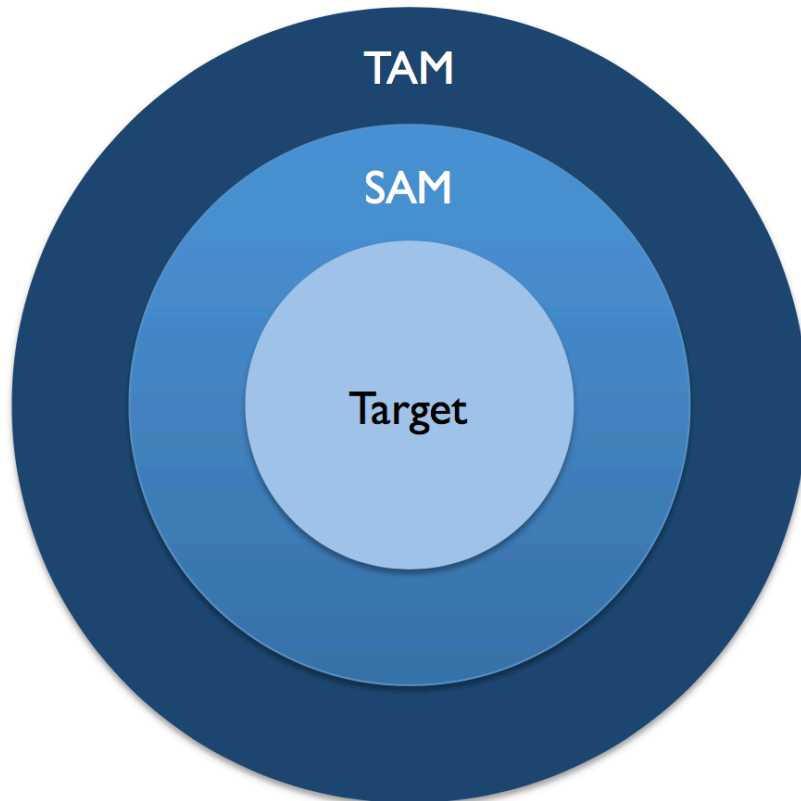# Market Size

Market Size

- Quantifies the financial potential of your business
- Helps you refine Business Model Canvas hypotheses:
  - Very small market size may not be worth pursuing
  - May be difficult to gain traction in a gigantic market
- Two measurements:
  - Money (USD, $$$)
  - Units
    - People
    - Consumption (e.g. page views, kilowatt hours, room nights, ect)

Three Market Size Estimates

- **Total Addressable Market** (TAM): Value of all of the buyer/ seller relationships participating in the market

- **Served Addressable Market** (SAM): The part of the TAM for which your business model's value proposition is strongest

- **Target Market** (Usually) demographic segment of the SAM with the most direct path to success

Total Addressable Market (TAM)

- Quantifies the entire chain of buyer/seller relationships in your market.
- Only need to estimate the value of the relationships at point of consumption (incorporates the value of all relationships in the chain)
- Usually very broad
- Easiest to estimate
- Examples:
  - Mobile apps
  - Energy consumption
  - Health & fitness

Definition

Served Addressable Market (SAM)

- A value proposition rarely applies to an entire TAM
- Opportunity to sharpen your focus on a particular part of the market
- SAM estimates guide investor expectations, important to articulate
- Examples:
    - Mobile healthcare apps for seniors
    - Self-generated renewable energy storage
    - Health & fitness at work

Definition

Target Market

- One more level of refinement

- Often a demographic target

- Examples:
  - Mobile healthcare apps for seniors target retirement homes
  - Self-generated renewable energy storage, targeting the oilfield services, food manufacturing and automotive industries
  - Health & fitness at work, targeting new male employees aged 25-40 in companies with annual sales of $500M or more.

Definition

"We'll Capture 1% of Chinese Consumers…"

Research Tools

- [Library Databases](#)

- [Facebook Ads](#)

Market Size