SIZING THE MARKET

*tool description & worksheet*

Version 2.0

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**WHAT?** Enables you to estimate the size of the total market for your product and how big a share you are currently addressing. Clearly answers the questions: How big is the target market as a whole? How much of it are we serving? How much should we try to serve?

**WHY?** Provides essential input to assess the viability of your business case. Also supports the development of a strategy on scaling, partnering and distribution.
For each target group, identify your potential, accessible and served markets as outlined below.

**STEP 1 DEFINE YOUR TARGET GROUP(S)**

Define your target group(s) in a few words. These are the groups for which your business is solving a pain point. E.g. *Households* or *students*

Use a separate worksheet for each target group.

**STEP 2 DEFINE THE POTENTIAL MARKET**

Fill in on the worksheet:
- A name and description of your potential market - use the following phrasing: All [type of customers] in [geographical area]. e.g. all *students* in Mozambique
- The number of potential customers in this market

To estimate the size of your potential market, you can look at the following data:
- National/regional population data
- Industry and market research reports
- Press releases and professional publications
- Online research on the industry and market environment

**STEP 3 DEFINE THE ACCESSIBLE MARKET SHARE**

Define the accessible market share i.e., the share of the potential market that can realistically be reached and served by your enterprise. For this you want to take into account your sales channels (location and capacity), and your production capacity.

Fill in on the worksheet:
- The number of customers in this group - this can also be expressed as a percentage of the potential market share

To estimate the size of this group, think about your current reach – how many of the customers that you are targeting are you already reaching? E.g. If you have a shop, you can track how many of your target customers are entering your shop each day.
STEP 4 DETERMINE THE SIZE OF YOUR SERVED MARKET

Using data from the potential and accessible market shares, determine the size of your served market. This is your actual customer base. Take into consideration the reach of your marketing, the price of your offering and the fact that some of the customers in your potential market share will go to your competition.

Fill in on the worksheet:

- The number of customers in this target group and the percentage of the potential market share it represents
- You can make estimates for each year for the next five years.

Repeat steps 2 to 4 for each target group defined in step 1.
The market size and growth potential can be important information for business planning, and is also of interest to potential investors and/or business partners.
SIZING THE MARKET

guidelines for consultants

Version 2.0

WHEN?

Use the tool when you need to create a clear understanding of the total size of an enterprise’s potential market and/or a clear assessment of the market it can realistically aim to serve. Use this tool before the ‘Segmenting the Market’ tool.
To ensure actionable results, keep these guidelines in mind while working with participants.

IDENTIFY AND COLLECT SOURCES OF MARKET INFORMATION IN ADVANCE

To estimate the size of the potential market, you can use the following data:

- National/regional population data (gender, age, occupation, family size, etc.), often available from the government or national/regional statistical offices
- Industry and market research reports, often published by academic, governmental or private research institutions and agencies
- Press releases and publications by competitors and the producers of substitute products
- Online research on the industry and market environment

ASK THE ENTERPRISE TO PROVIDE DATA THAT IS NOT PUBLICLY AVAILABLE

The enterprise should try to gather its own data about its customer base using tracking, surveys and direct dialogue at the point of sale.

SPEND TIME ON ACCURATELY LABELING EACH TARGET GROUP

The name of the target group should take into consideration the solution that the enterprise is offering. E.g. if the enterprise is producing laptop cases, the target group should ‘students with laptops’ or ‘small business holders with laptops’.

ENSURE THAT THE ENTERPRISE REMAINS REALISTIC

It can be easy here for the enterprise to start defining unrealistic potential markets and accessible market shares. It is important to remind the enterprise of the inherent internal and external constraints. Furthermore, it is helpful for the enterprise to make these estimations based on the expected reach 5 years from now.
TIME
If the all the information is readily available a 'Sizing the Market' session can be
done in 1 hour. It can also last several weeks for 'deep dives' that involve
collection of data on each separate section (Potential Market, Accessible Market
Share and Served Markets).

MATERIALS
Large print, drawing or slide of the worksheet; pin board or whiteboard;
workshop materials (markers, cards, lots of Post-its, etc.).
If a large amount of detailed data must be processed, use an Excel sheet.

TEAM
You will need one facilitator and one or more people representing the parts
of the client enterprise, which have – or have access to – the necessary
data.
For larger groups: have people in smaller teams be in charge of different
target groups.

DOCUMENTATION
Keep the documentation (sources) handy so that it can be referred to for
information to fill in the worksheet.
If you are not working with the digital spreadsheet, work with a whiteboard
or Post-its so you can add and remove information easily.
Dunbar, Ian and McDonald, Malcolm (2012), Market Segmentation: How to Do It and How to Profit from It, Hoboken, New Jersey, USA: Wiley
SIZING THE MARKET

Enables you to compare the total size of the available market to the part you are currently addressing.

Target Group: ..................