

# Sizing Market Opportunity: Due Diligence on Market Assumptions



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# WOMEN INVESTORS' ACADEMY: PORTFOLIA

## Terminology and Notes

Term	Definition	Why is this relevant to me?	General Notes
Market	A collection of people wishing to buy a specific product or service		
TAM	Total Available Market (the total market demand for a product or service)		
SAM	Serviceable Available Market (the section of the TAM that your product or service intends to target)		
SOM	Share of Market (the portion of SAM that your company is realistically likely to reach)		
CAGR	Compound Annual Growth Rate (mean annual growth rate over a period of time longer than one year). Provides a "smoothed" rate of return over time.		

Source: *Entrepreneurship: The Practice and Mindset*. Neck, Neck & Murray. 2018.

## Pitch Deck Review

Company	Summary Questions	How Can I find this out? Evidence/Validation?	How will I use the information?
Company A	What market info is provided?		
	What is missing?		
Company B	What market info is provided?		
	What is missing?		

# Market

*A collection of people wishing to buy a specific product or service*

**Individuals:** What is their pain/need? Painkiller vs vitamin? How much willing to pay? How will they learn about you?

**Marketing:** How many are there? How will you id them, reach them, keep them? How much does that cost?

**Competitors:** Stay tuned!

What do you want to know?

TAM

SAM

SOM

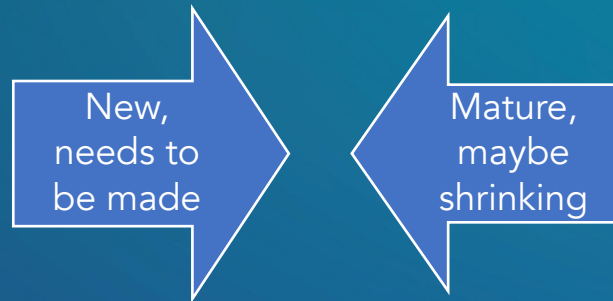


## PRIMARY QUESTION

How do you know if what they are telling you is accurate?

# Market Measures

- Size: How big is the opportunity?
- Age of market



- Timing of your entry: Insurgent vs Incumbent
- Dollar Density
  - How much money is already invested in the market?
  - How clustered is the money?

## Portfolia Opportunity Evaluation Guide

- Definition:** Have they appropriately defined their market?
- Composition:** Is the market of Significant Size and Growth Potential?  
Large (\$1B) and growing (10% annually)?
- Selection:** Have they targeted an appropriate segment?  
Serviceable Available Market?  
Share of Market?
- Understanding:** Do they understand the market in depth?
- Competition:** Do they know who they are and how to beat them?

**Do they have a distinct competitive advantage?**

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## Think about....

- What drives the market?
- The market vs. your market



# Think about....

- What is the Value Proposition to the customer?
- What pain points do you solve?
- How do you quantify value to the buyer?

Overall,

Why should I invest in this company and why now?

(Opportunity through technology, economic conditions, regulatory change?)

For Due Diligence, how do I validate that this is a “go”?

## Think about....

Your Value Proposition to customer? What pain points do you solve? How do you quantify value to the buyer?

- Answers reveal the level of knowledge of customers and business environment
- Business buyers typically buy based on *need* (eg. increase revenue, expense reduction/efficiency, regulatory changes)
- Investments often prioritized based on ROI
- Products that are *nice to have* often have difficulty gaining traction

Why should I invest in this company and why now? (technology, economic conditions, regulatory change)

- Is the industry moving to new technology which gives you advantage?
- Do you have IP that gives you advantage? 12 month lead? More?
- Other visionary players in your space?

Due Diligence

- Review annual reports for companies in Magic quadrant
- Analyst industry research or publications online
- Case Study from existing customer with data on specific business drivers for purchase

# WOMEN INVESTORS' ACADEMY: PORTFOLIA

## Pitch Deck Review

Company	Summary Questions	How Can I find this out? Evidence/Validation?	How will I use the information?
Company A SmartCam	What market info is provided?		
	What is missing?		
Company B	What market info is provided?		
	What is missing?		



# Summary

## Solution

- Smart cameras built for enterprises

## Traction

- \$100K ARR, 25 customers in six months

## Partners

- 8 worldwide

## Target Customers

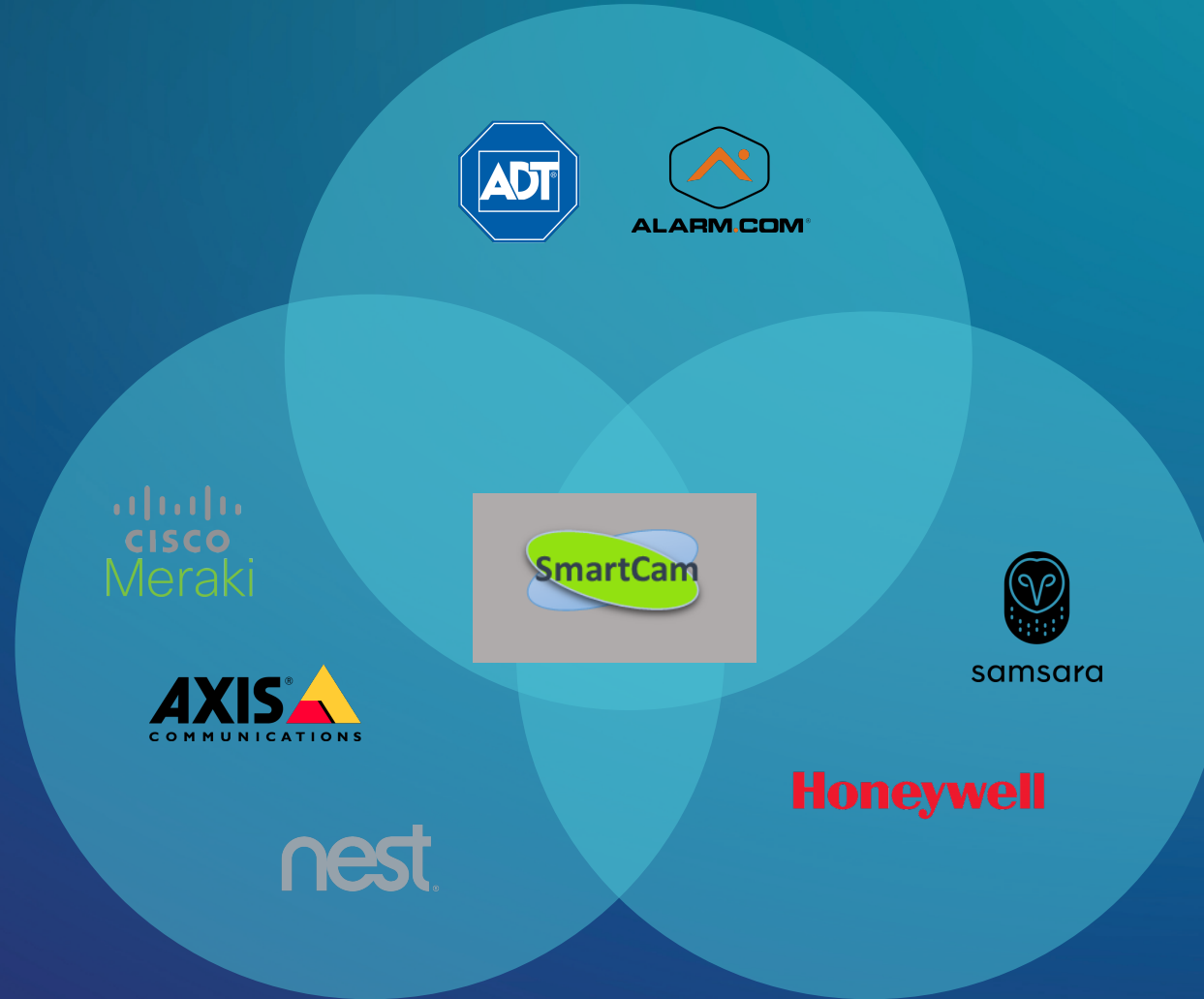
- Manufacturing
- Co-working spaces
- Healthcare
- Biotech
- Tech

## Team

- Expertise in cloud, security, hardware, big data, computer vision
- Multiple exits
- Previously worked together

# At the Intersection of Three Large Markets

Security Companies : \$23B



Video Surveillance:  
\$20B

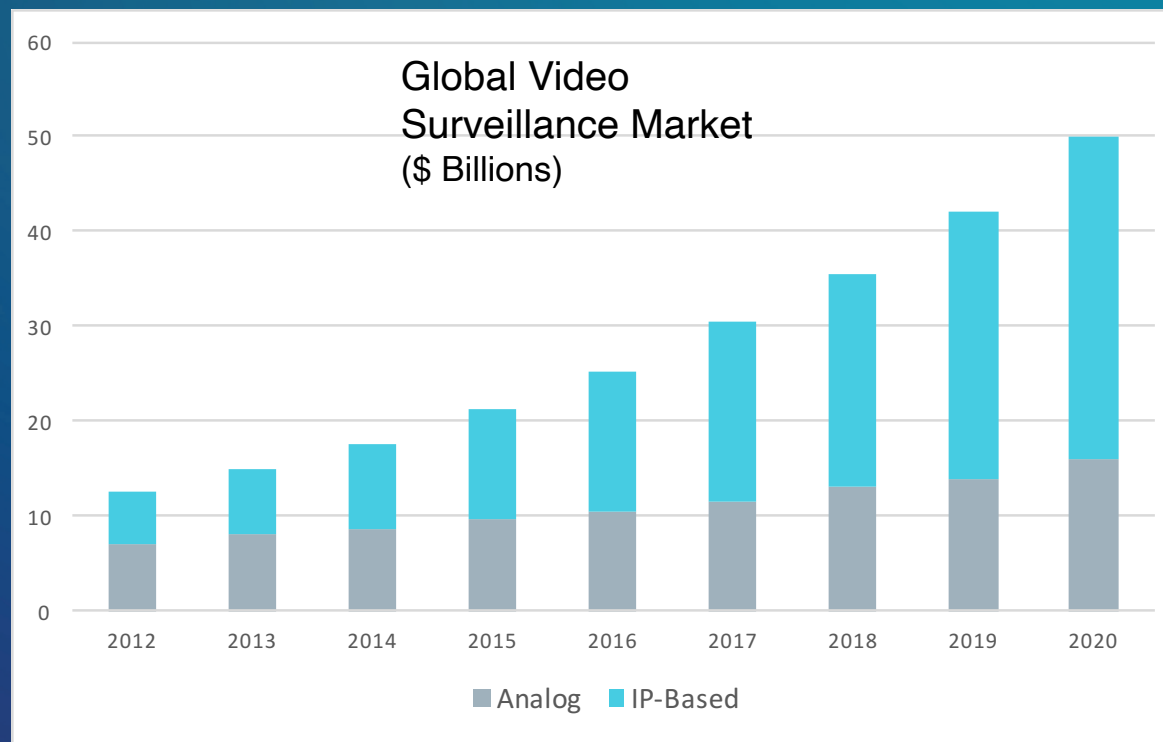
Physical Sensors:  
\$1B



# Entry Point: Video Surveillance Market

An established market with dated technology that is going to be disrupted through the consumerization of IT

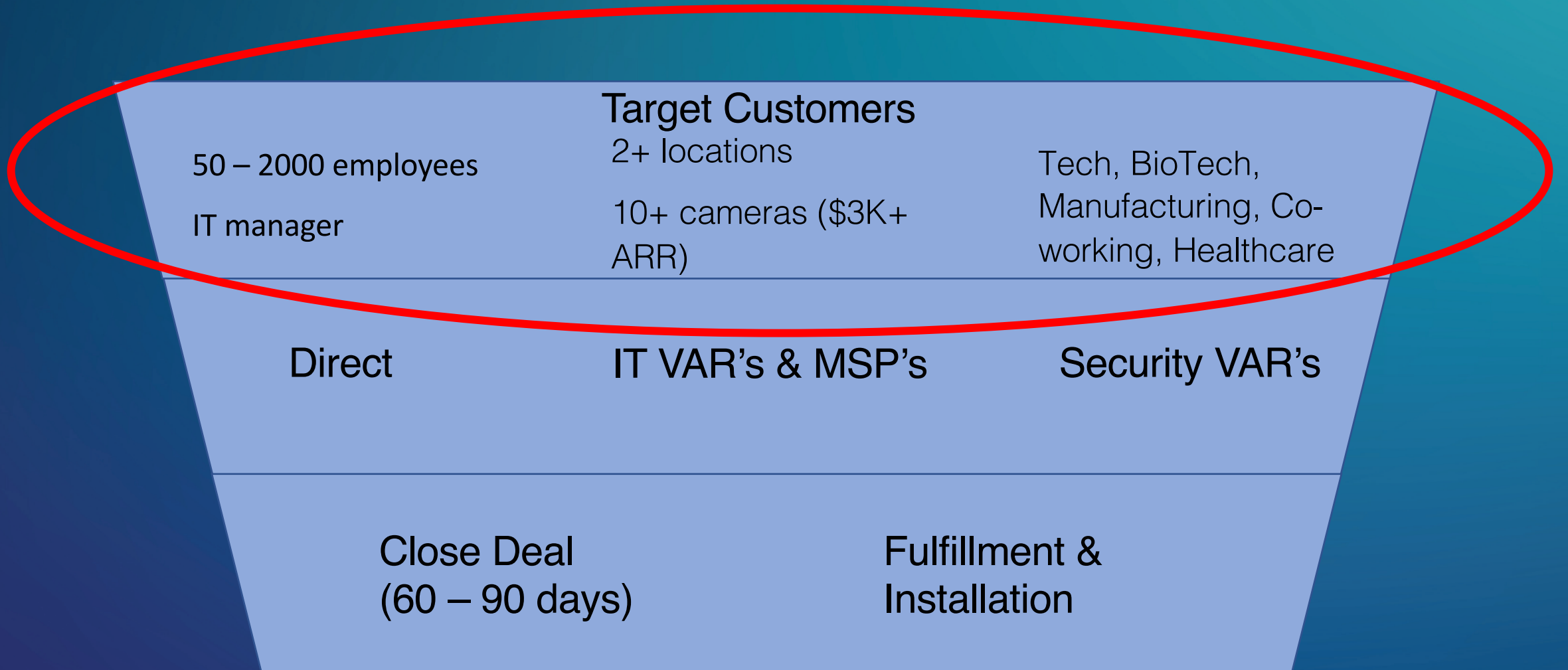
The global market for video surveillance should reach \$50B in 2020 from ~\$24B in 2016; reflecting a five-year CAGR of 20.7%



245M cameras installed globally as of 2014



# Target Customer Profile and Go To Market



# WOMEN INVESTORS' ACADEMY: PORTFOLIA

Company	Summary Questions	How Can I find this out? Evidence/Validation?	How will I use the information?
Company A -- SmartCam	<p>What market info is provided?</p> <ul style="list-style-type: none"> <li>- Market overview, high-level data on addressable market, serviceable available market</li> <li>- Target customer profile</li> <li>- Pricing</li> <li>- Competitors</li> <li>- Go-to-Market strategy</li> <li>- Value proposition</li> </ul>	<ul style="list-style-type: none"> <li>- Early revenues</li> <li>- Partner commitments</li> <li>- Third-party market data</li> <li>- On-line research</li> <li>- Talking with investors, customers, partners</li> </ul>	<ul style="list-style-type: none"> <li>- Independent review of company claims</li> <li>- Validate market dynamics</li> <li>- Evaluate opportunity from the <i>investor</i> point of view</li> <li>- Validate competitive landscape</li> </ul>
	<p>What is missing?</p> <ul style="list-style-type: none"> <li>- Projected market share</li> <li>- Geographic breakdown of current market and projected sources of market growth</li> <li>- Recently funded startup competitor</li> <li>- Anticipated competitive response</li> </ul>	<ul style="list-style-type: none"> <li>- Online market and competitive research</li> <li>- Trade publications</li> <li>- Customer references</li> </ul>	<ul style="list-style-type: none"> <li>- Does projected market growth make this an attractive investment</li> <li>- Can the company establish / maintain a competitive advantage</li> <li>- Management's credibility in light of missing information</li> </ul>



# Example: Company B

- Transforming the way people design, build, use and manage space
- Specialize in space optimization through a smart technology flex space solution platform
  - An ecosystem of furnishings and fittings which provide multiple uses such as prefabricated movable walls, mobile kitchen islands, compact kitchens, wall beds, customizable storage components and other products
- Primary customer: B2B sales to developers/builders for multi-unit housing/existing rental units
  - Secondary customer: resorts, hotels, co-working space
- Competitive pricing
- Relatively mature market with a new twist
- All products (patent protected) made to order, no inventory held
- Scaling plan includes adding B2C in year 3

# WOMEN INVESTORS' ACADEMY: PORTFOLIA

Company	Summary Questions	How Can I find this out? Evidence/Validation?	How will I use the information?
Company B	<p>What market info is provided?</p> <p>Information includes market overview, market share, addressable market, serviceable available market, target market, pricing, competitors, go to market strategy, branding</p>	<p>Statistics, trade information , on-line research, analyst reports, talking to people</p>	<p>Independent review of company claims, Help determine the robustness of the market,</p>
	<p>What is missing?</p> <p>Is the pain point real</p> <p>Is this a fad or a trend</p> <p>Sales strategy – how and who</p>	<p>Trade information, talking to people, company go-to-market strategy</p>	<p>Does the company have a value add to sell, does the company understand how to sell to their market</p>

# Company B Summary

- What about the market: size, sustainability, structure (fragmented, heavily competitive, regionally different?)
- Trend or fad
- What about the market strategy – how will this be executed and by whom, scaling, status of digital platform, partners
- Competitors – differentiation and value add
- Will the pandemic or other external factors affect the market and how