

Determining Your Market Size and Share; a simple, precise, layperson's approach.

The following is a simple approach that can be used to accurately forecast the market-for and sales-of your product or services. You may need to make minor adjustments to reflect whether your market is local, regional or larger, but experience shows the basic process applies well to all businesses. It has been used to build several successful national and international businesses. It has never let me down.

Once you have assembled your first estimate using this process, publicly available and no-cost data can support the improvement of that estimate, but resist using outside information as a first step.

It is my opinion that most published market information, if used as more than reference material, can result in inaccurate estimates. Published reports are most often developed by people or organizations with an agenda, hidden or not. The one exception is federal census information. But, census information can be confusing as you begin trying to get a "handle" on your market. It is always best to develop your first estimate without a reliance on outside data.

THE SIMPLE, 5-STEP APPROACH

It is always best to begin by sizing a market locally. (Once you get a handle on the local market, you can scale up to regional, national and international markets, as and if you wish.)

1. Begin by having a product (or service) and a typical buyer/user in mind. This is your "stake in the ground." Then initiate your market forecasting process with a "guess" of roughly how many overall people/customers are in your market (your city or county or whatever local group you desire).

Remember to start small and with your first target market, i.e., the first group you see yourself chasing. You can always grow your "region" or reach or estimate with time.

Example: Let's say there are 100,000 people or customers in the first area you wish to focus on. This is Step 1. (Another example for Step 1 might be 'there are 1,200 tennis players in my county...')

- Next, take a guess at how many of these people/customers might buy items similar to YOUR product from any and all sellers every month. Consider this by month, every month, for a year or so. I recommend you begin by doing this for 6 months then expand your "forecast" to 18 months, when comfortable.

Example: You expect that less than 10 will buy each month, or 100 per month, or 500 per month ...etc. Simply pick a number and write down the number, month by month for 18 months. (If yours is a new market or product, you can begin with a small number in Month 1 and grow the number over 12-18 months to the maximum customers PER MONTH you expect will buy in the last Month of the period.)

Market Forecast	Predict for 18-Months >	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Product A	All Units sold	100	100	100	100	100	150
Product B	All Units sold						

You can refine your guesses and improve their accuracy over time by digging deeper, but you need to start somewhere by taking an educated guess. If you are uncomfortable with your guess, ask others for their opinion, preferably those who might have some feel for or experience with your product or your target audience.

You may be surprised how accurate your first pass can be. (To emphasize again, this first projection/guess should include how many will buy any product like yours, each and every month for a year or so. Not just your product—anyone's like it)

- Step 3, do a similar mental exercise, but on another line. Write down how many customers will buy from you (per month) over the same period of time. With this exercise you are in fact generating unit sales projections over time and estimating your "share" of the market. This is the basis for everything you need to do in your business. It is fundamental and most critical.

Market Forecast	Predict for 18-Months >	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Product A	All Units sold	100	100	100	100	100	150
Product B	All Units sold						
Product or Service A SALES	Units you will sell	5	8	10	20	25	30
	Avg Price						
	Product A Sales						
Product or Service B SALES	Units you will sell						
	Avg Price						
	Product B Sales						

Considering what you will sell as just one part of what everyone will sell disciplines you to consider competition. Competition is and will always be there and it is best

to expect it and confront it. How to do so is another story...

4. If needed, you can now begin to scale up your estimate to the number of cities or locales or customer groups or geographic areas you intend to serve. Since we began considering by 100,000 potential customers in your area, you can simply multiply your first guess by 10x for the market in a city of 1,000,000, and so on. Bottom line, start with something you can get your arms around, then extend it.
5. The next step is to begin refining the information in your market forecast. That is, repeating the process with better information.

For example, you can try to find a more precise population number for the city you are serving, if that is your defined market. Or, it may be the coffee drinkers in your area. Or the bikers, or the mothers or the men or the wealthy consumers... The point is that once you have estimated how many potential customers are in your defined market (or group), you can consistently refine it, make estimates of how many will buy a product like yours from all sellers, and finally, how many will buy from you.

This done, you can also begin to add your product price information to perform sales dollar forecasts by month.

Beginning with a simple guess, you can and will have a preliminary market size and product sales forecast for any product or service you define. That is, if you are careful and have done it smartly. It's that easy. How to reach and secure the customers you have predicted is the next step in building the business, but you will now know what targets you have set for yourself and must achieve every month.

Multiple products and services

New entrepreneurs often ask how to approach the process when one has many products. The simple and best answer is that you should do the same thing for every product or service. However, you can simplify if you have many products of one type.

For example, let's say you intend to sell not 1 type of hammer but 12 types of hammer. In this case, you can bundle all the hammers into one product group called "hammers" and forecast that group. However, you'll still need to forecast how many individual hammers you will sell within that group called hammers. Additionally, from this point forward you should consider what compromises the average hammer (in your group of hammers) in cost, price, character and so on. A similar product grouping approach can be used for books, trinkets, types of cup of coffee, etc.

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