

Business plan

Market analysis.

2S . Ana Daniel | anadaniel@ua.pt | 2019-20

Agenda.

- Introduction
- Market analysis: methods and tools for determining market size
- Practical Examples

Market Analysis

Current and future development of the sector/segment (quantitative and qualitative assessment)

Market size & market development

Current and future development of the sector.

Customer Profile & target market

Segment/Customer profile.

Competitors Analysis

Current market position of 3-5 most important competitors

Important elements

- Size (turnover) of the sector
- Growth rate of the sector
- Economic development and its trends
- Technology development
- Relevant political, social, legal and environmental factors (PEST analysis)

Important elements

- Client Profile (segmentation)
- Jobs to get done/Gains/Pains
- Size of the target market

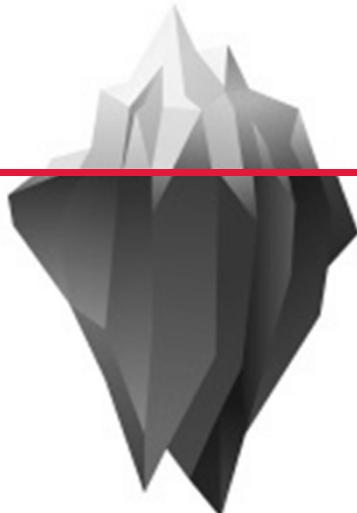
Important elements

- Competitors' products/services description
- Benchmarking
- Competitors' strategies and practices (distribution channels, price formation, advertising, service)
- Competitive intensity (5 Forces)

How do we know the market?

We need to gather information

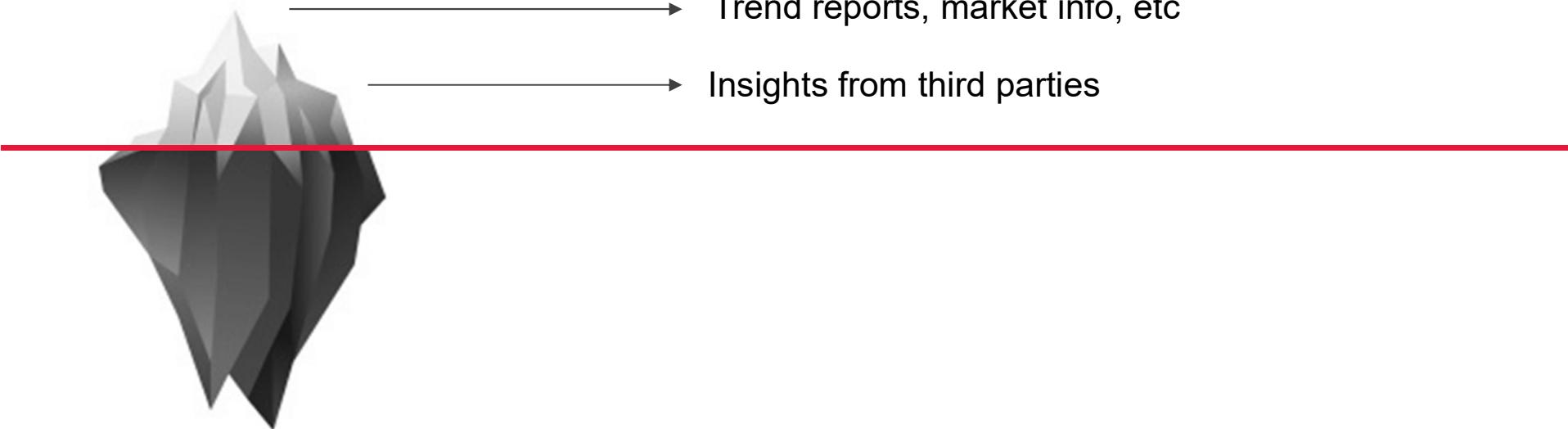
Visible and publicly available information



'Invisible' and hidden information

How do we know the market?

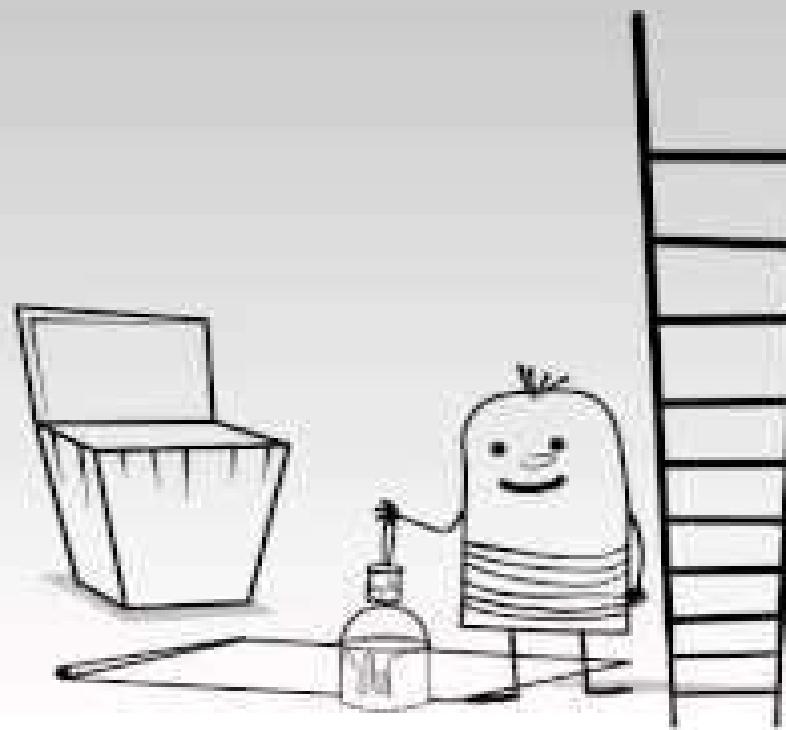
- i. Identify stakeholders/customers involved.
- ii. For each stakeholder/customer-segment, understand their main needs/pains.
- iii. Look for “deep” and “unrevealed” reasons.



How do we know the market?

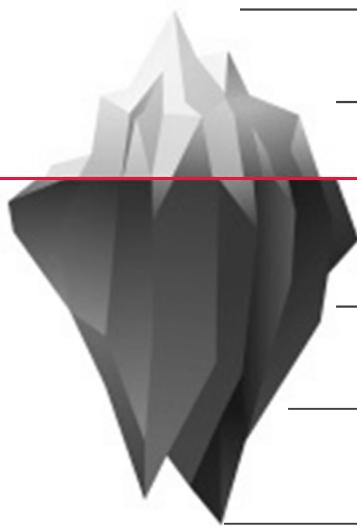
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<https://www.youtube.com/watch?v=VmVmhCx0yM8>

Information Sources



→ Trend reports, market info, etc

**Secondary
Data**

→ Insights from third parties

→ What customers/stakeholders say exactly

**Primary
Data**

→ What you observe

→ **Customer insights**

Types of Data

Primary Data: original data collected from the field and under the control and supervision of the researcher.

Secondary Data: data gathered and recorded by someone else in a different context and with a different purpose.

Types of Data - Information Sources

Secondary sources

Acquisition, categorization and evaluation of the available information (internal and external sources)

Advantages:

- Quick and at low cost
- Avoid double collections

Disadvantages :

- Frequently not up-to-date
- Do not match with the information needs

Primary sources

Satisfaction of the information need by the realization of own researches (quantitative and qualitative data)

Advantages :

- Authentic data acquisition for a proper research

Disadvantages :

- Expensive in time and costs

Market Size and Market development



Source: <https://www.hotjar.com/blog/market-research/>

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Market size



TAM refers to the **total demand for a product or service** that is calculated in annual revenue.
#unique

SAM stands for Serviceable Available Market, and it is the target addressable market **that is served by a company's products or services**.
#growth

SOM, on the other hand, is an acronym for Serviceable Obtainable Market, which is the percentage of **SAM that is realistically achieved by a certain company**.
#start

Source: Helen Ewing (2016)

Sources of Secondary Information

- **Institutions**

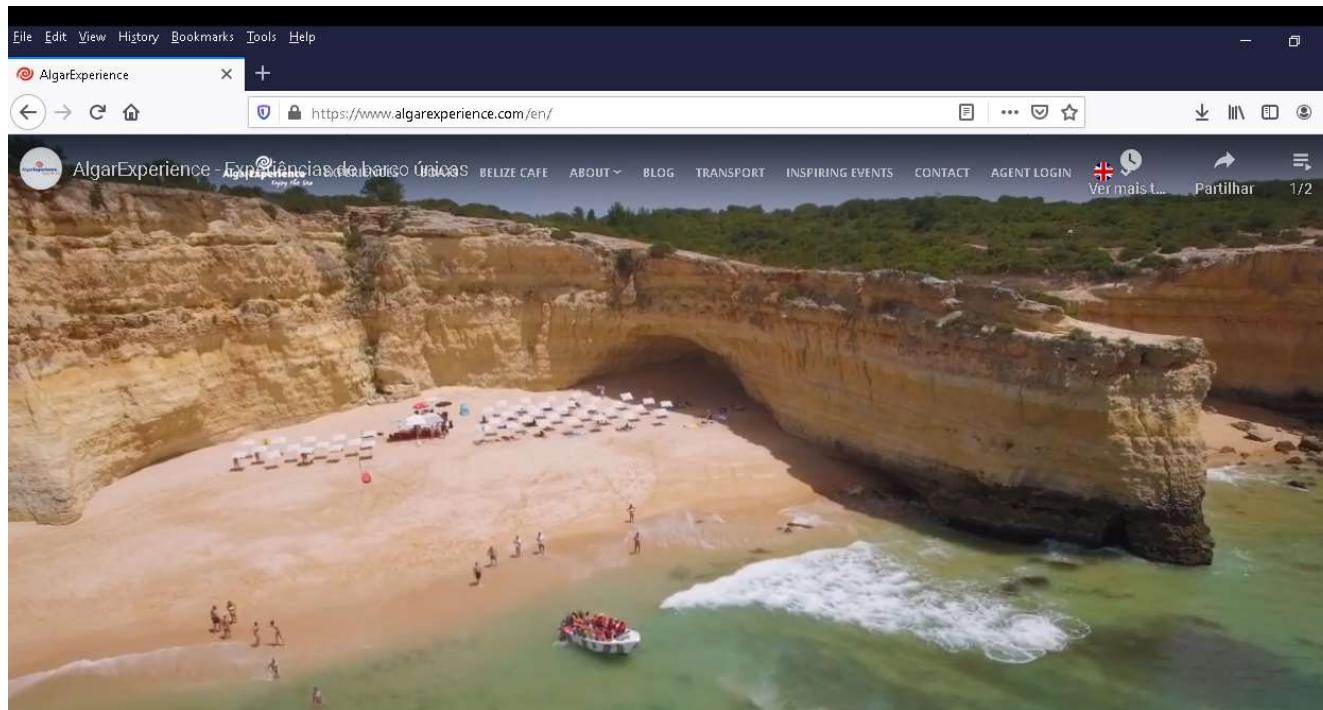
- Economic Institutions in the own country and in the target country
- Chambers of commerce and exporters, embassies
- Market research institutions (e.g. Frost & Sullivan)
- International organizations (World Bank Group, OECD, EU, FMI, international banks and the like)

- **Publications**

- Specialized magazines and economic journals
- Firm reports, price lists and catalogs (e.g. from competitors)
- Catalogs of fairs and expositions
- Directories
- Specialized scientific programs

Market size: EXERCISE

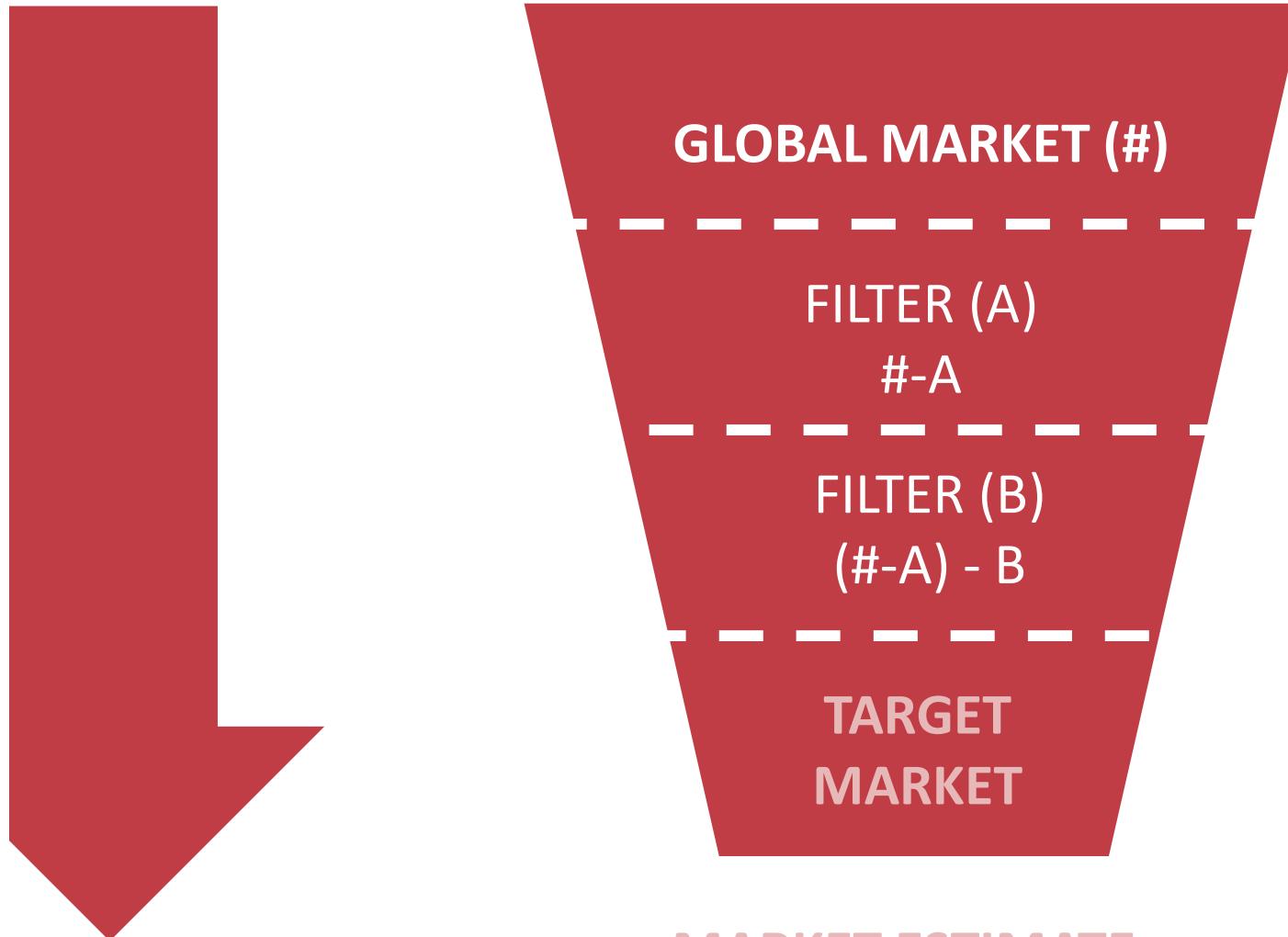
Let's look at the **Portuguese tourism industry.**
Booking platform for boat tours



Market size

How to calculate TAM?

Top Down Approach



MARKET ESTIMATE

Market size

How to calculate TAM?

Example

Portugal = 500 M€ in sea tourism activities

500 M€

Boat tours = 15% sea tourism activities

X 15%

(500000000X15/100)

20% make reservation with APP's

X 20%

(75000000x20/100)

10% will choose my APP

X 10%

(15000000x10/100)

= €1,5M

MARKET ESTIMATE

Market size

How to calculate TAM?

Bottom Up Approach

Example

50€

4px5toursx6days

More 5 tours x 48w

= €1.440.000M

CAN WE SERVE THE TARGET
MARKET?

MARKET ESTIMATE

MARKET SIZE
CASE: AIRBNB

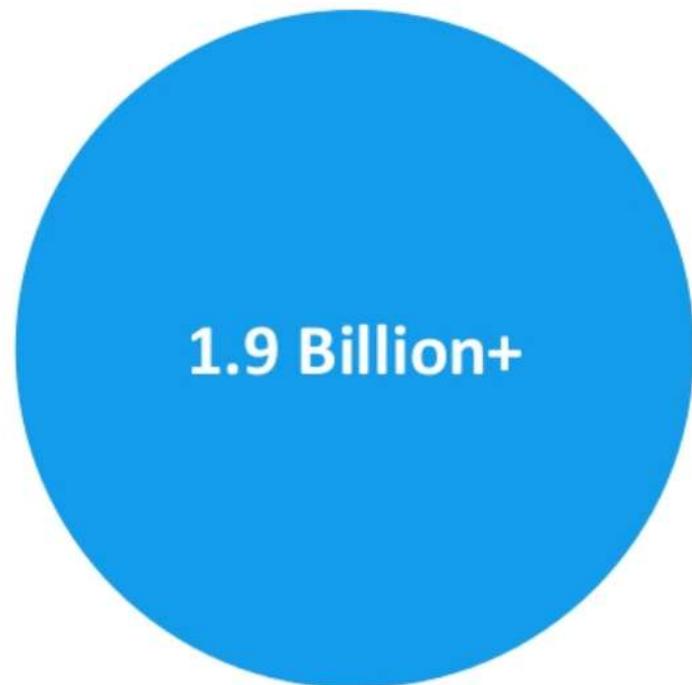
AirBed&Breakfast

Book rooms with locals, rather than hotels.

MARKET SIZE CASE: AIRBNB

5

Market Size



TRIPS BOOKED (WORLDWIDE)
Total Available Market



BUDGET & ONLINE TRIPS
Serviceable Available Market



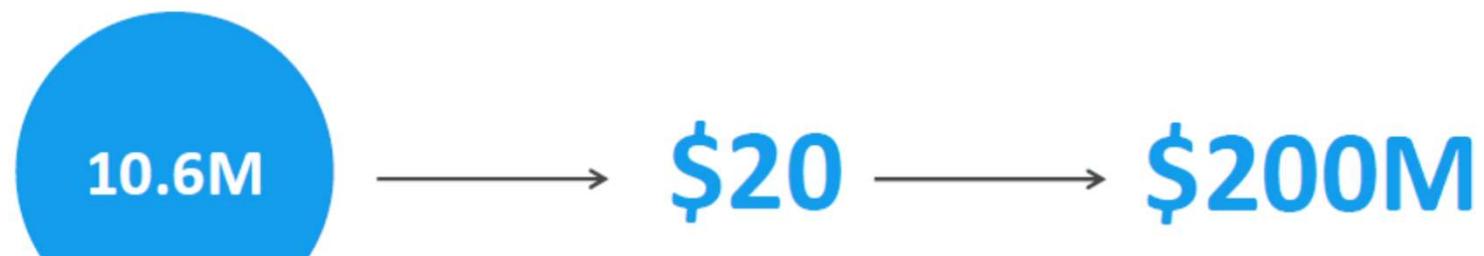
TRIPS W/AB&B
Market Share

Source: https://www.slideshare.net/PitchDeckCoach/airbnb-first-pitch-deck-editable?from_action=save

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MARKET SIZE CASE: AIRBNB

We take a 10% commission on each transaction.



TRIPS W/AB&B
Share of Market

AVG FEE
\$70/night @ 3 nights

REVENUE
2008-2011

Market Growth rate

Market size	Growth rate
<ul style="list-style-type: none">• Determine market size through credible sources• Calculate how much revenue the market made• Calculate your potential revenues	<ul style="list-style-type: none">• Look for projections for the sector growth rate• Account for organic growth or decline in the years ahead• Include the growth in terms of sales and geographic over time

Adapted from: <https://www.forbes.com/sites/alejandroremades/2018/09/23/how-to-effectively-determine-your-market-size/#37c34e3a13d8> 21

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Summary

- Knowing your market is critical in launching any new company;
- One can use both top-down and bottom-up approaches to determine market segment;
- Market estimates should represent what your company can realistically expect to achieve in the target market.

**Thank you
for your attention!**

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