

TE 250: Week 10 Market Segment Sizing

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Technology Entrepreneur Center



New Course for Spring!

Taught by Dr. Jahnke, one of our *Teachers Ranked as Excellent*, this course will explore different career opportunities and how you can be an impactful innovator within your field.

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Thurs | Oct 27 | 5-7pm

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Fri | Nov 11 | 12:30pm

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1050 SIEBEL CENTER FOR DESIGN**

Come learn about policies and requirements for pursuing entrepreneurship and starting a business in the U.S. from attorney Matthew Meltzer.

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GRAINGER ENGINEERING

Learn about these events and more at tec.illinois.edu

Calendar

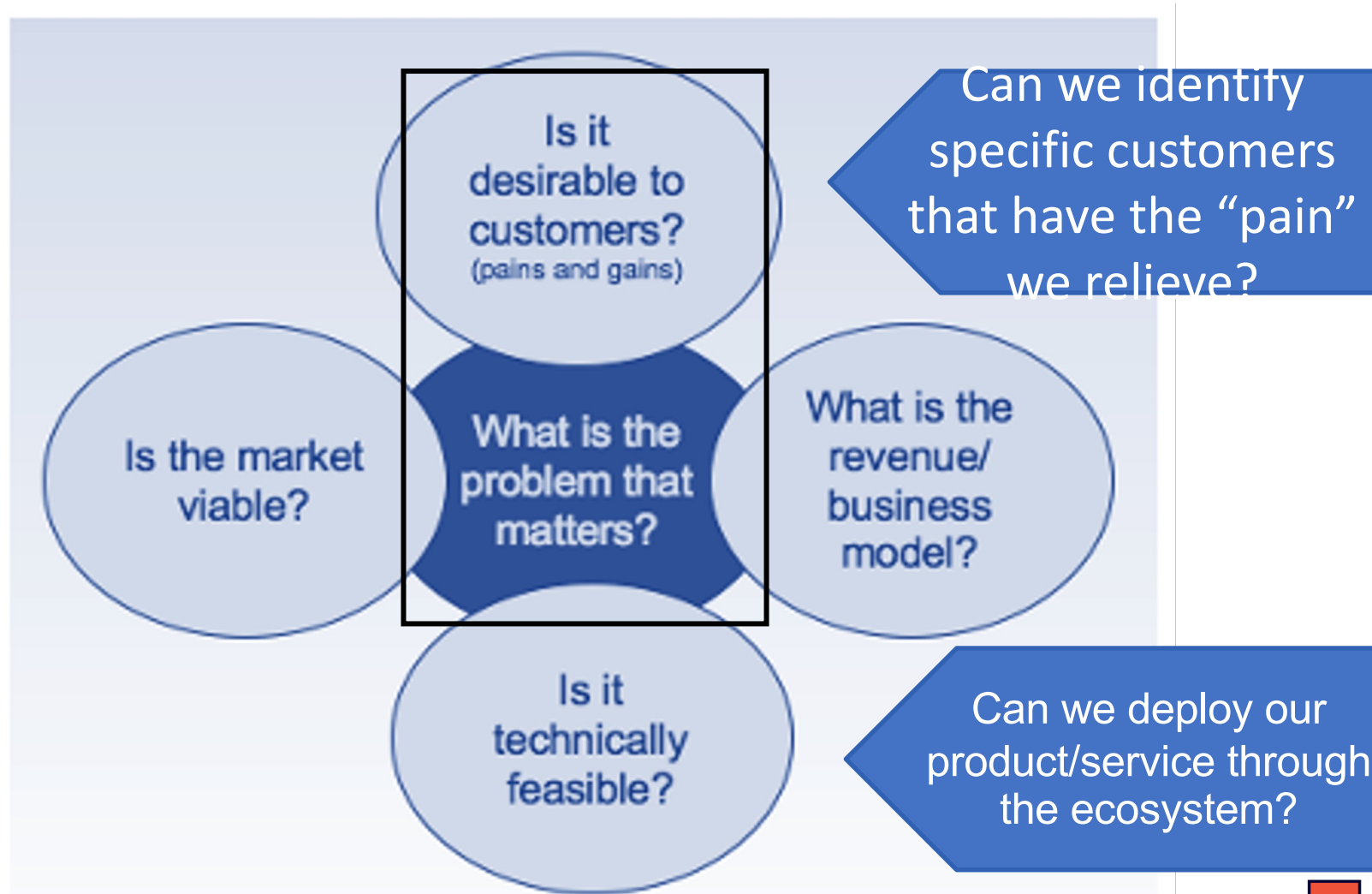
- Class content for rest of semester
- Content:
 - Market Segmentation/Sizing
 - Venture Formation
 - Funding
 - Intellectual Property
 - Financial Projections/Statements
 - Pitching
- Final Presentations (2): 11/30 & 12/7
- Attendance mandatory for both final presentation sessions
 - Failure to attend without excused absence results in loss of participation points

Agenda

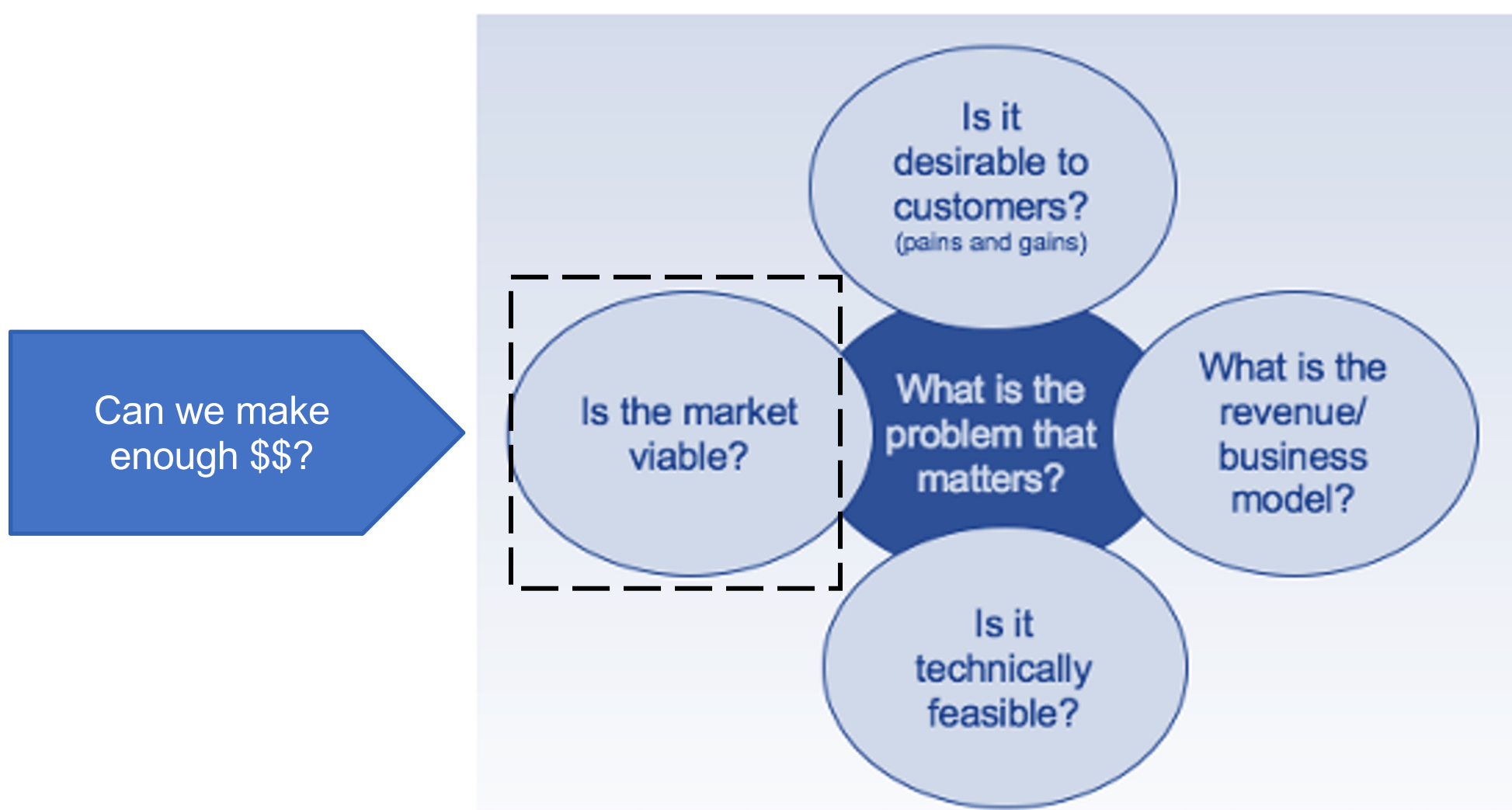
- Review rest of semester
- Team petal diagram presentations (postponed)
- Customer segment sizing
- Guest speaker: Haven Allen

Customer Segment Sizing

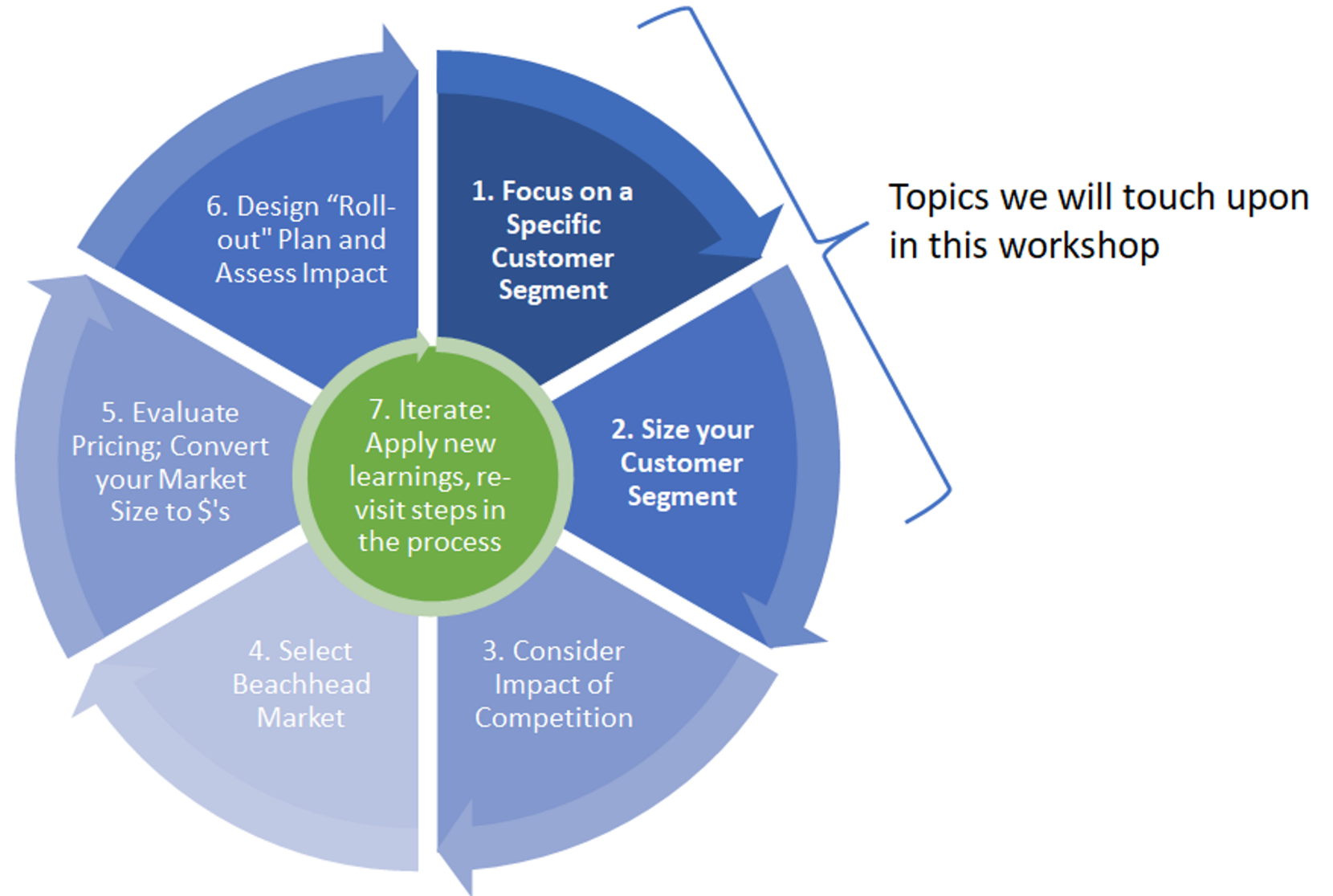
What Have We Done So Far?



Now We Assess The Market



Market Assessment Process



Focus on a Specific Customer Segment

“...subdividing customers along some commonality, similarity, or kinship...”

Customers in a given customer segment should be:

- 1. Strongly attracted to a similar value proposition,
and**
- 2. Reachable with a similar business model**

WHO? *Specific!*

WHY? *Specific!*

Common Segmentation Types

GEOGRAPHIC - a restricted geographic area.

DISTRIBUTION - based on the different channels of distribution that will best reach a customer segment(s). Examples: direct sales force, third-party distributors, direct-to-consumer channel (catalog or internet).

PRICE - Consumer: ultra-luxury, luxury, mainstream, and economy brands. **B2B:** Linked to quality levels, precision, or performance (but not always).

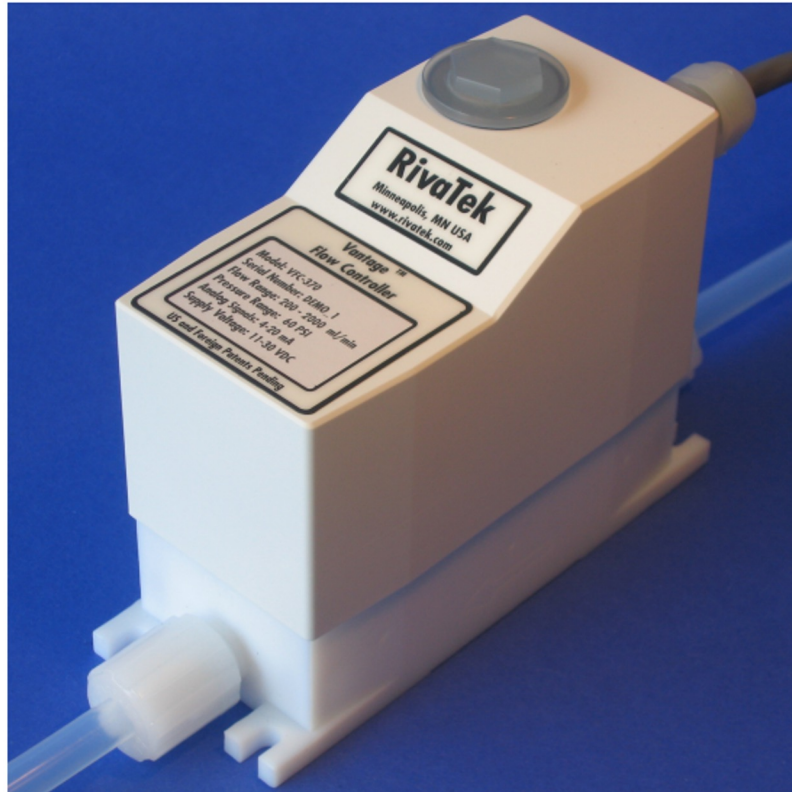
DEMOGRAPHIC - Consumer: Gender, age, income, housing type, and education level. **B2B:** Company size, company role in the supply chain, role (department or title) within a company, industry served, company capabilities, required level of quality or service, government/regulatory requirements.

PSYCHOGRAPHIC - Consumer: lifestyle segmentation based upon multivariate analyses of consumer attitudes, values, behaviors, emotions, perceptions, beliefs, and interests. **B2B:** attitudes about risk, loyalty to existing vendors, willingness to modify designs, and shared goals.

COMBINATIONS of the above (and more) result in a “**Persona**”, “**Archetype**”, “**User profile**”, “**Avatar**”

Be careful to avoid Stereotypes

Customer Segments: Let's Practice



VFC-370™ Flow Controller
with Vantage™ Technology

“The Rivatek VFC-370 is a valuable add-on component to processing equipment and process plant infrastructure where high precision and high purity (zero contamination) liquid flow control is required. The wetted parts on this device are made of materials that resist corrosion by aggressive process chemicals (Teflon, or Sapphire).. The device utilizes Rivatek’s proprietary Vantage™ variable orifice technology.

Target Users are in the semiconductor liquid process markets. Accurately controlling the flow of chemicals used in semiconductor wafer processing is pivotal to increasing yields, reducing waste, and enabling next generation designs. **Typical buyers** include process engineers (semiconductor plants) and process tool designers (semiconductor equipment suppliers).

Secondary (“growth”) markets include biological therapeutic and pharmaceutical manufacturing, food and beverage processing, as well as general industrial process control markets.

Guesstimates are a part of Market Sizing



Market Validation Example

Two Approaches Market Sizing

Top Down

- Secondary Research Anchored
- Most applicable to existing (similar), re-segmented, clone products/markets
- Similar or adjacent market data available
- Process – Guess/Assume
 - Smallest addressable segment matching product attributes
 - Market share and growth rate (how many?)
 - Pricing relative to available competition (how much?)
 - Market growth rate
 - Resource constraints

Often Misused

Bottom Up

- Primary Research Anchored
- Only option for new products/markets
- Limited or no specific market data available
- Process
 - Starts (and ends) w/ Customer Discovery
 - Defining your Archetypes Demographics, Psychographics, Behaviors & Reqs
 - Insights into how to define segments
 - Enables identification of beachhead market - “must have” reason to buy
 - Validates value pricing, full product offering, competitive differentiation
 - Allows for better assumptions on market sizing (how many) and financial model (how much)

Often ONLY and best option

Team Name GarageVana

Business Thesis:

GarageVana helps upper middle class suburban homeowners overcome the pain and frustration of a messy, disorganized garage by giving them a tool to plan and complete their organization project so that they can find what they need when they need it and put it back in the right place when they are done.



Date March 27, 2022










Mark Leader
Expert in AI, Image
Recognition and
Machine Learning

Joe Engineer
10 yrs
backend dev
exp



Jane Developer
5 yrs UX dev
experience

<p>Key Partners </p> <p>Garage storage manufacturers</p> <p>Storage system installers</p>	<p>Key Activities </p> <p>Build backend video recognition/AI algorithm</p> <p>Build user friendly app</p> <p>Identify storage suppliers and installers</p>	<p>Value Propositions </p> <p>Assess of all the stuff in the garage and create a plan to organize and arrange it efficiently</p> <p>Provide a plan for what and how many storage systems are needed.</p> <p>Prove tool to keep garage organized.</p>	<p>Customer Relationships </p> <p>Facebook presence</p> <p>Home org bloggers</p>	<p>Customer Segments </p> <p>Upper middle class suburban homeowners in high-cost urban areas where real estate is very expensive.</p>
<p>Cost Structure </p> <p>AWS server costs</p> <p>Developer/designer costs</p> <p>Promotional costs for regional home shows</p> <p>Facebook/Google placement/ad costs</p> <p>App store fees</p>		<p>Revenue Streams </p> <p>Paid app for tablet or phone.</p> <p>Sell storage systems recommended in app.</p> <p>Referral fee from installers who install storage.</p>		

Who Has The Problem?



For: the upper middle-class homeowner

[target customer]

Who has: a disorganized, cluttered garage

[significant problem/need]

My solution provides: a fast, effective tool to quickly plan and complete a garage organization project.

[key benefit]

Unlike: hiring a garage organization consultant which is expensive and time consuming.

[how customer solves today]



Customer Archetype Profile

Instructions

Fill in the spaces in the worksheet to build out a sample customer archetype, based on the business you discussed earlier. Your archetype should be as complete and focused as you would hope your students' will be. As you work through this exercise, think about the questions that would help your students understand who makes the buying decision.



Describe the person: name, age, relevant personal info

John (42) and Joyce (40) Smith
College graduates
Both work full time
Combined annual earnings \$200k

2 kids – Jim (10) and Sue (8)
Active family with a lot of “toys”

Jobs to be done

Organized garage
Find what they need when they need it and put it back in right place when they are done
Park cars in the garage

Existing solutions

Organize garage themselves
Hire a garage org consultant

How they buy

Shop online
Google
Facebook ads
Find specialists online

Pains

Overwhelmed by job of organizing garage
Not sure who to hire and what to buy

Gains

Park cars in garage
Feel good about garage
Find things they need when they need them

Influencers

Home organization bloggers
Friends/neighbors
Co-workers

Barriers

Mess overwhelming
Work a lot of hours
Less confident in DIY skills

What data would you look for?

How do we estimate the market?

- US homes with garages?
- How many homeowners are upper middle class?
- Upper middle class homeowners in suburban regions?
- Annual number of garage storage projects?
- Average value of a garage storage project?
- What revenue per customer?
- One-time or recurring?

Conduct a Bottom-up Target Market Estimate

Complete the graphic to conduct a bottom-up estimate for the opportunity you are using in this course. Compute your total available market, served available market, and target market in dollars of annual revenue.

TAM

$$54M * (\$30 + \$30) = \$6B+$$

SAM

$$54M * .15 * (\$30 + \$30) = \$486M$$

TM

$$1.6M * .15 * \$60 = \$14.4M$$

Notes and Comments

US homes with garages = $83M * .65 = 54M$, Upper Middle Class = 15%

Annual number of garage storage proj's = 1.6M

Ave garage storage and installation: \$1,500 (2% referral fee), \$30 app cost, annual subscription \$19

Using the segment sizing tool

Getting ready for Week 11

- Topics for next week: Venture formation, team building
- Team Presentations In-class: Petal diagrams
- Team Assignment: Use market segment sizing tool to estimate your target or beachhead market



Guest Speaker: Haven Allen Chief Executive Officer at mHUB

Not-for-profit startups