

How to Gain a Deeper Understanding of Your Market



Do you understand your market, how large it is, and who your key competitors are? We want to understand the strategic position of the businesses we look to buy, but this information is also valuable to business owners regardless of whether they are looking to sell the business or not.

Having a deep understanding of your market niche can help you appropriately size the investments you make within your organization. For example, if your analysis shows that your market is small, you may want to avoid hiring more sales staff. If your market is large, you may want to increase headcount in sales so that you can have the bandwidth to reach more prospects.



YOUR MARKET IS LIKE A POND

Imagine your market is like a pond. To understand your current place in the market and potential for growth, you need to know:



1 WHAT POND YOU'RE FISHING IN



2 HOW MANY FISH ARE IN YOUR POND



3 HOW ANY OTHER ANGLERS ARE FISHING IN THE SAME POND

TIPS FOR GAINING A DEEPER UNDERSTANDING OF YOUR MARKET



1 DETERMINE YOUR NICHE

Know what pond you're fishing in.

Analyzing your market is impossible if you don't know who, what, or where your market is.

How do you define your target market? Consider what your typical customers look like. What do they have in common?

Your target market could be defined by one or more of the following attributes:

- The specific industry segment or niche that you serve. Get as granular as possible. For example, private libraries and collections.
- The size or tier of customer that your product is suitable for. Suitable metrics for determining customer size vary by industry, but may include number of employees, number of locations, number of vehicles, etc.
- Specific geographies that you focus on.





2 DEFINE THE SIZE OF YOUR MARKET

Know how many fish are in your pond.

If you don't know how many are in the pond, you don't know how many fish you could catch.

You can size your market by considering how many customers are in your target market regardless of whether they currently have your system, a competitor's system or no system.

Is there potential to expand to other geographies or tiers? Focus on your present niche, but consider where there may be opportunities to grow outside your target market.





3 GET A GRIP ON YOUR COMPETITION

Know how many others are fishing in the same pond and looking for the same fish.

It's important to understand how large your competitors are, why you lose RFPs against them, and why you win deals against them. Where are your customers going if they stop using your product? Where are your strongest and weakest in comparison to the competition? Keeping track of your competitors and understand how you compare can help you make smarter investments in your business.





TAKE A DEEP DIVE INTO YOUR POND

Whilst there may be plenty of fish in the sea, take a closer look at your pond first.

To understand the potential in your pond, you need to first determine what your specific niche is, define the size of your market and get a grip on your competition. Taking those steps can help you make wise investments in your business and set realistic growth targets.

