Market and competition

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Lecture 4

Retrieval: what discovery established

Evidence

What did a recent customer episode reveal?

Alternatives

What did the customer's workaround reveal?

Limits

What can interviews tell us about market size?

Lecture route

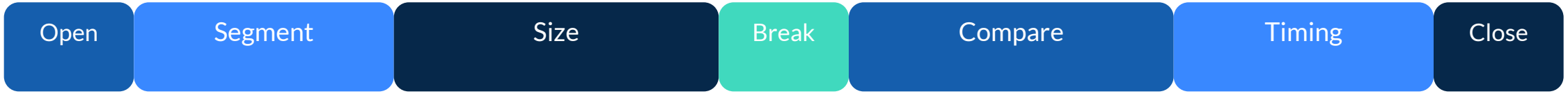
First part

First market • size units • bottom-up estimate

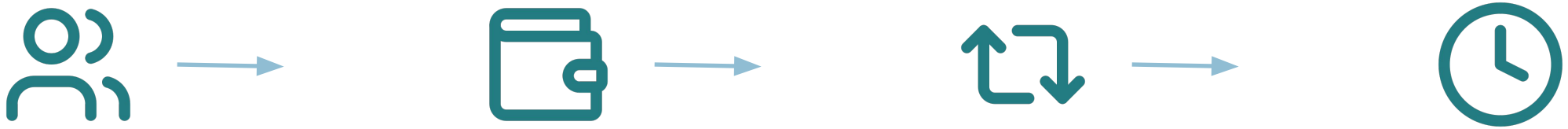
Second part

Alternatives • switching • timing • market brief

Case → concept → tool → decision



Today’s founder decision



Segment

Who shares a specific need?

Size

How many plausible purchases?

Alternatives

What must customers switch from?

Timing

What makes adoption feasible now?

A first-market choice, with assumptions that can change it.

Strava: a specific first community

Strava lets athletes record and share activities. Its early service focused on cyclists.



Early focus

Cyclists already recording rides with GPS devices.



Shared motivation

Compare efforts on familiar climbs and routes.



DISCUSSION

What made this group more useful than “everyone who exercises”?

A segment shares a buying situation

Case: activity tracking for cyclists (Strava reference)



Broad audience

People who exercise.



Working segment

Regular cyclists who record rides and want to compare efforts on familiar routes.

The segment should change the offer, the buying process or how you reach customers.

Useful segmentation dimensions

Case: activity tracking for cyclists (Strava reference)



Task and pain

What recurring job is difficult?



Current method

What tools and workarounds do people use?



Buyer and access

Who decides, pays and can be reached?



Constraints

Which budget, location or deadline matters?

Strava: boundaries create trade-offs

Strava began by serving cyclists before broadening its athlete community. Consider that initial market choice.

Inside the first segment

Regular rides, GPS records and interest in comparison.

Outside the first offer

Many activities and people without compatible recording habits.

DISCUSSION

Which evidence would justify expanding into another sport?

Tesla: an entry segment with a purpose

Tesla develops electric vehicles. Its 2006 plan began with the Roadster sports car before proposing lower-priced models.



First offer

An expensive electric sports car for buyers willing to pay a premium.



Expansion logic

Use learning and resources to develop more affordable vehicles.



DISCUSSION

Why might the largest customer group be a poor place to start?

Canva: a bounded workflow

Canva provides online visual-design tools. Its founders first served school yearbook teams through Fusion Books.

A recognisable customer

Schools coordinating a yearbook and its production deadline.

A focused task

Collect content, lay out pages and produce a finished book.

DISCUSSION

Which parts of this first segment could transfer to a broader design market?

Choosing a first market

Case: activity tracking — hypothetical segment comparison, informed by Strava

Lens	Regular cyclists	Recreational runners	Coaches and teams
Recurring task	Compare rides	Track progress	Review athlete activity
Current method	Ask about GPS tools	Ask about phone apps	Ask about shared logs
Access hypothesis	Cycling clubs	Running communities	Coaching networks
First uncertainty	Value beyond free tools	Repeat use and payment	Buyer and team workflow

Classroom comparison for an activity-tracking venture. Hypotheses to investigate, not Strava's historical decision.

A first market is a testable choice

Shared need

The same offer could solve a recurring problem.

Reachable customers

A specific route to conversations and purchases.

A reason to expand

Evidence can support a next segment later.

Market size starts with the unit

01

Customer

Which buyer or organisation is counted?

02

Activity

How many relevant purchases each year?

03

Revenue

How much does the venture earn per purchase?

TAM, SAM and SOM

TAM

Total annual opportunity within a stated market definition.

SAM

The part the offer can serve within its actual scope.

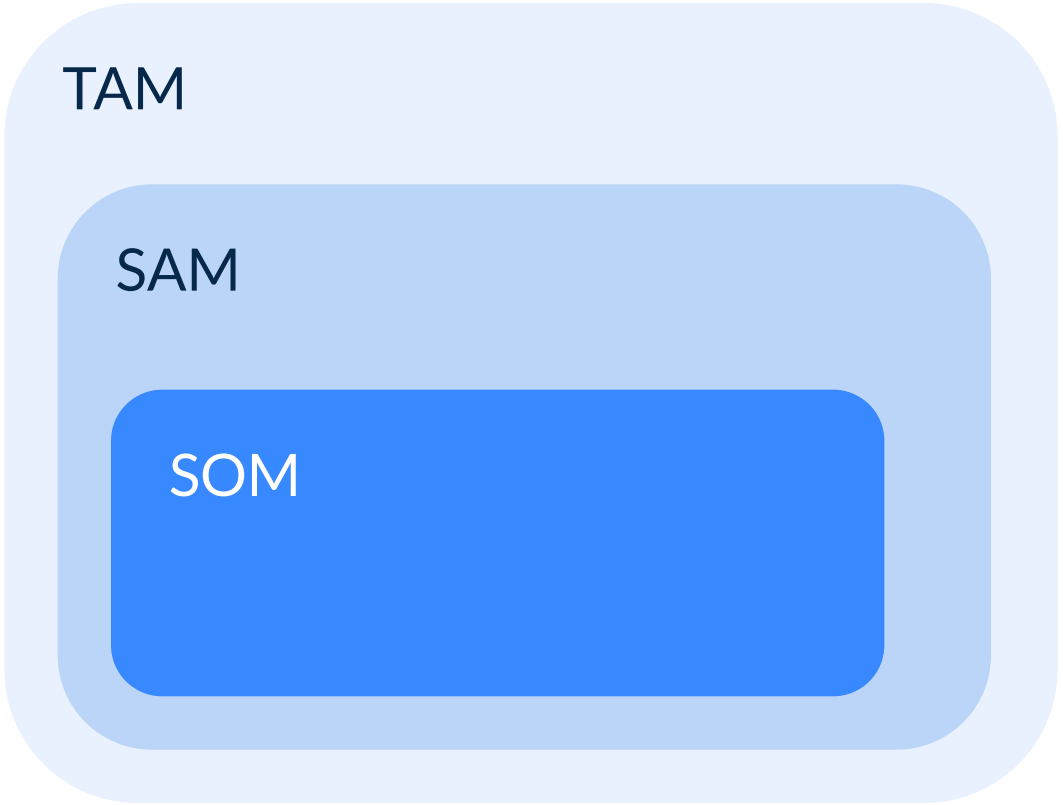
SOM

The part plausibly obtainable within a stated period.

Keep the geography, time period and revenue unit consistent.

TAM → SAM → SOM: student-room rentals

Case: student-room rental service — hypothetical first market in Ljubljana



TAM €1,000,000 / year

10,000 annual placements in Slovenia × €100.

SAM €200,000 / year

2,000 international-student placements in Ljubljana × €100.

SOM €3,000 in year 1

40 rooms recruited × 75% filled × €100 fee.

Illustrative assumptions. Revenue from landlord fees per successful let; diagram is not to scale.

Bottom-up market sizing worksheet

Unit

Define one buyer, seat or transaction and geography.

Count

Source eligible units; remove duplicates and exclusions.

Value

Multiply by frequency and the venture’s revenue per unit.

Keep the geography, time period and revenue unit consistent.

Airbnb: size a local stay opportunity

Airbnb connects guests with hosts. Consider a hypothetical entrant serving short stays in Ljubljana.

Start with bookable nights

300 eligible homes × 60 nights sold per year × €80 per night = €1.44m booking value.

Translate to platform revenue

At an assumed 10% fee: €144,000 per year before costs. Exclude flights and restaurants.

Classroom assumptions throughout; the 10% fee is not Airbnb's actual pricing.

DISCUSSION

Which input needs evidence first: eligible homes, nights sold, price or fee?

Calendly: context before the calculation

Case: agency scheduling (hypothetical entrant; Calendly reference)

The real product

Calendly lets people share availability and book meetings.

Our proposed customer

Small recruitment agencies in Germany, Austria and Switzerland.

Our hypothetical offer

A new scheduling service sold per recruiter, at €120 per paid seat per year.

Our scope

Standard interview scheduling. Exclude complex enterprise integrations.

Teaching scenario for a new entrant. The segment, price and quantities are assumptions, not Calendly data.

From a defined segment to annual revenue

Case: agency scheduling (hypothetical entrant; Calendly reference)

Input	Assumption	Unit	Evidence needed
Eligible agencies	1,200	Unique firms	Screen a firm directory
Paid seats per firm	5	Recruiters	Observe actual workflows
Annual revenue per seat	€120	Per seat per year	Test willingness to pay
Annual opportunity	€720,000	Revenue, not profit	Validate every input

1,200 firms × 5 paid seats × €120 = €720,000 per year
Illustrative SAM in subscription revenue, before costs.

Obtainable revenue needs a route to customers

Case: agency scheduling (hypothetical entrant; Calendly reference)



Acquisition assumption

80 qualified agencies reached in 12 months × 25% conversion = 20 customers.



Annual revenue at that scale

20 firms × 5 paid seats × €120 = €12,000.

This is the annualised run rate at 20 customers. First-year revenue depends on when customers start.

Sensitivity: one uncertain input

Case: agency scheduling (hypothetical entrant; Calendly reference)

Assumption / result	Low	Base	High
Paid seats per firm	2	5	8
Eligible firms	1,200	1,200	1,200
Annual SAM	€288,000	€720,000	€1,152,000
Run rate at 20 firms	€4,800	€12,000	€19,200

Illustrative sensitivity. Firm counts and €120 annual revenue per seat stay fixed. Only paid seats per firm change.

Shopify: merchant sales are not revenue

Shopify provides commerce tools. GMV means gross merchandise volume: the value of orders merchants sell through the platform.

$292.3bn

Merchant sales (GMV), 2024.

$8.9bn

Shopify revenue, 2024.

A €100 merchant order adds €100 of sales volume; Shopify earns its applicable fees.

DISCUSSION

Which number belongs in a model of Shopify's own annual revenue?

Duolingo: users and subscribers differ



Duolingo offers language learning through a free app and paid subscriptions. Learner activity and subscription demand are different measures.

116.7m

Average monthly active users, Q4 2024.

9.5m

Paid subscribers at 31 December 2024.



DISCUSSION

What else is needed to turn learner activity into a subscription revenue estimate?

What would improve this estimate?

Case: agency scheduling (hypothetical entrant; Calendly reference)

Market evidence

A deduplicated agency list, recruiter workflows and plausible paid seats.

Adoption evidence

A route to agency owners, switching evidence and a paid pilot at the proposed price.

DISCUSSION

Which input would you investigate first, and how could it change the decision?

Return ready to compare real alternatives.

Next: alternatives and competition



Break

Customers already have alternatives

Case: hybrid-team communication (Zoom as the product example)



Direct competitors

A similar product for the same buyer: another video-meeting service.



Substitutes

Another way to agree on a decision: a phone call or email.



Manual coordination

One colleague collects updates and writes a shared decision log.



Do nothing

Postpone the discussion or leave the decision unresolved.

Zoom: entry into an existing category

Zoom provides video communication tools for teams and organisations. Eric Yuan founded it in 2011 after working on Webex.

The existing market

Customers already had video-meeting tools and established routines.

The founder’s burden

Show why a particular customer should change tools.

DISCUSSION

What would you need to know beyond the number of competitors?

Competitor fieldwork: compare a choice

Method: compare real customer choices, not feature claims.



Episode

Choose one recent customer job and actual decision.



Alternatives

Include direct, manual, substitute and no action.



Criteria

Ask about outcome, effort, risk and total price.



Evidence

Try the options; log source, date and remaining gaps.

The cost of switching

Case: hybrid-team communication (Zoom as the product example)



Expected improvement

Which outcome gets materially better?



Transition effort

Setup, migration, training and approval.



Risk and habit

What could fail, and why does the old way feel safe?

Compare alternatives for a specific task

Case: hybrid-team communication — resolving a design disagreement

Buyer criterion	Video meeting	Phone call	Email thread
Clarify quickly	Live back-and-forth	Live back-and-forth	Depends on reply speed
Review a visual	Screen sharing	Needs another channel	Attach and annotate
Coordinate time	Shared time needed	Shared time needed	Can respond later
Keep a record	Capture decisions	Write a follow-up	Written trail

Illustrative workflow trade-offs. Validate the criteria with the customer; these are not vendor ratings.

Netflix: competition for an evening

Netflix provides streaming entertainment to viewers. Its January 2019 shareholder letter described competition for screen time.

Beyond the product category

Netflix named Fortnite and YouTube among the alternatives competing for attention.

The customer's choice

How to spend a limited period of leisure time.

DISCUSSION

What would a list of streaming services leave out?

Netflix: a map of leisure alternatives

Netflix streams entertainment. Consider how a viewer chooses to spend an evening.

Watch alone

A film after work.

Watch together

A film with friends.

Interact alone

A solo video game.

Interact together

A multiplayer game.

Left: alone Right: with others | Top: watching Bottom: interacting

Illustrative customer situations. A company can serve more than one position.

A useful map explains real choices

Case: Netflix — choosing how to spend an evening



Choose meaningful axes

Do viewers want to relax, participate or spend time together?



Test the customer’s trade-off

Which recent situation led them to choose one activity over another?

Map customer situations before assigning brands. One company may serve several positions.

Competition: a founder’s next move

Case: hybrid-team communication (Zoom as the product example)

A research hypothesis

Hybrid teams dislike frequent calls but still need quick agreement.

Possible response

Test an asynchronous decision workflow against their current meeting routine.

DISCUSSION

What evidence would support switching, keeping the meeting or narrowing the use case?

Market timing has several dependencies



Technical feasibility

Can the product deliver the promised outcome?



Economics

Can the price cover the cost of serving demand?



Customer readiness

Do habits, trust and skills support adoption?



Complementary conditions

Are infrastructure and necessary permissions in place?

Google Glass: a more specific work setting

Glass was Google's wearable display. Enterprise editions targeted workers needing hands-free access to information.

Workplace use

View instructions and checklists while carrying out a task.

A defined context

A known workflow, a business buyer and measurable operational outcomes.



Google's 2019 product image: Glass Enterprise Edition 2

DISCUSSION

Which adoption questions become easier in a specific work setting?

Google Glass: launch, refocus and closure

Glass was Google’s wearable display. Its Explorer programme preceded the workplace-focused Enterprise editions.

Market introduction

April 2013: Explorer programme.

20 May 2019: Enterprise Edition 2 launched.

Commercial exit

15 March 2023: sales ended.

15 September 2023: support ended.

DISCUSSION

What changed between the early Explorer use cases and the later workplace offer?

Spotify: access needed permission

Spotify is a music-streaming service launched in 2008. Its early offer aimed to make legal listening easier than piracy.

A necessary condition

Music licensing agreements made a legal catalogue available.

A customer condition

The listening experience still had to justify changing existing habits.

DISCUSSION

Why did licensing make a launch possible without proving adoption or a viable business?

Strava: the idea waited for enabling tools

Strava is a community for recording and sharing athletic activity. Its founders had discussed the idea years before its 2009 launch.



Earlier ambition

Recreate part of the motivation of training with a team.



Enabling change

GPS activity records and connected tools made the experience more feasible.



DISCUSSION

Which dependency could still fail after the technology becomes available?

A why-now claim needs a mechanism



Observed change

What became cheaper, possible or more common?

Customer effect

How does that change the buying or usage situation?

Decision test

What evidence would show that the effect is large enough?

A trend becomes useful when it changes a specific adoption constraint.

Spotify: test the timing explanation

Spotify streams music. Which conditions made its 2008 launch possible?

Documented change

Licensing deals were secured ahead of the 2008 launch.

Proposed mechanism

Legal access plus a convenient experience could reduce the appeal of piracy.

Evidence still needed

Do listeners switch, return and pay enough for the model to work?

A reason to revise

Access alone may not overcome missing music, habits or weak economics.

Historical fact + teaching interpretation. A launch announcement is not proof of product–market fit.

Timing changes the next test

A missing capability

A necessary tool or partner is still unavailable.

A testable adoption barrier

The offer works, but switching effort or trust remains uncertain.

DISCUSSION

Would you wait, narrow the use case or test now? What observation decides?

Market brief: one page that drives a decision



Lead with the recommendation

Test, narrow, expand or stop — and explain why.

Show who pays and how much

Define the buyer, annual calculation and acquisition route.

Explain the customer’s choice

Name the current alternative and a reason to switch.

End with an accountable test

State evidence gaps, owner, deadline and decision rule.

Brief 1: should we test agency scheduling?

Case: agency scheduling (hypothetical entrant; Calendly reference)

Recommendation and buyer

Test with small recruitment-agency owners in Germany, Austria and Switzerland.

Commercial case

SAM: 1,200 firms × 5 seats × €120 = €720,000/year. Reachable 20 firms: €12,000 run rate.

Reason to switch — hypothesis

Reduce interview-booking back-and-forth beyond what email and existing calendars already solve.

What could change the decision?

Too few paid seats, adequate bundled tools, or costly customer acquisition.

All figures are illustrative assumptions. Calendly is the product reference, not the source of these estimates.

Brief 1: what would validate the assumptions?

Case: agency scheduling (hypothetical entrant; Calendly reference)

Claim	Current status	Evidence to collect	Decision affected
1,200 eligible agencies	Unvalidated estimate	Screen a firm directory	Size of the niche
5 paid seats per firm	Unvalidated estimate	Observe who books interviews	Revenue per customer
€120 per seat/year	Untested price	Offer a priced pilot	Willingness to pay
Customers will switch	Unknown	Compare a recent workflow	Build, narrow or stop

No research results are claimed here. Record the source, date and finding after each test.

Brief 1: a two-week test with a decision rule

Case: agency scheduling (hypothetical entrant; Calendly reference)



Recruit five eligible agency owners

Review one recent interview-booking episode with each.

Make a concrete offer

Offer a limited paid pilot at €120 per seat per year.

Set the next milestone

Seek three paid-pilot commitments and a clear benefit.

Review and act

Founder reviews in two weeks: proceed, revise or stop.

Brief 2: student rooms before arrival

Case: student-room rental service — hypothetical first market in Ljubljana

Customer and offer

International students need a room before arrival. Offer checked listings and remote viewings.

Payer and revenue

Students search free. Landlords pay €100 per successful let; rent goes to the landlord.

First-year acquisition scenario

Recruit 40 rooms; fill 75% = 30 placements.
Revenue: 30 × €100 = €3,000.

Alternative and adoption barrier

University housing, rental sites and groups. Test whether trust and access justify the fee.

Illustrative assumptions, not Ljubljana market statistics. “Checked” listings require a defined verification process.

Brief 2: test both sides before building

Case: student-room rental service — proposed pilot, no results yet



Start with supply

Get 10 landlords to accept checks and the €100 success fee.

Test the student workflow

Match 20 eligible students manually before semester starts.

Continue only with paid outcomes

Target five paid placements and workable support effort.

Owner, deadline and decision

Founder reviews after four weeks: expand, revise or stop.

Closing discussion



Scheduling startup

A clear need, but a small annual opportunity. What changes?



Hybrid teams

Customers dislike meetings but keep using them. Why?



Market timing

A new tool exists. What else must be true?

Market and competition: key takeaways

Segments shape decisions

Group buyers by a shared need and buying situation.

Size follows the unit

Separate people, transactions, revenue and profit.

Alternatives set the baseline

The current workaround may be the main competitor.

Timing needs evidence

A change must remove a real adoption constraint.

Next: value proposition and business model

Outside class

Draft the market brief from customer evidence and sourced counts; flag assumptions and expansion.

In Lecture 5

Connect customer value to the payer, revenue logic, cost drivers and pricing hypotheses.

Case sources: segments and sizing

First markets

Strava: founder talk

Tesla: 2006 master plan

Market definitions

Airbnb: 2020 filing

Workflows and product

Canva: founder account

Calendly: product and seats

Revenue and activity

Shopify: 2024 annual report

Duolingo: Q4 2024 letter

Case sources: competition and timing

Competition

Netflix: January 2019 letter

Zoom: founder background

Launch conditions

Spotify: ten-year history

Spotify: launch timeline

Glass

Google: enterprise edition

Google: end of support

Enabling conditions

Strava: founder talk

Homework 4: first market

First market

Define buyer, shared job, geography and access route; explain exclusions.

Size

Show bottom-up SAM and SOM: unit, count, price, period and source or assumption.

Choice

Compare real alternatives and switching costs; explain a testable why-now mechanism.

Submit

Add 2–3 exam slides; save the sizing sheet and dated competitor/source log in the folder.