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Entrepreneurship & Startup › Market Research & Customer Discovery › Market Sizing & Trends

Top-down sizing

Unlock market potential with top-down sizing strategies.

DEFINITION

Top-down sizing is a method of estimating market size by starting with a broad industry figure and narrowing it down to a specific segment. This approach helps entrepreneurs understand the potential market for their products or services.

KEY CONCEPTS

Total Addressable Market (TAM)

TAM represents the total revenue opportunity available if a product or service achieves 100% market share.

Serviceable Available Market (SAM)

SAM is the portion of the TAM targeted by a company's products or services within its reach.

Serviceable Obtainable Market (SOM)

SOM is the segment of the SAM that a company realistically expects to capture in the short term.

Market Trends

Identifying trends helps businesses understand shifts in consumer behavior and market dynamics.

Data Sources

Reliable data sources, such as industry reports and government statistics, are crucial for accurate sizing.

EXAMPLES

- Estimating a \$100 billion tech market, narrowing to a \$10 billion niche.
- Using census data to identify potential customers in a specific region.
- Analyzing competitor sales to gauge market share and growth opportunities.

MEMORY TIPS

- ★ Remember TAM, SAM, SOM as 'Total, Serviceable, Obtainable' for clarity.
- ★ Visualize a funnel: TAM at the top, narrowing down to SOM.
- ★ Associate trends with 'shifts' to recall their impact on market sizing.

COMMON MISTAKES

- ✗ Overestimating SOM without realistic market analysis.
- ✗ Neglecting to update data sources, leading to outdated estimates.
- ✗ Confusing TAM with SAM, leading to inflated expectations.

QUICK RECAP

Top-down sizing helps estimate market potential by starting from a broad industry perspective. Understanding TAM, SAM, and SOM is essential for accurate market analysis and strategic planning.