



VITALISE

Virtual health and Wellbeing Living Lab Infrastructure

# Understanding Market Sizing

## How to Find Your TAM, SAM, & SOM

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# Market Sizing

- TAM: the Total Addressable Market  
-> refers to the maximum amount of money spent in the industry or sector that your product or service targets;
- SAM: the Segmented Addressable Market  
-> a more refined view, based on other directly competitive products or services that address the same problem or need;
- SOM: the Serviceable Obtainable Market  
-> typically is the amount of revenue you expect to generate in Year 5 of your company's operations

# Why Size Matters



# Investors want to see big potential

- “Power Law” means that very few investments will bring large returns
- Larger markets = larger potential returns
- General rule for VC investment is a TAM of at least €1 Billion
- Savvy investors know the average market sizes in areas they invest
- The more logical and honest your estimates are, the more likely they are to have confidence in the investment and the entrepreneur
- Recommended reading by Marc Suster:
  - <https://bothsidesofthetable.com/sorry-guys-it-s-the-size-of-the-wave-not-the-motion-of-the-ocean-22d0ebf1954e>
  - <https://bothsidesofthetable.com/pitfalls-in-market-sizing-part-6-continued-59e2d3222013>

# Clarify & compare with current products/services:

- Is it a 'thing' or a 'service'?
- Who uses it?
- Who pays for it?
- How do they pay?
- Why should they adopt it?
- What is/are your value proposition/s?

# Example: Menopause

- **TAM \$600 Billion:**
  - 1 Billion women expected to be in menopause by 2025
  - Average spend: \$2,000 / year for up to 3 years
- Spent on:
  - ✓ Prescriptions
  - ✓ Doctor visits
  - ✓ Treatments
  - ✓ Devices
  - ✓ Products
- **SAM:** the total spend on one or more of the above categories

<https://fortune.com/2020/10/26/menopause-startups-female-founders-fund-report/>

# Case Study: Stella

- Vira Health (UK-based): “Stella” app for women in menopause offers digital therapeutic approach with information and targeted support:
  - personalized therapeutics (nutrition, exercise, CBT, etc.)
  - community format (for sharing and advice)
  - telemedicine (consultations & prescriptions)
- March 2022 raises \$12M to expand services  
<https://techcrunch.com/2022/03/14/vira-health-series-a/>

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# Refining the numbers:

Understand the specifics of your product, customers, and competition



Two approaches

- Top-Down: industry reports ie, Forrester, Gartner, etc.
- Bottom-up: primary research (more compelling)

Basic Information:

- How much is currently spent on 'solving' this problem/need?
- Who spends it?
- Is this demographic growing? At what rate?
- How big is the competition?
- How disruptive is *your* new solution?

# Refining the numbers: TAM

- Remember, Stella is an app, so the revenue will be from
  - subscriptions (B2B, B2B2C)
  - commission or fee from services performed through the platform
- Market size can be calculated for each particular sub-segment:
  - Prescriptions (how many prescriptions does she fill?)
  - Doctor Visits & Treatments (how much does the avg. woman spend on menopause-related doctor visits/treatments each year?)
- The sum of these will give you a TAM (much less than \$600B, but still significant)

# Refining the numbers: SAM

- Each sub-segment should be examined more carefully:
  - Prescriptions, Doctor Visits & Treatments
    - how are these managed in the healthcare systems in different countries? (subsidized, co-payments, etc.)
    - what are the mechanics of payment?
    - how many of these are eligible for digital health environments?
    - any other specifics that dictate market dynamics?
- It is helpful to use a well-established company in the sector for comparison, such as [BigHealth](#)

# Refining the numbers: SOM

- Is the revenue you expect to achieve by year 5 (in your financial forecast)
- Projections should include factors such as:
  - market growth expectations
  - competition
  - company needs (headcount, OPEX, COGS, etc.)
  - fundraising delays

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