

TAM SAM SOM Model

The two articles on the TAM, SAM and SOM model are somewhat contrasting opinions on the benefits and flaws of looking at a business from the perspective of market size. While de Backer explains what TAM, SAM, SOM and earlyvangelists are all about and how businesses can use this information to best identify the right people to target when entering into an existing market to create your own niche and space, Bill Reichert argues that these days companies use this model as nothing more than a means to present their lies and entrepreneurs are using it as an excuse to enter into market that already have many players and a huge customer base rather than being innovative and trying to create a new market altogether where loyal customers can be generated rather than acquired.

When looking at the two points of view I also find similarities where de Backer talks about the Value Theory Approach to find the market size for totally new markets and this is the same thing that Reichert focusses on. From the perspective of our business I agree partially with both of them. I believe that an analysis of the existing market is useful for knowing the total number of customers that can be served in a particular sector and thus helps us identify how much investment into the product would justify the value. While our idea of a navigation system in existing shops serves existing customers of retail stores, in my opinion, I feel we are avoiding doing something that Reichert warns us about in his article. Through our customer interviews we identified that there are not many companies that track the movement patterns of their customers in their shops. In fact, companies like DMart completely focus on pricing strategy to acquire and retain customers. In such a scenario, I feel that our solution opens up new avenues for medium to large sized retail stores to identify other pain points of the customers that are not just related to pricing.

However, even while addressing this completely new market we need to identify the number of people who prefer to go to stores (as online shopping is on the rise) to purchase, how many people find it tedious and whether businesses find this a big enough pain point to invest in our solution. The TAM, SAM and SOM model can help us understand these parameters to test the viability (survivability) and desirability of our product before we dive further into development.