Estimating Marketing Potential

Estimating the specific potential to market a product can vary from that of a service based business. Both types of businesses have proprietarily data that is not normally available, but is inferred through utilizing secondary information sources such as census data, publication circulation lists, and sales_penetration data of comparable items/businesses.

Using the published public data as a base allows the construct of various possible scenarios. These scenarios use estimated subsets of the total sales potential* and are based upon assumptions concerning:

- Demand,
- Distribution
- Promotional strategies
- Demographics
- Economic strata

*Do not confused with market potential or a potential market.

To verify the legitimacy of the data it is necessary to create a survey document to perform research to test the assumptions of the scenarios.

Always make it clear whether you are referring to estimating the size of the market or the size of the market subset that may be applicable to your product/service.

There are other elements, which may need to be factored into the analysis of market size estimations of the total subset of the population that are important – the age of the potential market may require a parent or other adult to generate the revenue spend on or by the child:

1. **Volume Size** is a question of a repetitive action like attending the movies one a week? Establish the quantity and frequency of the consumption that may be able to generate an analysis of a future annual demand

2. **Dollar Value** as a measurement of the size of individual purchases projected as an annual amount used/purchased.

What are the competitive products or services of existing competitors in the market? Collect data of this consumer’s usage habits and attitudes. This consumer base will include a portion that is:

- Likely to change from current brand/product
- Degree of satisfaction with current brand/product
- When testing product concept, attempt to determine the potential interest and likelihood of purchasing the new product/service
- What is the indication that the market will expand rather than remain stable and be divided among the strongest of the remaining competitors.

If devising a market research study to estimate market size, use a representative sample of the target market i.e. consumers, businesses, or if the market is more narrowly focused, some form of list or database of customers/potential customers.

The main questions you should ask are:
1. Affirmative interest in purchasing the product or service
2. Volume of purchasing or using service in a given period
3. Amount of money spent
4. Purchases per supplier
5. Money spent per supplier

It makes a difference if the product or service is a non-consumable or consumable product or service. It also matters if there is an installed base and the choices
are of a repair/replacement vs. new purchase.

With this information it is possible to estimate market size, share, market value, average order size, purchasing frequency, market penetration, active customer rates.

If you know installed base and replacement rates you can also work out growth rates.

When launching a completely new product, it is necessary to look at likelihood and interest levels in consumers making a purchase. Since there will still be decisions about things like setting prices, there is a need to consider a range of attitudes and anticipated behaviours – such as trial purchases, and possibility of repeat purchases.

An alternative is to conduct supplier level surveys where you ask suppliers and/or distribution and their retail partners about sales volumes and revenues.

A major statistical issue you will face will be connecting the survey data to 'real' internal data. Since Marketing/Sales teams don't like surveys that under-report their known value of sales the information is easier to obtain is the reports describes the total market as growing by “x”% and the individual Market/Sales team’s share grew by ”y”%.

It is very desirable to use the same questions in the survey questions and with control groups. This allows the development of an advertising program that can target different groups of potential customers and measure the effect of promotions and advertising.

With geographic information you can use the data to identify the areas in which a competitor is established and territories with untapped customer demand.