

Wk 3 Market Analysis Research

# Section 1 - Business overview, mission and vision

**Describe** a proposed business of your choice. Address the following in your summary:

* What type of product/service will it offer?
* What is the intended market?
* What is the business model?

**Articulate** the business’s mission and vision statements.

# Section 2 - Market analysis

Based on your intended product or service, describe the characteristics of your customer base.

**Investigate** and list your current competitors. For example, if you’re manufacturing and selling exercise equipment, current competitors would be companies like NordicTrack or Nautilus, Inc. To simplify the process, limit yourself to businesses you are competing directly against. If your business is a local bistro, then your competitors are other local similar restaurants.

**Research** and estimate the size of your intended market. Market size is the number of potential customers or unit sales for your products/services. Consider the nature of your business when researching market size. For instance, if your business is a local bistro, then your market size is determined by the population within a reasonable radius of the restaurant, say, 5-15 miles maximum. On the other hand, if your business intends to sell a low-weight mountain bicycle online, then the market size is the average number of low-weight mountain bicycles sold nationwide annually.

**Estimate** the value of your market. Market value is the potential revenues the market has to offer. For instance, suppose low-weight mountain bicycles have a market size of 300,000 units a year with a $500 average price. Then the market value would be $150,000,000.

It can be difficult to estimate market value as you must make assumptions related to market size and average unit price. Use the expected value concept introduced in Chapter 6 of the textbook and the chart below to do the estimation.

| Expected Market Value: Mountain Bicycle Scenario | | | | | |
| --- | --- | --- | --- | --- | --- |
| Assumptions | Probability p(x) | Units ('000) | Avg. Unit Price ($) | Market Value ('$000) | Expected Market Value ('$000) |
| Pessimistic | 0.2 | 100 | 450 | 45,000 | 9,000 |
| Most Likely | 0.5 | 100 | 500 | 50,000 | 25,000 |
| Optimistic | 0.3 | 100 | 550 | 55,000 | 16,500 |
| Totals | 1.0 | 300 | 500 | 150,000 | 50,500 |

**Calculations:**

Probability, P(x) must sum to 1.0 (100%)

Market Value = Units \* Ave. Unit Price ($)

Expected Market Value = Market Value \* Probability

**Estimate** the total addressable market or TAM. This is the fraction of the total market you realistically estimate to get. Most businesses have a relatively modest market share, well under 20%. For example, if we expect to get a 5% share of the mountain bicycle market, then our TAM would be 0.05 \* $50,500,000 = $2,525,000 or approximately $2.5 million.

# Section 3: Recommendation

Based on the information collected, do you feel it is a good idea to continue with the implementation of the business? Explain why or why not.

**Cite** references to support your assignment.

**Format** your citations according to APA guidelines.