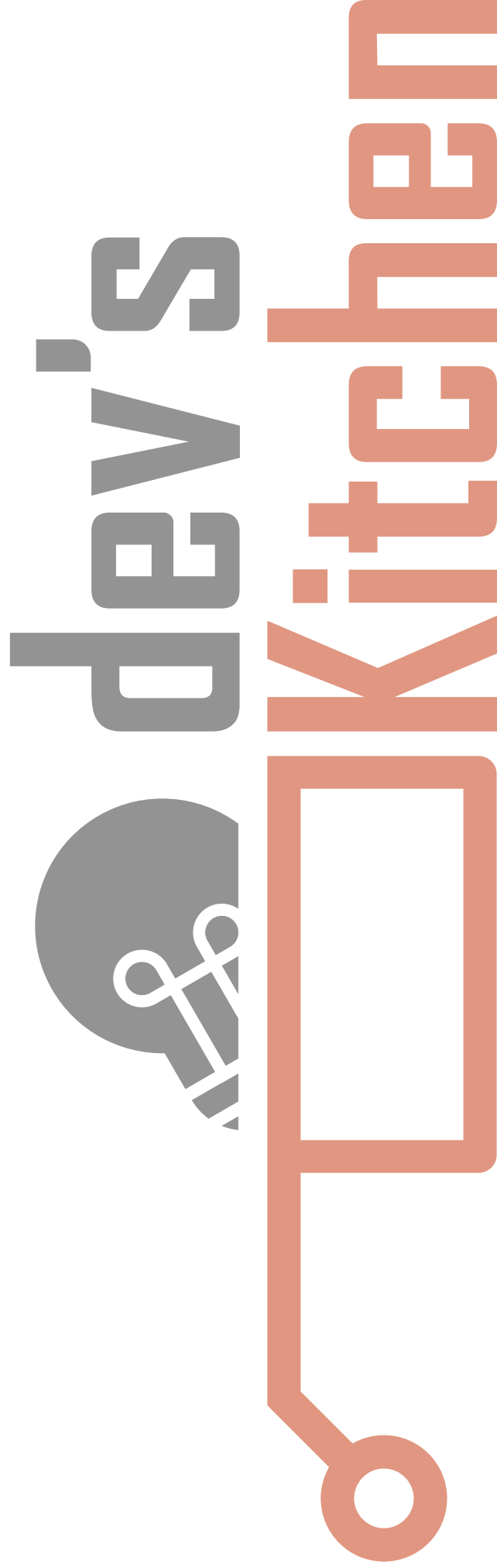


Estimate your  
market



dev's  
Kitchen



# Estimate your market

## Brace for impact

If you already read our article concerning creation of a Business Model Canvas, you will recall we were speaking about its crucial elements. One of them was the revenue stream. It is important to note, that designing it correctly will

require performing estimations about your future market. This is imperative, because the potential development of your startup is conditioned by revenue, so you really need to take into the account these three factors:

Number of potential customers/ active users;

Explicit growth forecasts concerning the number of those users on a rapidly and steadily growing market;

The ability to attract new



To make it somewhat clearer, we could try estimating these three numbers: Total Available Market (TAM). It is a market you would reach if there would be no competition and you would have access to everyone and everywhere. For example you plan to offer car tires, and so your market would surpass 1 billion customers, provided they all have one car. This is meant to be a huge number.

Serviceable Available Market (SAM). It's time to make your estimations more realistic. This is a measure, of how much would you sell to all your customers

within your physical reach. You also need to remember, that this time your clients will be taking your business model into consideration. That basically means that you have to assess, how many people could actually afford your tires.

Share Of Market (SOM). This is what matters the most. SOM represents the number of clients your business model can realistically serve, so now it is as down to earth as possible and you have to think realistically. Your service may be a breakthrough, but your potential customers might not know it yet. You also

need to think of your distribution channels, forecasted demand, competitors and trends. When assessing market of your tires, follow your previous assumptions about customer segments. For example, it will often come down to deciding, whether you aim for influential, wealthy and elderly people, or maybe young, IT-oriented students only. This requires a lot careful consideration and planning, so you need to be thorough with your numbers. Use every resource at your disposal to plan ahead and be prepared for the inevitable confrontation with the merciless market.