The Two-Step Market Assessment

A good market assessment - whether for a product launch or a totally new business - is much more than a financial projection or competitive product feature/price comparison.

1. Check Your Timing. They're called market windows for a reason. They open *and* close. Remember history and think about the future. Do some research on past "rising star" companies. Research your potential customers – what are they saying *and* doing?

We baby boomers remember rootin' tootin' westerns with Pony Express riders braving bad guys to deliver eagerly awaited letters. In reality, while the media of the day raved about it and people loved the *idea,* it costs $5.00 (over $90 in today's dollars) to send just one letter, which didn't bode well for market growth. The company might still have eventually succeeded, except the transcontinental telegraph was soon completed. The company went bankrupt in just a little over a year from its founding, with investors losing nearly $250,000. However, those telegraph lines didn't just magically appear. Wouldn't you think *somebody* involved would have said, "Uh, fellas …what about them thar poles and wires?" *before* the start of Pony Express? (I'd also bet that the Pony Express founders said "We have no competition.")

What might happen next month or next year (seen any telegraph poles going up…)? What technical, economic, and cultural trends affect you? How *might* your competitors change? Does existing or pending government legislation impact your market? Even the smallest business needs to consider such things. For example - are road improvements planned (or likely) outside your store? Or, what state legislation is pending for taxes and workers' comp?

Market buzz and customer desire doesn't automatically translate into success.

2. Check Your (Real) Numbers. There's a BIG difference between potential market, addressable market and achievable market. I've seen many presentations showing huge potential markets, with share numbers based on academic marketing exercises - or, let's face it, what the presenter thinks the audience expects to hear. This is what's often called the "hockey stick" in the investor presentation, and most don't believe it. In fact, it can kill your chances of getting funding. You've got to keep drilling down to find the *real* money.

For example, you may have a multi-billion dollar *potential* market for biofuels (fuels based on renewable crops or waste such as fish fry grease)...but that's the *global, multi-year* total and is ultimately dependent on *taking share away* from entrenched petroleum products, along with other factors such as consumer buying habits and legislation.

However, your company has a single facility in Iowa, plans to outsource production, and has only one person to develop sales channels. Thus, your *addressable* market is likely in the millions at the most (for now), with some of your potential customers or partners also being competitors.

The achievable market (what you can realistically do, based on your resources, with a stretch goal to keep it interesting) is smaller yet again. That doesn't mean you can't grow into the larger market - you just need a plan to do so.

You may in reality be a "niche" player - but wouldn't you rather dominate your market, with high margins and customer loyalty, than chase after unattainable numbers?