

# Business plan

# Market analysis.

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# 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.

#### 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)

### Customer Profile & target market

Segment/Customer profile.

#### Important elements

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

### Competitors Analysis

Current market position of 3-5 most important competitors

#### 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?

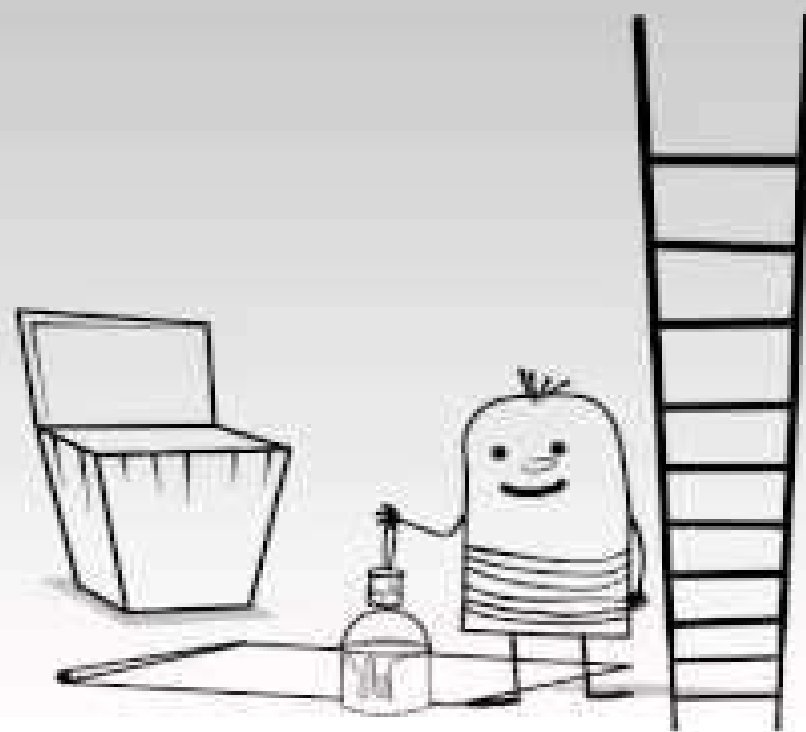
- i. Identify stakeholders/customers involved.
- ii. For each stakeholder/customer-segment, understand their main needs/pains.
- iii. Look for “deep” and “unrevealed” reasons.



## How do we know the market?

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<https://www.youtube.com/watch?v=VmvMHCx0yM8>

## Information Sources



### 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 recorder 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**

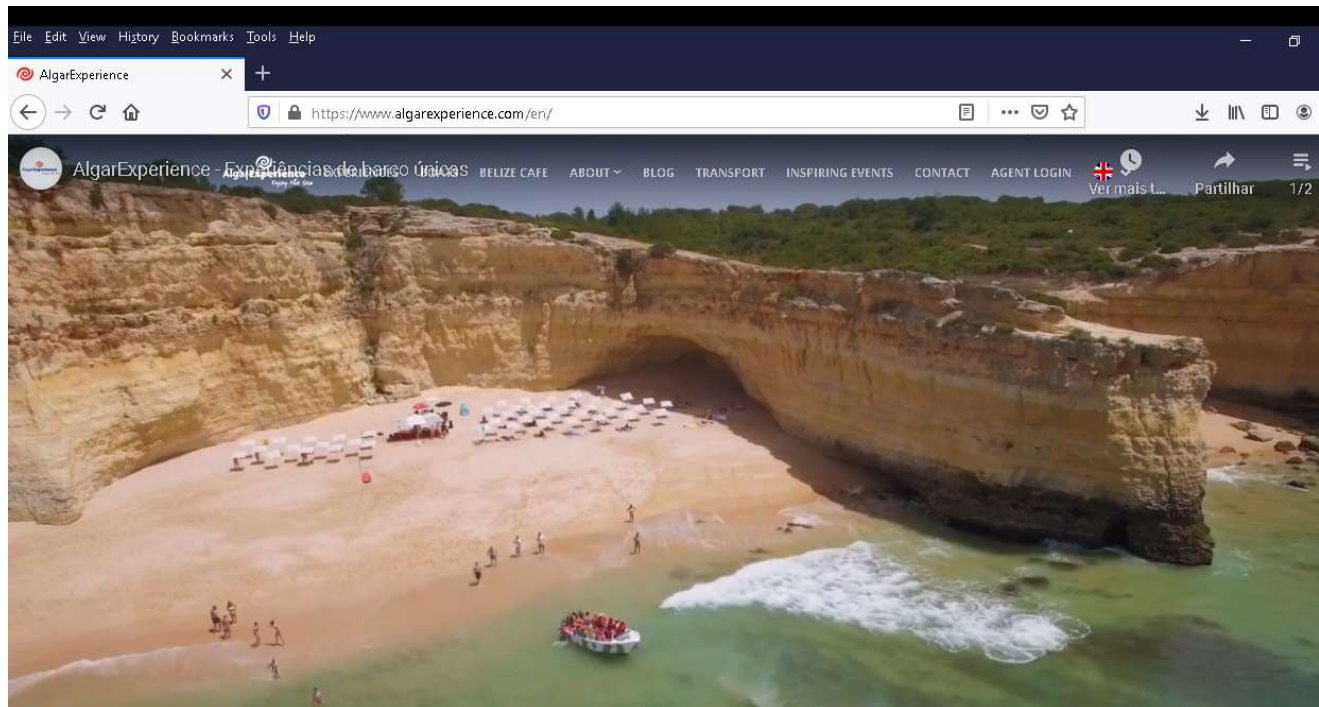
- Economic Institutions in the own country and in the target country
- Chambers of commerce and exporters, embassies
- Market research institutions (e.g. Frost & Sullivan)
- International organizations (World Bank Group, OECD, EU, FMI, international banks and the like)

- **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

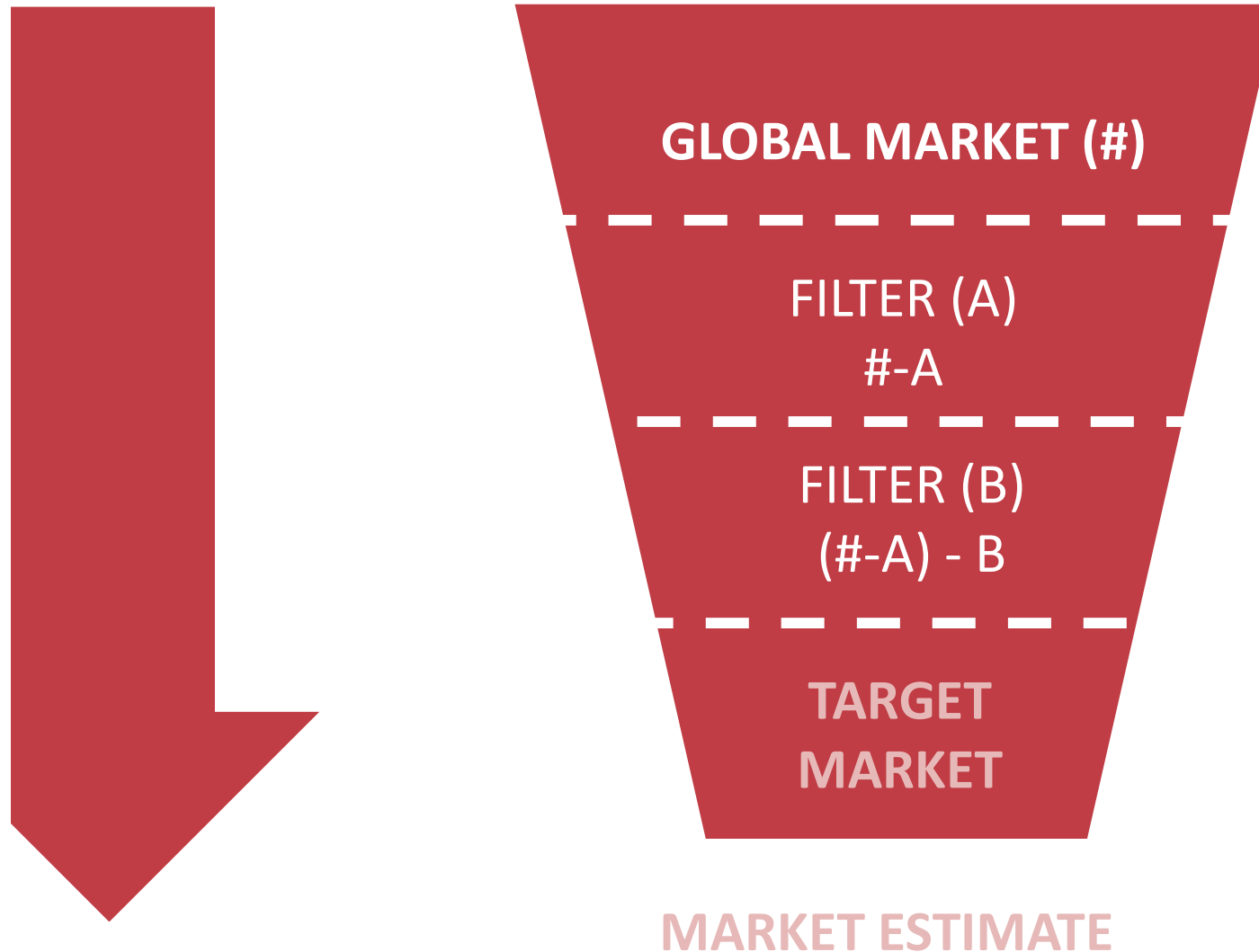
Let's look at the **Portuguese tourism industry**.  
Booking platform for boat tours



## Market size

How to calculate TAM?

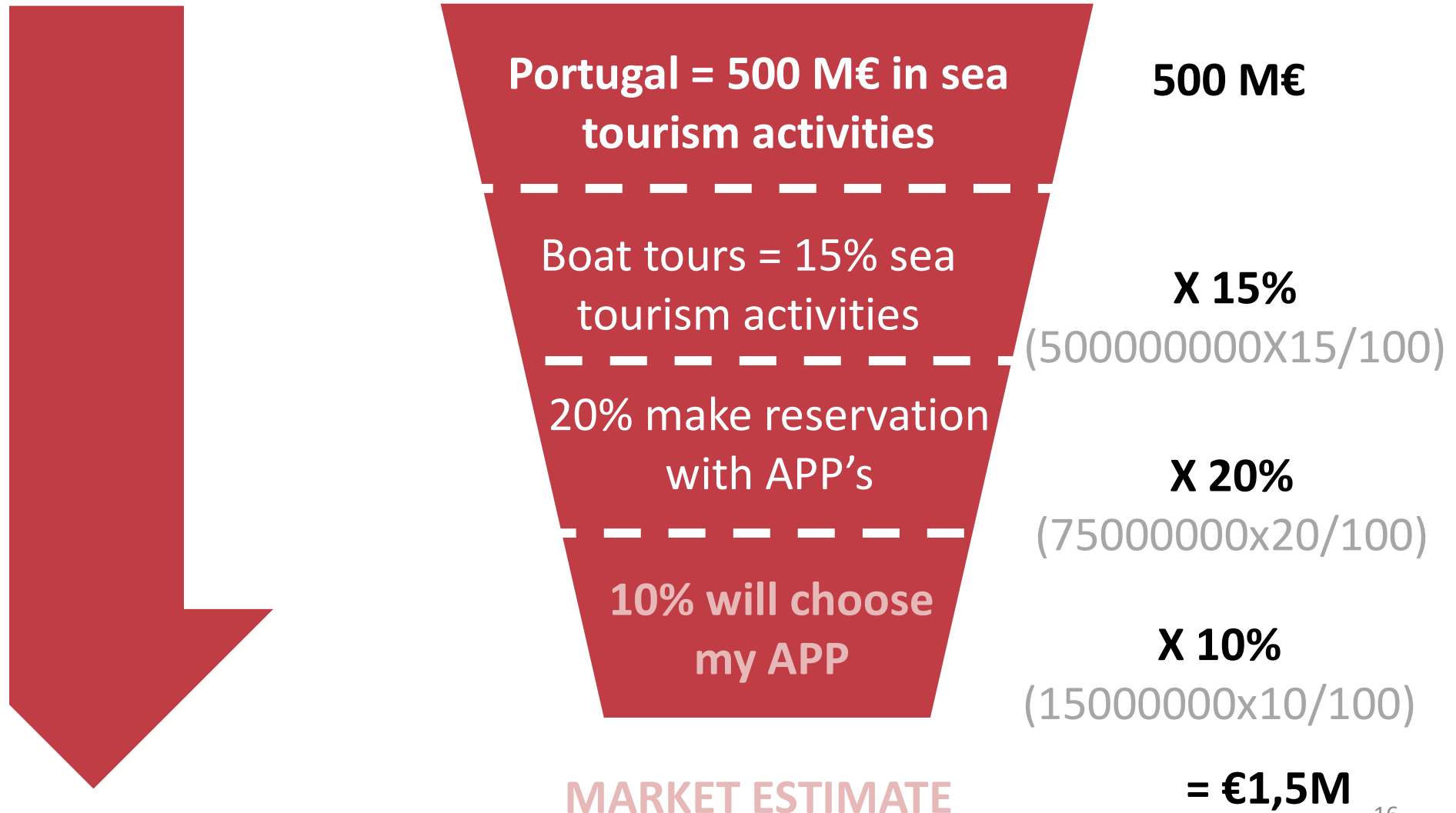
### Top Down Approach



## Market size

How to calculate TAM?

Example





## Market size

How to calculate TAM?

### Bottom Up Approach

Example

Price per client

**50€**

Number of services  
(boat tours) day/weeks

**4px5toursx6days**

With better conditions  
(growth)

**More 5 tours x 48w**

**CAN WE SERVE THE TARGET  
MARKET?**

**= €1.440.000M**

**MARKET ESTIMATE**

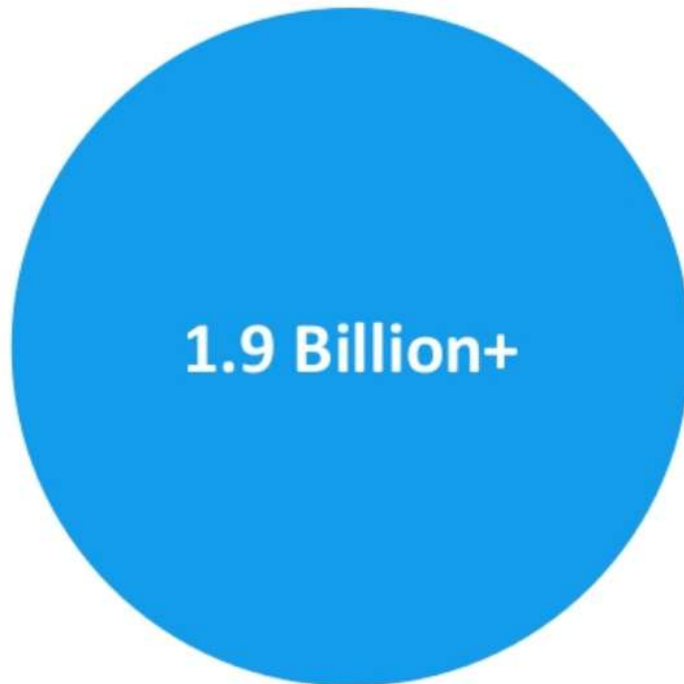
# AirBed&Breakfast

Book rooms with locals, rather than hotels.

**MARKET SIZE**  
**CASE: AIRBNB**

## Market Size

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**TRIPS BOOKED (WORDLWIDE)**  
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](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.



# Market Growth rate

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



# 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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