



# IgniteX CONCEPT BOOKLET

## Module 6

### Lesson 2: Estimate Opportunity Size

#### Context:

**Estimating Opportunity (market) size** is almost the *first critical milestone* in defining a **'potentially viable venture idea'**. It gives a sense of whether the opportunity is worth pursuing...you addressed this aspect early in the process when you evaluated if the problem is likely to have large enough customers. This step takes it to the next level of sizing where you look to see what your operating markets could be – starting from the location you are in, beyond it nationally and internationally. This enables you to project if you will be able to grow the venture to a size that is desirable a) to build a viable profitable venture b) to be able to interest venture fund backing for your venture idea.

Given that each venture is unique to its founders' aspirations & vision, it is important to purposefully consider if the **market opportunity** aligns

with your and your team’s aspirations and whether it excites you to put your full energy behind it.

# Program overview, & your **Venture Journey** over 14 weeks

<b>1. Problem Identification</b>	<b>2. Customer Identification &amp; Needs Validation</b>	<b>3. Solution Idea Generation</b>
Week 1	Weeks 2-3	Week 4
<ul style="list-style-type: none"> <li>■ Orientation</li> <li>■ Develop Macro Industry-Problem view</li> <li>■ Discover ‘Real World’ Problems</li> <li>■ Analyze Problems</li> </ul>	<ul style="list-style-type: none"> <li>■ Identify customer segments</li> <li>■ Outline ‘jobs-to-be-done’</li> <li>■ Develop Initial Customer Personas</li> <li>■ Understand Customer Validation</li> <li>■ Validate Customer-Problem fit</li> <li>■ Refine Customer Personas &amp; Problem</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Ideation techniques</li> <li>■ Generate Solution Idea</li> <li>■ Map Solution-Problem fitment</li> </ul>
<b>4. Opportunity &amp; Competition Mapping</b>	<b>5. Prototype Development &amp; MVP</b>	<b>6. Opportunity Feasibility Assessment &amp; Sizing</b>
Week 5	Week 6	Week 7
<ul style="list-style-type: none"> <li>■ Identify &amp; map Global competitors</li> <li>■ Review Industry Trends</li> <li>■ Size the Market</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Prototypes &amp; MVP</li> <li>■ Build a Prototype</li> <li>■ Use Prototype for early Validation</li> </ul>	<ul style="list-style-type: none"> <li>■ Determine your Relative Market Position</li> <li>■ Estimate Opportunity Size and its Scope</li> </ul>
<b>7. Business Modelling</b>	<b>8. Marketing &amp; Sales Strategy</b>	<b>9. Financial Management for Profitability</b>
Week 8	Week 9	Week 11
<ul style="list-style-type: none"> <li>■ Understand Revenue Model</li> <li>■ Understand Lean Canvas</li> <li>■ Build the LC for your Startup</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Marketing &amp; Sales</li> <li>■ Understand &amp; Define Go-To-Market (GTM) approach</li> <li>■ Understand Sales Process</li> </ul>	<ul style="list-style-type: none"> <li>■ Understand Startup Costs</li> <li>■ Understand Profitability</li> <li>■ Getting Started with Financial Planning</li> <li>■ Understand &amp; Explore Bootstrapping options</li> </ul>
<b>10. Team &amp; Talent Requirement</b>	<b>11. Orientation for Scale</b>	<b>12. Venture Idea Feasibility Presentation</b>
Week 12	Week 13	Week 14
<ul style="list-style-type: none"> <li>■ Building a Founding team (A Team)</li> <li>■ Founding team members (Co-Founders &amp; Mentors)</li> <li>■ Defining your Team Requirements</li> </ul>	<ul style="list-style-type: none"> <li>■ Thinking Beyond the Prototype - Scale Opportunity &amp; Orientation</li> <li>■ Getting Story Telling Right</li> <li>■ Pitch preparation</li> </ul>	<ul style="list-style-type: none"> <li>■ Practice Pitch</li> <li>■ Final Pitches</li> </ul>

## Concepts Covered in this Lesson

<b>A. Market Sizing:</b> <ul style="list-style-type: none"><li>• What is market sizing</li><li>• Why size the market?</li><li>• How to size the market – framework</li><li>• Benefits of market sizing in a business</li></ul>	<b>B. Estimate Market Size:</b> <ul style="list-style-type: none"><li>• How to size the market – approaches to take</li></ul>
<b>C. Assessing Market Opportunity based on size</b> <ul style="list-style-type: none"><li>• Making relevant business decisions</li></ul>	

### Review: Let's review our journey so far:

1. **What is the need that we are excited to address (problem identification):** This stage involved identifying pain points or unmet needs within a target market. It set the foundation for understanding the problem you aim to solve.
2. **Who has the need? (Customer Identification):** Once the need was identified, you understood the specific demographic or psychographic characteristics of the target audience who experience this need.
3. **How big is the need? (Customer Problem Validation):** Customer problem validation involved confirming the existence and extent of the identified need through customer interviews. It provided you with the initial validation that the problem was significant enough and 'many people' were seeking a solution. All good so far.

4. **Who are the other competitors who are addressing this need?** (Competition Analysis) and how the solution that you are crafting is going to be better than those available (Unique Value proposition) that makes your product or service attractive to your customers.

The natural next question becomes

5. **How big is the market? (Market Sizing):** How many approximately is 'many people'; close to your current location and beyond it at the national and perhaps even international level.

Market sizing therefore, **quantifies** the potential demand for the product or service within the identified market segment. It involves 'quantifying' the **potential (customer) demand** for a *product or service within a specific market segment or industry.*

It provides insights into the scale of opportunity and helps in making informed business decisions regarding resource allocation, target setting, and growth strategies.

To accurately estimate the opportunity size, it's essential to understand the *broader market dynamics, including industry trends, defining your target audience by demographics, and psychographics, and identifying their specific needs and pain points.* So **all the work that you did in the initial part** of this journey; **additionally**, a *comprehensive competitive landscape analysis, including key players, and market positioning, provides crucial insights.*

### **After completing this lesson, you will be able to:**

- Understand and apply the framework and approaches for estimating a market

- Estimate the opportunity size for your proposed venture idea or for any other venture idea/ product or service.

### Steps for you to take:

- Revisit, review your earlier estimates of TAM and revise it if needed
- Calculate SAM and SOM in a practical manner

### What is Market Sizing?

**Market sizing** refers to the process of estimating the potential demand for a *product or service* within a *specific market segment or industry*. It involves quantifying the size of the market in terms of **revenue that can be made, units sold, users engaged** or other relevant metrics that involves *engaging paying customers and or users/beneficiaries whom the product or service serves*.

### Why Size the Market?

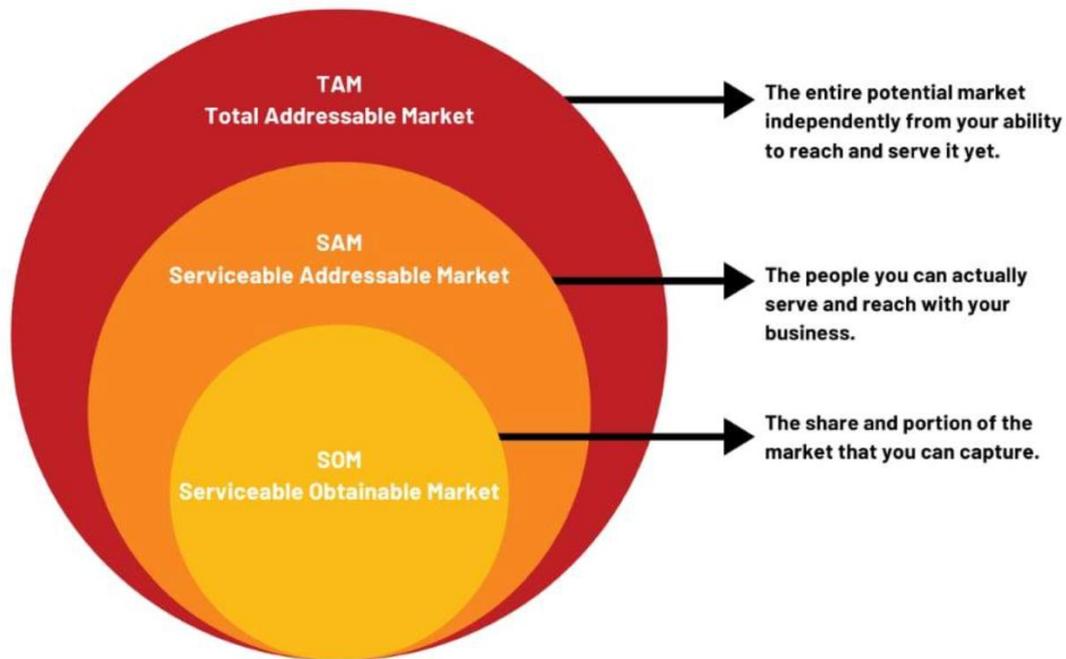
Market sizing helps businesses understand

- the scale of opportunity available
- assess the viability of entering or expanding within a market
- make informed decisions regarding resource allocation, target setting, and growth strategies.

This process typically involves data and information gathering on various factors such as demographics, and customer behaviour, to reviewing the competitive landscape, and data and trends regarding the relevant markets and industry.

## Framework to Size the Market:

### Understanding TAM, SAM and SOM



### Total Addressable Market (TAM)

TAM represents the total demand for a product or service within the entire market or industry. In simple terms it includes every individual that could be your potential customers (that is they would have the need that you are fulfilling) and includes both current and future demand.

**Example:** In India, the TAM for solar panels would encompass all potential customers across various segments, such as residential households, commercial buildings, industrial facilities, and government installations. This includes individuals looking to adopt solar energy for their homes or those that may benefit from adopting solar energy, businesses seeking to reduce energy costs, and government initiatives promoting renewable energy adoption nationwide.

## Serviceable Addressable Market (SAM)

SAM refers to **the portion of the TAM** that a company or product can *realistically target and serve based on its current and future resources, capabilities, strategies to maintain MOAT and market positioning.*

**Example:** If the solar panel company focuses its sales efforts on specific regions or states within India where solar energy adoption is high or where government subsidies are available, the SAM would represent the total demand for solar panels within those targeted regions. This could include as an example states like Gujarat, Rajasthan, and Karnataka, which have favourable policies and incentives for solar power generation.

## Serviceable Obtainable Market (SOM)

SOM represents **the portion of the SAM** that a company can realistically capture *within a defined time frame, considering factors such as competition, market saturation, and operational constraints.*

**Example:** For the solar panel company operating in India, the SOM would be the specific segment of the targeted regions' market that the company can realistically capture with its current distribution channels, marketing efforts, and production capacity. This might include residential areas with high electricity costs, commercial establishments with sustainability goals, and government projects focused on expanding renewable energy infrastructure.

So, TAM represents the total market demand for solar panels in India, SAM represents the portion of the market that the company can target and serve, and SOM represents the subset of the SAM that the company can realistically capture within its operational capacity. These concepts help the company identify and prioritize market opportunities to optimize its growth strategy in the Indian solar energy market.

## What are the benefits of Market Sizing?

Here are some reasons that every startup must estimate their market:

### 1. Strategic Planning and Goal Setting

- **Set Realistic Goals:** Market size data helps you set achievable sales targets and revenue goals. **For instance**, if you're launching a new electric scooter model in India, knowing the market size for electric two-wheelers will help you set realistic sales targets for the first year.
- **Identify Growth Opportunities:** By analyzing market trends and growth projections, you can identify potential areas for expansion. **For example**, if the market for organic food in India is projected to grow rapidly, you can explore opportunities to enter or expand your product line in this segment.
- **Prioritize Product Development:** Understanding the size and potential of different market segments can help you prioritize product development efforts. **For example**, If the market for affordable smartwatches is larger than that for premium ones in India, you may focus on developing a more budget-friendly model.

### 2. Business Planning

- **Financial Forecasting:** Market size data is essential for accurate financial forecasting and budgeting. **For example**, If you're a renewable energy company planning to install solar panels in rural areas of India, knowing the market size for this segment helps you estimate the potential demand for your product, project your revenue, and plan your expenses accordingly. This allows you to make informed financial decisions and secure funding from investors or financial institutions.

- **Sales Forecasting:** By understanding the size of your target market and the potential demand for your product or service, you can create realistic sales forecasts. **For instance**, if you're launching a new line of Ayurvedic skincare products in India, knowing the market size for natural and organic cosmetics helps you estimate how many units you can realistically sell in a given period, allowing for better inventory management and production planning.
- **Operational Planning:** Market size data can also guide your operational planning. If you're a logistics company expanding your services in India, understanding the market size for different types of shipments (e.g., e-commerce, pharmaceuticals) can help you determine the optimal fleet size, warehouse capacity, and staffing levels required to meet the demand.

### 3. Resource Allocation

- **Optimal Investment:** Market size data helps you decide where to invest your resources – be it marketing budget, research and development, or talent acquisition. **For example**, if the market for online education is booming in India, you might invest more in developing your online learning platform and marketing it aggressively.
- **Targeted Expansion:** Knowing the size of different regional markets can guide your expansion strategy. **For example**, if the market for your product is larger in South India than in North India, you might prioritize opening stores or distribution centers in the southern region.

### 4. Competitive Analysis

- **Benchmarking:** Market size data allows you to benchmark your performance against competitors. **For example**, if you're an e-

commerce platform in India, you can compare your market share with that of major players like Amazon and Flipkart. This helps you identify areas where you can improve and gain a competitive edge.

- **Identify Gaps in the Market:** By analyzing market size data, you can identify underserved segments or niche markets with untapped potential. **For instance**, if you notice a growing demand for vegan food options in India but limited supply, you can fill this gap by opening a vegan restaurant or launching a range of vegan products.

## 5. Pricing Strategy

- **Competitive Pricing:** Understanding the market size and competitor pricing allows you to set competitive prices for your products or services. **For instance**, if the market for budget smartphones in India is highly competitive, you need to ensure your pricing aligns with the market expectations to attract customers.
- **Premium Pricing:** If your product or service caters to a niche market with a smaller market size but high willingness to pay, you can adopt a premium pricing strategy. **For example**, luxury car brands in India often command premium prices due to the exclusivity and aspirational value they offer.

## 6. Marketing and Sales Strategy

- **Targeted Campaigns:** Market size data helps you tailor your marketing and sales campaigns to specific customer segments. **For example**, if you're selling baby products in India, you can use demographic data to target new parents with relevant ads and promotions.

- **Channel Optimization:** Understanding the market size for different distribution channels can help you optimize your sales approach. **For example**, if online sales are growing rapidly in India, you might invest more in e-commerce platforms and digital marketing.
- **Messaging and Positioning:** Knowing the needs and preferences of your target market based on market size data allows you to craft effective messaging and positioning. **For instance**, if you're targeting budget-conscious consumers, you can highlight the affordability of your products in your marketing communication.

## 7. Risk Management

- **Mitigate Risks:** By understanding the market size and competitive landscape, you can anticipate potential challenges and mitigate risks. **For example**, if the market for a particular product is saturated, you might explore adjacent markets or consider diversifying your product portfolio.
- **Evaluate Opportunities:** Market size data can also help you evaluate new opportunities and make informed decisions about entering new markets or launching new products. If you see a growing market segment with limited competition, it might be a good opportunity to expand your business.

## 8. Investor Pitching

- **Show Market Potential:** Investors want big returns. Strong market size data proves your target market is large and growing. **Example:** If you're a fintech startup, highlight India's rising smartphone use and digital payments adoption.
- **Validate Your Model:** Market size data backs up your revenue and future growth projections, showing investors a clear path to profit. **Example:** An online fitness platform can estimate

potential subscribers and project revenue from different subscription tiers.

- **Build Confidence:** Knowing your market demonstrates preparedness and expertise. **Example:** Agritech startups should showcase their understanding of India's agricultural landscape and farmer needs.
- **Address Concerns:** Investors will question market potential. Be ready with data and insights to address those concerns. **Example:** Show untapped potential in e-commerce niches to ease competition worries.

## Call-To-Action

1. **Go to the Venture Activity on the platform:** Log in using your credentials and navigate to the TAM, SAM, and SOM calculation sections.
2. **Review TAM Calculation:** Review the Total Addressable Market (TAM) calculation performed in the earlier session. Ensure that you have accurate TAM figures ready for reference.
3. **Understand SAM and SOM:** Familiarize yourself with the concepts of Serviceable Addressable Market (SAM) and Share of Market (SOM). SAM represents the portion of the TAM that your business can realistically target, while SOM represents the portion of the SAM that your business aims to capture.
4. **Follow Guidelines:** Follow the guidelines provided in the Venture Activity to calculate the SAM and SOM for your proposed solution. Pay close attention to the instructions and ensure accuracy in your calculations.
5. **Complete your Venture Activity:** Once you have completed the calculations, enter the SAM and SOM figures into the designated fields in the Venture Activity. Double-check your entries for accuracy before submission.