

## **Market Size Estimation of a Gig marketplace**

Market Size Estimation (US Market): I am performing market sizing by analyzing both demand and supply perspectives, ensuring calculation accuracy through cross-validation of these viewpoints.

### **Demand Perspective:**

No. of services/SME \* total no. of SMEs \* Average cost/service + No. of services/Individual \* total no. of individuals \* Average cost/service + No. of services/Enterprise \* total no. of enterprises \* Average cost/service = Takeaway market size of the professional gig marketplace.

Baseline assumptions:

- Population distribution of Customer: 85% SMEs, 17% individuals, and 3% large enterprises.
- Since Average order value is of \$75, individual ticket size would be \$70, \$20 and \$400 corresponding to SMEs, individuals and enterprises, respectively, as per the customer base distribution.

*Reverse Calculation ( $\$70 \times 0.85 + \$20 \times 0.17 + \$400 \times 0.03 \sim \$75$ , AOV)*

### **1. SME Segment:**

Total number of SMEs = 30 million

1.1 Average Services Per SME, considering the Web Development and Design as the majority of services being availed:

Using the weighted average calculation:

Weighted Average of Number of Services = (Web Development Weight \* No of total Services) + (Design Weight \* No. of total Services),

Assumptions:

Design requirement is four times more than the development requirements

Total number of services being availed by SMEs is 5 (Though, as reported Average order per customer (lifetime): 1.75)

Weighted Average =  $(0.15 * 5) + (0.6 * 5) = 3.75$  services per SME

1.2 Market Size Calculation for SMEs:

Average charge per gig = \$75

Market Size for SMEs = Total SMEs \* Average Services per SME \* Average Charge per Gig

Market Size for SMEs =  $30,000,000 * 3.75 * 70 = \$7.875$  billion

## **2. Individual Segment:**

For the individual segment, let's retain the assumptions from before:

### **2.1 Assumption for Individual Segment:**

Total individuals = 300 million

### **2.2 Market Size Calculation for Individuals:**

Market Size for Individuals = Total Individuals \* Average Services per Individual \* Average Charge per Gig

Assumptions: Average services per individual per year = 1/10 of the total services availed by the SMEs (assuming a more occasional need, and hence  $5 \times 1/10 = 0.5$ )

Weighted Count =  $(0.15 * 0.5) + (0.6 * 0.5) = 0.375$

Market Size for Individuals =  $300,000,000 * 0.375 * 20 = \$2.25$  billion

## **3. Enterprise Segment:**

Let's retain the assumptions for the enterprise segment from before:

### **3.1 Assumption for Enterprise Segment:**

Total number of enterprises = 20000

Average Services per Enterprise per year = Half of the total services availed by the SMEs (and hence  $5 \times 1/2 = 2.5$ , since they usually have a dedicated tech team)

Weighted Count =  $(0.15 * 2.5) + (0.6 * 2.5) = 1.875$

### **3.2 Market Size Calculation for Enterprises:**

Market Size for Enterprises = Total Enterprises \* Average Services per Enterprise \* Average Charge per Gig

Market Size for Enterprises =  $20000 * 1.875 * 400 = \$15$  million = \$.015 Billion

## **Total Market Size/Total Addressable Market:**

Total Market Size = Market Size for SMEs + Market Size for Individuals + Market Size for Enterprises

Total Market Size = \$7.875 billion + \$2.25 billion + \$.015 Billion ~ **\$10 billion.**

### Supply Perspective:

Market Size of the concerned Gig economy = Number of concerned freelancers (Software + Design professional) \* Number of Gigs completed by an average concerned freelancer in a Year \* Avg. Charge per gig

*A thing to note that number of Design professionals are 1.5x of Software professional and Design projects are 3 times with respect to the software development projects, and weights were taken accordingly*

#### 1. The number of concerned freelancers (Software + Design professional):

Number of concerned freelancers = Total freelancers \* Share of Software and design freelancers

Assumption: Total Freelancers = 10% of total workforce

Total Workforce:

India: 550 Mn

US: 150 Mn

Europe: 280 Mn

Canada: 20M

Therefore, Total Workforce = 1 Bn, and hence total freelancer (1 Bn x 10%) = 100 Mn

Now, Share of Software and design freelancers = Share of Professional Services \* (Sum of proportion of Graphic and Software Service provider) =  $0.12(0.2 + 0.3) = 0.06$  or 6%.

Assumption/References: 12% of the total freelances caters the professional services and 50% of the professional services comprises software and design professionals, 20% and 30%, respectively.

Therefore, Number of the concerned freelancers = 6 Mil. ( $100 * 0.06$ )

#### 2. Number of Gigs completed:

Number of gigs completed = 360 (i.e. Number of days in a year) / Avg gig delivery time (in days)

Average Gig delivery time = Weighted average of delivery time (Web development, Shopify store development, logo design, UX design) = 2 weeks = 15 days

Therefore, number of gigs completed by an average concerned freelancer = 24 gigs (360/15)

#### 3. Avg. Charge per gig

Avg. Charge per gig = \$75 (Given)

Thus, the **Total Market Size** =  $6 * 24 * 75 = \$10800$  Million = **\$10.8 Billion** (Cross reference done)

**Serviceable Addressable Market (SAM):**

For SAM, we'll apply penetration rates to the Total Addressable Market (TAM) based on the different customer segments (SMEs, individuals, enterprises).

Assumptions for Penetration Rates:

SMEs: 25%

Individuals: 20%

Enterprises: 15%

SAM for SMEs: TAM for SMEs \* Penetration Rate for SMEs

SAM SMEs = \$7.875 billion \* 0.25 = \$1.97125 billion

SAM for Individuals: TAM for Individuals \* Penetration Rate for Individuals

SAM Individuals = \$2.25 billion \* 0.20 = \$0.45 billion

SAM for Enterprises: TAM for Enterprises \* Penetration Rate for Enterprises

SAM Enterprises = \$0.015 billion \* 0.15 = \$0.00225 billion

Total SAM = SAM SMEs + SAM Individuals + SAM Enterprises

Total SAM = \$1.97125 billion + \$0.45 billion + \$0.00225 billion = \$2.421 billion

### **Serviceable Obtainable Market (SOM):**

SOM is a subset of SAM and considers factors like competition, market constraints, and other limitations.

Assumptions for SOM and the corresponding Market Capture Rates :

SMEs: 70% of SAM

Individuals: 60% of SAM

Enterprises: 20% of SAM

Calculations for SOM:

SOM for SMEs: SAM for SMEs \* Portion for SMEs

SOM SMEs = \$1.96875 billion \* 0.70 = \$1.378125 billion

SOM for Individuals: SAM for Individuals \* Portion for Individuals

SOM Individuals = \$0.45 billion \* 0.60 = \$0.27 billion

SOM for Enterprises: SAM for Enterprises \* Portion for Enterprises

SOM Enterprises = \$0.00225 billion \* 0.20 = \$0.00045 billion

Total SOM = SOM SMEs + SOM Individuals + SOM Enterprises

Total SOM = \$1.378125 billion + \$0.27 billion + \$0.00045 billion = \$1.648575 billion