

TAM SAM SOM of our Business Model

We are going to estimate the TAM SAM and SOM of our Business Model, for each of our customer segments. The TAM and SAM will be estimated through a top-down approach and the SOM a bottom-up. This is the definition used!

TAM = Your Total Available or Addressable Market (everyone you wish to reach with your product)

SAM = Your Segmented Addressable Market or Serviceable Market (the portion of TAM you will target)

SOM = Your Share of the Market (the subset of your SAM that you will realistically reach – particularly in the first few years of your business)

1st customer segment: University Students

Top-Down approach

1st Filter: Higher Education Students

Our platform will be developed to meet the need of higher education students. Considering the power of internet and mobility nowadays we define our Total Available Market as students at this level of education all around the world.

TAM = University students worldwide = 178 M (2010)¹

2nd and 3rd filter: Students using internet for teamwork and who are not satisfied with current solution.

We define our served available market as those students who use internet for teamwork and who are not satisfied with the current working solutions for that specific purpose. Considering our business model hypothesis we have the next data:

Use internet for teamwork: 75%
Unsatisfied with current solution: 90%

SAM = 178M x 75% x 90%

SAM= 120M (67.5% of University Students)

¹ <http://www.timeshighereducation.co.uk/features/a-different-world/2001128.article>

Bottom-up approach: how many students can we really serve?

Human resources capacity

We will have just one person 1 programmer dedicated to the free student's app and at this point we assume that hardware would not be an operational constraint. According to data published by Forbes² related to Apps business, the average number of downloads per developer in each major operating system are:

SYSTEM	downloads/developer
Google	320K
Apple	213K
Windows	14K
TOTAL	547K

SOM = Number of Students we can realistically serve with our resources

SOM = 547K University students (0.46% of the SAM)

² <http://www.forbes.com/sites/tristanlouis/2013/08/10/how-much-do-average-apps-make/>

2nd customer segment: Higher education institutions

Top-Down Approach

1st Filter: Higher Education Institutions

We are expecting to sell our platform to education institutions so the students of each institution could use the upgraded version of our platform as premium service their institution is delivering them. It has been established that our corporate service is going to be available worldwide. Because of the characteristics of our platform and being coherent with the definition of our Students Segment, we have:

TAM = Higher education institutions (Universities and colleges) in the world

TAM = 16.000 (Roughly) ³

2nd Filter: Institutions using online learning platforms

To define our SAM market in the institutional segment, we consider those institutions with IT services for their students, i.e. those universities and colleges who care about new technologies in order to deliver a more efficient service. We use as an indicator for it, a survey made in the U.S.A. by Babson in 2011, which revealed that 65% of higher education institutions say that online learning is a critical part of their long-term strategy.

SAM = 65% of higher education institutions consider online learning a critical part of their strategy

SAM = 16.000 x 65% = 10.400

Bottom-up approach: how many institutions can we really serve?

Taking into account a 50 users per IT staff ratio⁴ and considering we are planning to run the corporate business with a 2 people support team we could serve 100 institutions with that capacity.

Since we expect to offer a fair and competitive price to the market, to define our monthly fee we have used the same than Topyx (Learning management system)⁵ charges its education institution customers, which is half the price Moodle has.

SOM = number of Universities we can realistically serve with our resource

SOM = 100 Higher education institutions in the European Union (1 % of the SAM)

SOM MARKET ANNUAL VALUE = 800€ (Monthly fee) * 12 (Months/year) * 100 Institutions

SOM MARKET ANNUAL VALUE = 960.000 €

³ <http://www.universityworldnews.com/article.php?story=20130628111528373>

⁴ <http://community.spiceworks.com/topic/319705-how-many-it-staff-per-users>

⁵ <http://interactyx.com/social-learning-blog/us72000-i-thought-moodle-was-free/>

3rd customer segment: Advertisers

Top-Down Approach

Companies worldwide

As mentioned before, our platform is supposed to be in a worldwide Internet site, available for any University Student, anywhere.

According to Quora extrapolation based on “economic freedom and worldwide business numbers from UN reports”, there are roughly 115 Million companies in the world.⁶

We did not consider only MNE's. This decision is based on the fact that nowadays it is possible to adapt advertisement to the country the users are in. For instance, a Portuguese SME's advert would only appear to an IP located in Portugal. Hence, our first filter is:

1st filter: Using digital marketing

Our Reachable Market can only include companies that use online advertising. If companies' promotions are only done through traditional channels like television, billboards and magazines, these will not be able to advertise in our platform.

Taking into account the PwC “Global entertainment and media outlook: 2013-2017”, Internet advertising reached \$100.2billion in 2012 and its expected CAGR until 2017 is of 13%. Hence, by 2014 we can forecast a roughly \$127,9billion Revenue.

TAM = Companies Worldwide using Digital Marketing

TAM potential: \$105 billion

2nd filter: Targeting University Students

Taking into account our platform's main users, our Value Proposition addresses the particular needs of companies targeting University Students. Namely, if we tackle companies whose main segment is University Students, the effectiveness of the adverts is going to be higher and, therefore, the demand will increase.

Since there is no available data on the Revenue in Online Advertisement targeting University Students, we will try to infer it, roughly, through the number of college students. In other words:

⁶ <http://www.quora.com/Business/How-many-companies-there-are-in-the-world>

127,9 billion is expected to be spent in the world's population of 7,2 billion⁷.

The number of University Students was of 178 million in 2010.



~2,5% of the world's population is a University Student.



Roughly 2,6bn of digital advertising is dedicated to University Students

SAM = Companies worldwide targeting University Students through digital marketing

SAM potential = 2,5% TAM = \$2,6 billion a year

Bottom-up approach:

We concluded that our platform's SOM in University Students is roughly 547k. In a fairly underestimated scenario, these students would visit our website 3 times a week.

If we consider the Social Networks' CPM ("An impression is recorded each time a user visits a page that shows the client's ad"⁸) of \$0,56⁹ per 1 thousand impressions, we would get roughly \$919 per ad, per week (547000x3x0.56/1000).

Taking into account that "AdSense publishers may place up to three AdSense for content units on one webpage"¹⁰, we will consider just three different adverts on the front page. This means that the front page per week will make ~\$2757 a week and \$143.358 a year.

SOM potential = \$143.358 a year

SOM = 0,0055% SAM

⁷ <http://www.worldometers.info/world-population/>

⁸ <http://newsentrepreneurs.blogspot.pt/2011/08/how-much-to-charge-advertisers-as-much.html>

⁹ http://www.comscore.com/Insights/Press_Releases/2010/6/The_New_York_Times_Ranks_as_Top_Online_Newspaper_According_to_May_2010_U.S._com_Score_Media_Metrix_Data

¹⁰ <https://support.google.com/adsense/answer/1346295?hl=en>