakers**)** | |
| Ia | Estimation of price per unit | $0 | | $0 | $0 | | | $0 |
| Ib | Number of units needed per end user | 1 | | 1 | 1 | | | 1 |
| Ic | Average Life Relevant? (assume repurchase) | Yes | | Yes | Yes | | | Yes |
| Id | Average Life of Product in year | 1 | | 1 | 1 | | | 1 |
| Ie | Annualized Revenue (Ia\*Ib)/Id (Data Point 1) | $0 | | $0 | $0 | | | $0 |
| **II.** | **Budget Available Data Points** | | | | | | | |
| IIa | Current Spend per end user (Data Point 2) | $0 | $20-50 / year | | | $30-60 / year | $50-150 /year | |
| IIb | Total budget for the end user | $500 / year | $500-1500 / year | | | $600-1800 / year | $400-1500 / year | |
| IIc | What % of budget could go to this solution reasonably? | 5% | 2-3% | | | 3-4% | 2-5% | |
| IId | Annualize Revenue (IIb\*IIc) (Data Point 3) | $10 | $10-45 | | | $18-72 | $10-75 | |
| **III** | **Comparables** |  | | | | | | |
| IIIa | Who are the comparable for your business? | Google maps, Trip advisor | Instagram, tiktok, travel influensers | | | Tripit. Hostelworld, expedia | Short-trip apps, Airbnb Experiences | |
| IIIb | What are the comparable products? | Travel guides itinerary planners | Social media travel reccomendations | | | Travel planning apps booking services | Short trip itinerary planners , experience booking platforms | |
| IIIc | What is the comparable converted to similar annualize revenue (Data Points 4 plus however many more you deem relevant) | $0-50 / user | $10-50/ user | | | $20-80 / user | $30-100 / user | |
| **IV** | **Interpreting the Results** | | | | | | | |
| IVa | Consensus on estimate of annualized revenue per end user (a range is fine) | $0 – 50 | $10-50 | | | $20-80 | $30-100 | |
|  | How did you end up at this number/range? | Basen on free tier services with optional upsells | Basen on moderate spending through social media and digital adds | | | Based on higher frequency usage and engagement on platforms | Based on highly targeted frequent short trips with high digital engagement | |

Now the final items beyond just a beachhead market TAM are the other dimensions that are important to provide more meaning to the overall number. A $10M beachhead market TAM that has 99% profitability where you can win 100% market share in less than a year, which also happens to be growing at 30% a year, is totally different than a $10M beachhead market TAM with 10% profitability where you will only get 10% market share after 3 years of effort and the market is shrinking each year.

This information should be collected and then added in to fill out the Top-Down TAM Analysis Summary below to give a robust sense of the economic attractiveness of market characteristics of the beachhead market.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Top-Down TAM Analysis Summary | | | | |
| 1 | Total # of end users in the broad market segment | 500M | Source/ Based on: | Global travel market data , online booking statistics |
| 2 | Total # of end users in the targeted sub-segment your BHM | 1.2M | Source/ Based on: | Segmentation narrowing to Millennial/Gen Z travelers (18-35), frequent short trips (3-7 days), heavy social media/app usage  Youth travel segment reports  Social media usage statistics  Market research from digital travel platforms |
| 3 | Annual monetizable revenue per end user | $30-100 | Source/ Based on: | Revenue through ads, affiliate marketing, optional premium upgrades  Comparable freemium short-trip travel apps |
| 4 | Estimate of Top-Down TAM (line 2 times line 3) | $36-120M | Source / Based on : | Multiplication of total users in beachhead market by expected annual revenue per user |
| 5 | Estimate of Range of Profitability for Your Product | 50-70% | Source/ Based on: | Digital platform model with high gross margins, scalability, and low marginal costs |
| 6 | Estimated CAGR (Compound Annual Growth Rate) | 25-35% | Source/ Based on: | Growth projections in youth travel segment  Increasing digital and social media engagement trends |
| 7 | Estimated Time to Achieve 20% Market Share | 2-3 years | Source/ Based on: | Adoption patterns from similar digital/social media-driven travel platforms  Strategic digital marketing and partnership opportunities |
| 8 | Anticipated Market Share Achieved if You are Reasonably Successful | 30-40% | Source/ Based on: | Competitive landscape analysis  Strong user engagement strategies and retention |
|  | What are the 3 top assumptions that could affect the attractiveness of the beachhead market for your product (besides the product itself)? | Adoption and Engagement Rate: Percentage of users actively engaging with digital platforms and willingness to convert to premium features or services.  Competitive Landscape: Ability to differentiate, innovate, and sustain a competitive advantage in an evolving market with numerous digital/social media-driven travel solutions.  Market and Economic Trends: Continued growth and stability of the global leisure travel market, especially among younger demographics, and sustained increases in digital media reliance and short-trip frequency. | | |
|  |  |  | | |

Based on this summary analysis, use the below checklist to assess whether your beachhead market is a good size:

|  |  |  |  |
| --- | --- | --- | --- |
| Checklist After TAM Analysis of Beachhead Market | | | |
|  |  | Yes | No |
| 1 | Is the market big enough to be interesting? | ✔ |  |
| 2 | Is it reasonable in size for us to achieve meaningful word of mouth, meaning it is not too big? | ✔ |  |
| 3 | Is it possible to get to cash flow positive in this market in a reasonable period of time (typically 3 years but it might be shorter or longer depending on the industry)? Note: This question takes into consideration the extra 4 factors described above | ✔ |  |
| 4 | Do I still feel good about this beachhead market as our initial market? | ✔ |  |

If the answer to any of these is no, consider carefully before you move forward. Many of the high-profile entrepreneurs who have access to significant investment capital, or have a very strong personal balance sheet themselves, can ignore #3, but I would advise you to not ignore this question otherwise. It might be the second most important question for your survival. The most important question is the last one, because if you don’t feel good about this market, you need to figure out why.

## ADVANCED TOPICS: BOTTOM-UP TAM ANALYSIS

As mentioned, a bottom-up analysis is extremely powerful and gives you invaluable insights that are not generally possible through secondary research. Bottom-up analysis is also very time-consuming and difficult to get information for. If you are unsure about your market or your commitment to this idea, skip this part and come back later when you are more confident about your beachhead market and have a deeper understanding of the market. Most plans rely on top-down analysis, and while I think it’s insufficient, it is the reality that bottom-up analysis is much, much harder to do.

The below worksheet uses a concept called “end user density” which allows you to complete a bottom-up analysis without the need to identify every single end user in a market, since that process can be prohibitively expensive in terms of time consumed.

To calculate end user density, you’ll first need some way to divide up the market into countable units. For instance, in the SensAble example in *Disciplined Entrepreneurship*, we sold to companies that employed industrial designers, and they defined their countable entity as overall number of employees. Their resulting “designer density” for their market was expressed as the number of designers per thousand employees.

For a consumer product, your countable unit could be population, a specific socioeconomic segment of the population, the number of people who own another product, etc. For businesses it may be number of employees, revenue, products released each year, number of customers that company has, etc. These units depend on your situation. Clever choice of countable unit for density will give credibility to your TAM estimate, so spend some time to optimize your choice on this unit, understanding it is still an estimate.

Once you have defined your countable unit, go to three instances of this unit and “count noses,” determine exactly how many end users are within that countable unit. Also determine how many people overall are in that countable unit.

Then, for each instance, determine what the annualized revenue per end user is, based on the unique circumstances of each instance. Do not guess, ask the people from this instance of the countable unit!

### Bottom-Up TAM Analysis Worksheet

**What countable unit are you using for end user density? Millennial/Gen Z holidaymakers frequenting short leisure trips using digital platforms**

**What are three instances of this countable unit you will be using to “count noses”?**

**Social media travel communities**

**Short-trip booking platforms**

**Youth-focused travel events and festivals**

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| --- | --- | --- | --- |
|  | **Instance 1:**  **Social media travel communities** | **Instance 2:**  **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**  **Short-trip booking platforms** | **Instance 3:**  **Youth-focused travel events** |
| **Who did you speak to in order to gather this info?** | **Active community members, travel influencers** | **Platform analytics, users** | **Event attendees, organizers** |
| **# of end users** | **250** | **800** | **150** |
| **# of people in the countable unit** | **1000** | **4000** | **500** |
| **Density ratio (# end users / # people in countable unit)** | **25%** | **20%** | **30%** |
| **How representative of the whole market do you believe this instance is?** | **Highly representative** | **Moderately representative** | **Somewhat representative** |
| **In this instance, what is your estimate of the annualized revenue per end user?** | **50$** | **75$** | **65$** |

**Based on the above table, what is a reasonable estimate of the end user density?**

**(25% + 20% + 30%) / 3 ≈ 25%**

**What is a reasonable estimate of the annualized revenue per end user? Average of $50, $75, $65 ≈ $63**

**Based on the end user density, what is a reasonable estimate for the number of end users in the market? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_** **Total targeted population (1.2M) × 25% = 300,000**

**What is a reasonable estimate for the TAM (# end users multiplied by annualized revenue per end user)? \_\_**

**300,000 end users × $63 annual revenue per user = $18.9M**

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| --- | --- | --- | --- |
| Four additional factors to consider: | | | |
| Estimate of Range of Profitability for Your Product | 50-70% | Based on: | Cost structure analysis, scalability | |
| Estimated CAGR (Compound Annual Growth Rate) | 25-35% | Based on: | Growth in youth travel, digital engagement trends | |
| Estimated Time to Achieve 20% Market Share | 2-3 years | Based on: | Adoption curves, strategic marketing | |
| Anticipated Market Share Achieved if You are Reasonably Successful | 30-40% | Based on: | Competitive analysis, engagement strategies | |

**1. Comparing your top-down and bottom-up analyses, which do you believe has more credibility? Why?**

Bottom-up analysis has higher credibility due to direct market interaction and real-world data collection.

2. **If you blend the two estimations, what is your final TAM size? What factors would make the TAM lower than you calculated? What are the factors that would drive the TAM much higher?**

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Top-Down TAM: $36M–$120M (average ≈ $78M)

Bottom-Up TAM: $18.9M

Blended TAM Estimate ≈ ($78M + $18.9M) / 2 ≈ $48.45M

**Reducing factors: Slower user adoption, increased competition, economic fluctuations**

**Increasing factors: Accelerated digital adoption, stronger branding, viral marketing effects**