Wilfrid Laurier University

**Technology Entrepreneurship**

Selecting a Demographic and End Users

Mike Sadowski

CP-601-OC1: Sem in Tech Entrepreneurship

Nur Kurak

October 6th, 2021

A business’ success is a direct result of the combination of its profits and ability for the products or services to reach the end users. Choosing the right demographic for your product or service is crucial for the longevity of your business as this group of people is what will keep the business alive. Your business needs to be built around this demographic as this is the primary customer you will be serving (Aulet B, 2013, p. 52).

Before simply pushing a product or service into the market, you need to understand what needs it is fulfilling or what problems it is solving for the end users. Unless a product/service meets a consumer’s needs or there is a clear incentive over other competing products such as price or quality, nobody is going to buy it. To establish a need for a product, you need to understand your demographic and by extension, your end user.

Total addressable market size (TAM) is the specific portion of the population you are trying to reach with your product/service. It is impossible to make a product that everybody needs, so you should narrow down the size of your target market. This could be elderly people, women, men, or children as a general example.

After determining your addressable market, you need to further narrow down who you are specifically targeting to use your product. This is known as segmenting the addressable market (SAM). This is the section of the addressable market or the specific people you are aiming at targeting with your product or service. You need to understand what type of person your product or service is intended for. If, for example, your target audience is elderly people, what need are you fulfilling for them? Is it a delivery service? Is it a product that makes performing a task easier for them? The types of people and their different situations (medical, financial, etc.) decide which specific demographic or the SAM your product will be useful for. As a result, by asking yourself questions like these and analyzing distinctive characteristics, you can slowly form the SAM for your business. This does not necessarily describe your end user perfectly, but it narrows down the consumers of your product or service.

Finally, building the end user profile is not always this easy. There are many characteristics of people you need to think about: age range, income, interests, geographic location, fears, hobbies, lifestyle, these are just a few of the traits and attributes you need to consider. The goal of building an end user profile is “to create a description of a narrowly defined subset of users with similar characteristics and needs” (Aulet B, 2013, p. 52).

As stated earlier, the success of a business boils down to the ability for the products or services to reach the end users. The way to do this is not to reach as many people as possible but to gear your business to serve the right customers for your product. Using techniques such as calculating the TAM/SAM of your demographic can only be done if your product serves a specific purpose to fill a void for consumers. A service such as an art sharing service would help connect artists and their work to people all around the world. Artists could upload photos of their creations to the service and users could view them for free or purchase artwork using their computer or phones/tablet. This would help artists share their art and allow them to make a living from their work. In addition to helping artists, it allows other users of the service to find and purchase artwork for their own use.

Since this service is online (accessed through the internet), the service would be open to everybody with an internet connection and a computer/mobile device. According to Statista, this is about 59.5% of the population (Johnson J, 2021), which is 4.66 billion people. The 4.66 billion figure is the TAM.

Women make up about 48% of the artists worldwide (National Endowment for the Arts, 2005), so gender-wise the split is about even between men and women who would be uploading their work. There are about 1.4 million professional artists (National Endowment for the Arts, 2005) working in the world, but this is a poor representation of the demographic. There are many artists out there who do it as a hobby or are not labelled as professionals. This service would be geared towards them as well. Depending on the subjective definition of artist, this number of people could be infinite. For simplicity, we will say that 25% of the 4.66 billion figure (1 in 4 people) has the potential to create and upload their artwork to the service (there are too many variables to work out, this number would be inaccurate no matter it is calculated). We will use the figure 1.17 billion to represent the artists/creators.

According to Statista, 67% of people bought art online in 2020 (Statista Research Department, 2020). Women are more likely to purchase art/decorations for their home and make up about 49.6% of the population. 49.6% of 4.66 billion is 2.31 billion women. If we take 67% of 2.31 billion, we get 1.55 billion buyers of art. This is a very rough number as its excluding men completely, and not every woman is going to buy art. If we add 1.55 billion and 1.17 billion, we get 2.72 billion users of the service (buyers and creators together). This is a very rough estimate of the potential SAM of this service.

There are many more characteristics to consider when calculating the SAM than the ones used above, although that gives a general idea of how many users a service such as this would attract. The end user’s age, income, motivations, interests, reasons for using the service/reason for purchasing artwork all need to be considered as well. Factoring in these variables and statistics will drastically change the SAM as it narrows down the profile of the end user that would benefit from the service the most.

The profile of the end user will not change much if at all over the passage of time. Historically, the types of people creating and buying art have not changed much. Women have always been the primary buyers and the primary focus for artwork has always been collections or home décor. The only variable that could change the profile slightly is the technology factor. The way people access the service might change, it might become easier or more difficult to access the service as time goes on. It is hard to say exactly what will happen as technology is changing day to day. The number of people with access to the internet could change, the number of people with cell phones might change as well. There are so many factors that go beyond the person themselves that could impact the end user profile that it is evident that the profile will change in some fashion in the future.

The profile of the end user is a key factor to consider when pushing a service such as the one described into the market. Targeting a specific demographic is important for any business to survive overall, but it is important to note that the end user profile for the business today may change tomorrow. Therefore, the field of entrepreneurship is thriving as people’s needs are ever changing and businesses are trying to capitalize on the growing and changing needs of the world.

References:

1. Aulet, B. (2013). *Disciplined entrepreneurship: 24 steps to a successful startup*. Hoboken, New Jersey: John Wiley & Sons, Inc.
2. Johnson, J. (2021, September 10). *Internet users in the world 2021*. Statista. Retrieved September 29, 2021, from <https://www.statista.com/statistics/617136/digital-population-worldwide/>.
3. National Endowment for the Arts, Research Note #9, Changing Proportions of Men and Women in the Artists Occupations: 1970-1980, March 1985; and Research Note #10, Artists’ Real Earnings Decline 37% in the 1970s, March 1985.
4. National Endowment for the Arts. (n.d.). *Artists in the Workforce 1990–2005*. Washington, DC; National Endowment for the Arts from <https://www.arts.gov/sites/default/files/ArtistsInWorkforce_ExecSum.pdf>
5. Published by Statista Research Department, & 18, M. (2021, May 18). *Share of online art buyers 2020*. Statista. Retrieved September 29, 2021, from <https://www.statista.com/statistics/273204/art-buyers-who-have-bought-art-online-2013/>.
6. Hannah Ritchie and Max Roser (2019) - "Gender Ratio". Published online at OurWorldInData.org. Retrieved from: 'https://ourworldindata.org/gender-ratio'

Other:

1. <https://www.quora.com/What-is-the-difference-between-Market-Size-and-Total-Addressable-Market-TAM-Or-are-they-same>