

Market Sizing

For Startups



About Me

Current Roles

- Partner at CoVenture
- Investor-in-Residence at Cornell Tech
- Red Bear Angels

Prior Roles

- 10+ prior years in venture capital: 18 investments
 - Gotham Ventures
 - North Hill Ventures
- Sometimes angel investor: 12 investments



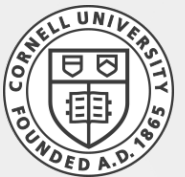
Investing Interests

Marketplaces, finance, education, clean web, health, future of work



Personal

- Grew up in Nebraska
- Cornell, Wharton
- Boston sports



LendKey



singleplatform

SAILTHRU



placemeter



COVENTURE 2



COVENTURE

My Day Job: CoVenture

- Seed and pre-seed investments
- Founded 2013
- 30 investments and counting
- Software + capital
 - ~\$25k cash investments
 - Web and mobile design and development
- Team: NYC (8), Ottawa (2) and Lahore (40)
- Sectors: education, finance, health, commerce
- Criteria
 - Founder-market fit
 - Venture scale

**GOOD
NCLE**

ExecThread

kidpass



COUNSELYTICS



How I Can Help

Idea Evaluation

- Considerations
- Market sizing

Team Issues

- Cofounder responsibilities and equity
- Hiring plans

Strategy

- What to build
- What business model(s) to pursue
- Go-to-market

Service Providers

- When to get help
- Recommendations for lawyers, accountants, designers

Financial Projections

- How to develop initial projections
- Reactions and feedback

Fundraising

- Materials
- Process
- Pitch practice
- Opinions

Why Market Size Matters

1. Impact
2. Financing strategy
3. Future studio work

What Is Market Size?

**Total Addressable Market =
the revenue your business would generate with 100% market share**

Calculating TAM

Top-Down

- Start with available estimates of relevant existing market(s) that subsume your Addressable Market
- Make assumptions about the portion of the existing market(s) that might be addressable to estimate TAM
- Examples: assume a % of mobile app purchases or of IT spend

Bottom-Up

- Estimate the potential total number of unit sales per year
- Estimate the sale price
- Multiply units by sale price to derive market size

Calculating TAM: Bottom-up

$TAM = \text{units sold} \times \text{price per unit}$

$= \text{buyers} \times \text{units per buyer} \times \text{price per unit}$

Ice Cream Example

- Entire market for ice cream is 10 people
- There are only 3 flavors of ice cream: strawberry, mint, or Rocky Road(with nuts)
- Each person likes only one flavor
- Each person eats 1 cone/mo
- The cost of ice cream is \$5 per cone

Ice Cream Example



Unicornucopia Example

- “an app that lets your phone connect to more than one pair of headphones. aimed at groups of people who want to listen to music in public without annoying others”
- Work with partner to estimate market size

Resources

- [Thatcher Bell](#)
- [Mark Davis](#)
- [Steve Blank](#)
- [OpenView Labs](#)
- [MaRS](#)



Thank You

Office hours

Email with agenda topics to:
thatcher.bell@gmail.com

The Magic Number

20x	Multiple that a professional early-stage investor demands
x \$20M	Assumed valuation basis
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\$400M	Required minimum valuation at exit
÷ 5-10	Trailing price-to-sales ratio
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\$40-80M	Required revenue at exit
5-10%	Realistic market share in ~5 years
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\$400M-\$1.6B	Minimum TAM

The above analysis leads most professional investors to demand a
\$1B+ TAM