

# Project Your Idea's Market Value

By Diane A. Garrod

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Diane A. Garrod  
diane.usa@loconotion.com

LocoNotion Idea Studios, Inc. <http://www.loconotion.com>

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Your market research has revealed a customer group out there will buy your product. You also know your competitors' costs and sales figures, and from this you've estimated how much you'll charge for your product.

Now you need to know whether there's enough demand in your customer group to support the sales figures you need to be profitable.

To be commercially viable, your product must have sales that grow a minimum of 20 percent annually.

How Many Will Buy?

Here are some market research links to help you determine your market size, the first step in gauging demand. You can determine the size of your customer group by state, country, income level, age and much more by searching these sites.

U.S. Census Bureau. Here's how you'd start if you were thinking of selling light bulbs. Go to Subjects A to Z in the left navigation bar for an alphabetical listing of statistical information on homeowners, home business and business owners: people who would buy light bulbs. Click on H and voilà: data on home workers/working at home, home-based business, home ownership and, oh, yes, hotels.

This is when a light bulb goes on in your mind and you have the idea to sell to the travel market, too.

Check out the Statistical Agencies (International) section of the site for global market information.

FedStats. Here you can look for a breakdown by geographic location. Say you'd like to sell light bulbs to people in Alabama. Click on "Statistics by geography from U.S. agencies," then on "Census Bureau state data centers." Click on the state in the map or scroll down to the Alabama link. The "links to statistics" on the home page is also valuable.

Forrester Research. The assessment tools and research links here are invaluable for creating a vision of market potential for your idea.

CyberAtlas. This is my favorite site for Internet statistics, market research, demographics and surveys. You can find statistics on e-commerce, Internet advertising and online populations from a variety of sources.

#### How Much Will You Sell?

To project sales, use this equation: Multiply the estimated total number of customers (which you determined by evaluating your market size, above) by the estimated average revenue from each customer.

In the equation, T represents the total number of customers, A represents the average revenue per customer, and S represents the sales projection:

$$T \times A = S$$

If your market size research determined the United States has 30 million potential light-bulb buyers who shop online, what percentage do you want to market to? If all of them, then you figure that if 10 percent of them bought from you, this would be a high response to your efforts, meaning 3 million could become customers.

If you plan to sell light bulbs at \$1 (U.S.), the average revenue per customer would be \$1 times 3 million, or \$3 million. However, if one customer has to buy a new light bulb every three months, that customer would buy four light bulbs a year, making the average revenue \$4 year times 3 million potential customers, or \$12 million.

This gives you an ideal figure to shoot for in presenting your idea to a nationwide audience.

Now ask two questions and use the answers to help you estimate sales figures.

What are the barriers to market entry? Be honest here. List all the risks and define all the problems, such as: financial, regulatory and political barriers, and existing competition.

Is your market fragmented or newly emerging? The answer will affect the marketing of your idea in this way:

Fragmented means there is no single competitor, but there are many players -- and that the playing field is much more competitive.

Newly emerging means an idea is unique, and if you're first to market, you could capture and hold a large market share.

It's also helpful to analyze your margin and what sets you apart.

Can you deliver at a lower cost than your competitors? If not, you need to rethink your idea.

Can you come into the market with lower capital requirements than your competition? To determine this, refer to the research you did earlier on your competition or go to Hoover's Online, a company research site.

Can you generate positive cash flow in one to two years?

Having an idea and taking it the distance are separate processes, each dependent on the other. There is no guarantee to success of your idea, but if you have evaluated and researched it, the chances are better that you'll succeed where others fail.

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