
Total Addressable Market (TAM)

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HELLENIC REPUBLIC

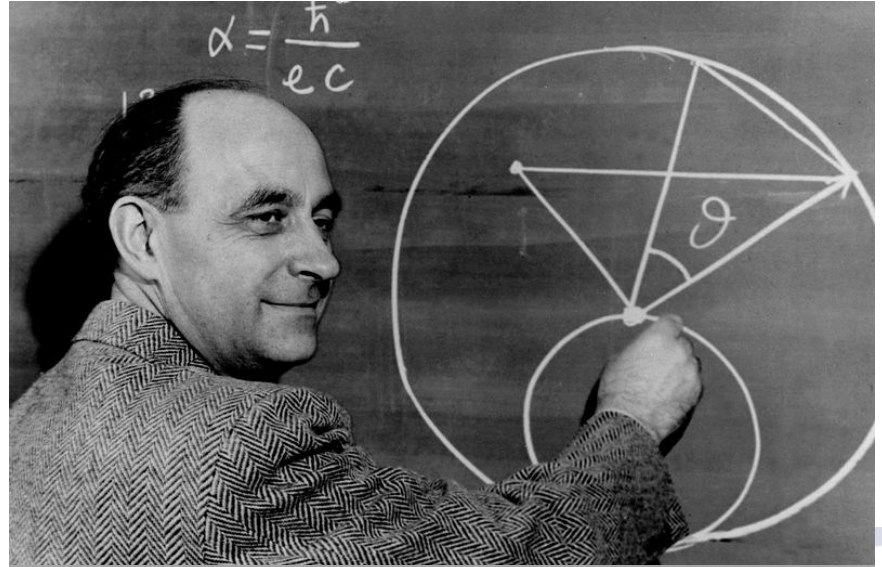
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— EST. 1837 —

Fermi questions



How many piano tuners in Paris?



Fermi questions

Enrico Fermi, was famous for being able to make quick estimates with little or no data that at first seemed impossible to answer.

Case study: Goody's

Fermi questions in business

Exercise



Goody's (Greek fastfood chain) aim to insource its meat production for burgers. What is the capacity that the factory should have on an annual basis?(how many tons of meat should the factory produce annually?)

Develop assumptions using 1 as a reference value e.g. 1, 10, 100, 1,000, and 0.1, 0.01).

Answer

Number of Goody's restaurants in Greece? **100**

Clients per Goody's restaurant per day: **1.000**

Burgers per clients per day: **1**

How much does each burger weight: **0,1 kilo (100 grams)**

Per day we need **10.000 kilos (10 tons)**

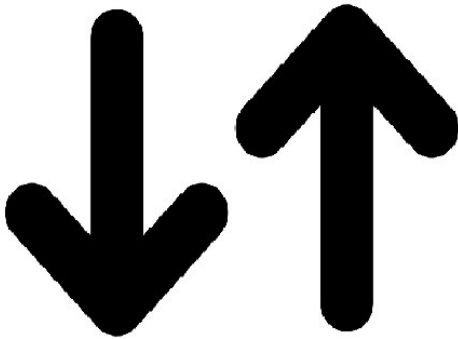
10 tons X 365 days = 3.650 tons per year

Total Addressable Market (TAM)

The calculation of the TAM is the expression in Euros per year of how much you will earn by solving the “problem” you have defined. In order to define the TAM, you have to calculate the (theoretical) total turnover of your business in case all customers buy only from you as if there are no competitors (Market share 100%).

The identification of TAM serves as a quick metric for the underlining potential of a given opportunity—and is a key figure that is important for investors to understand the prospective value of your company.

even multi-billion dollar corporations do not sell to ‘everyone’.



- **Top down approach (market/industry reports)** If you intend to sell to a mature and well-defined market (*e.g. toothpaste market*) you may find this number in an industry report referred to as the ‘size of the market’.
- **Bottom up (calculation).** Count the number of potential customers you have (*e.g. No of oncologists, No of girls going to high school, No of orange juice producers*) and, in turn, the annual revenue per customer per year. If you multiply the two numbers, you will get your TAM.

Global Water Heater Market Outlook

“ *The global water heater market stood at USD 30.1 billion in 2021 and is expected to grow at a CAGR of 4.0% during the period 2023-2028.* ”

Toothpaste Market Size, Share & COVID-19 Impact Analysis, By Type (Teeth Whitening, Herbal, Sensitive Teeth, and Others), End-User (Adults and Children), and Distribution Channel (Supermarket/Hypermarket, Convenience Stores, Pharmaceutical & Drug Stores, and Online), and Regional Forecast, 2020-2027

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Construction Market Size, Trends and Growth Forecasts by Key Regions and Countries, 2022-2026

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Poor economic growth in various regions, continued effects of widespread disruption caused by restrictions imposed to contain the spread of COVID-19, and additional challenges specific to the global construction industry, notably high construction material costs and labor shortages, have resulted in a cut for forecast growth in global construction output. The downward revision is most evident in Europe and in the US, where the construction industry has deteriorated sharply in recent months, with investor confidence being hit hard by the looming economic recession and the surge in inflation.

With the conflict in Ukraine set to persist in the coming quarters, the global economy will face severe headwinds amid high energy and commodity prices, supply chain bottlenecks, and worsening investor confidence.

Investment in the infr:] utilities sectors remains a major driver of overall construction output growth.

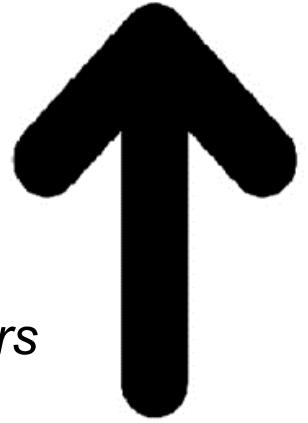
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Total Addressable Market (TAM)

Bottom-up TAM calculation:

1. Identify the target market
2. For each target market identify 'typical customers'
e.g. a target market may have more than one typical customers such as a) large, b) small and c) medium
3. Determine the quantity that each typical customer would need and the price at which they would be willing to buy
4. Find total value per typical customer
5. Multiply the value of a typical customer by the number of customers



Total Addressable Market (TAM)

If we take over all the canteens in the stadiums of the Czech Republic's First Football League, how much revenue will we have?

Assumptions: The canteens will only offer beers and sausages (one type of each). The league does not have play-offs.



Total Addressable Market (TAM)

#	Stadium	Capacity	Average	Capacity
1	<u>Fortuna Arena</u>	19.370	17.594	90.8 %
2	<u>epet Arena</u>	18.349	16.953	92.4 %
3	<u>AGC Aréna Na Stínadlech</u>	17.078	5.917	34.7 %
4	<u>Městský stadion - Vitkovice Aréna</u>	15.123	9.055	59.9 %
5	<u>Andrův stadion</u>	12.464	4.188	33.6 %
6	<u>Doosan Aréna</u>	11.700	8.802	75.2 %
7	<u>Stadion U Nisy</u>	9.900	3.088	31.2 %
8	<u>Malšovická aréna</u>	9.300	7.467	80.3 %
9	<u>Městský fotbalový stadion Miroslava Valenty</u>	8.000	4.916	61.5 %
10	<u>Fotbalový stadion Střelecký ostrov</u>	6.746	2.922	43.3 %
11	<u>Stadion Letná</u>	6.375	3.580	56.2 %
12	<u>Ďolíček</u>	6.300	5.125	81.4 %
13	<u>Střelnice</u>	6.108	2.586	42.3 %
14	<u>Lokotrans Arena</u>	5.000	2.815	56.3 %
15	<u>Městský stadion</u>	4.833	2.716	56.2 %
16	<u>CFIG Arena</u>	4.620	3.510	76.0 %
	ΜΕΣΟΣ ΟΡΟΣ	10.079	6.327	

30 matchdays

8 games per matchday

TOTAL: 240 games

Average attendance: 6,300 spectators

Total spectators: 1.5 million spectators

Assumptions:

0.5 sausages per spectator

1 beer per spectator

Prices:

Sausage:€2 Beer:€1.5

Revenue from sausages: €1.5 million

Revenue from beers: €2.25 million

TOTAL: €3.75 million

Total Addressable Market (TAM)

If a product has a usage period exceeding one year, then we need to 'translate' the revenue on an annual basis.



World need for cranes is 50.000 vehicles.
The price of each vehicle is 60.000 Euros.
Market size: 50.000 Vehicles X 60.000 Euros
= 3 billion Euros

HOWEVER, on average the lifespan of such a vehicle is 10 years.

As a result, the TAM on an annual basis is
3 bill. Euros/10 years= 300 million Euros.

Total Addressable Market (TAM)

Our products is addressing people suffering from scoliosis at the age 5 to 15.
Estimated price 150 Euros



It is estimated that 2-3% of the population is suffering from scoliosis

	% of population at the age 5-15	Total population	Population age 5-15
Europe 27	4,8%	447 mil.	21,34 mil.
USA	4,6%	328 mil.	16,10 mil.
Japan	6,6%	126 mil.	8,35 mil.
TOTAL			45,79 mil.

**TAM in number of users:
45,79 mil. X 2% = 910.000**

**TAM in turnover:
910.000 χιλ. X 150 Euros = 136
mil. Euros**

**TAM on an annual
basis is:
136 mil. Euros/ 10
years
=13,6 mil. Euros**

Case study: Wine analysis equipment

Estimated (future) price: 20,000 Euros
Target markets: Wineries and wine laboratories
Expected lifetime: 10 years



THE INSTITUTE OF
MASTERS
of WINE

"Master of Wine" with extensive knowledge of the Greek and international markets

"...only wineries with a turnover exceeding 500 thousand would have an in-house oenological laboratory and would be interested..."

"...approximately one in four oenological laboratories would be interested..."

"...the (mature) wine markets have a similar structure to the Greek market..."

Case study: Wine analysis equipment

Greek Market

- Wine production: 3.1 million hectoliters
- 680 wineries, out of which 60 have a turnover exceeding 500 thousand Euros.
- 80 oenological laboratories

Size of the Greek market

60 wineries

20 wine laboratories

TOTAL 80 potential clients

80 clients X 20.000 Euro = 1,6mil. Euro

	Wine production in mil. hl
Greece	3,1
France	45,29
Italy	48,58
Spain	36,09
USA	19,62
Argentina	16,25
Australia	11,24
S. Africa	9,22
Chile	8,84
Russia	8,24
Germany	7,19
Portugal	6,76
TOTAL 12	220,42

Total Addressable Market (TAM) for the 12 biggest wine-making countries.

Assumption: The global market resembles the structure of the Greek market.

Greek market: 3.1 million hectoliters (hl) wine production
=> TAM: 1.6 million Euros

12 countries: 220.42 million hectoliters (hl) wine production
=> TAM: 113 million Euros/10 years=11,3 million Euros