



Scoping a new idea

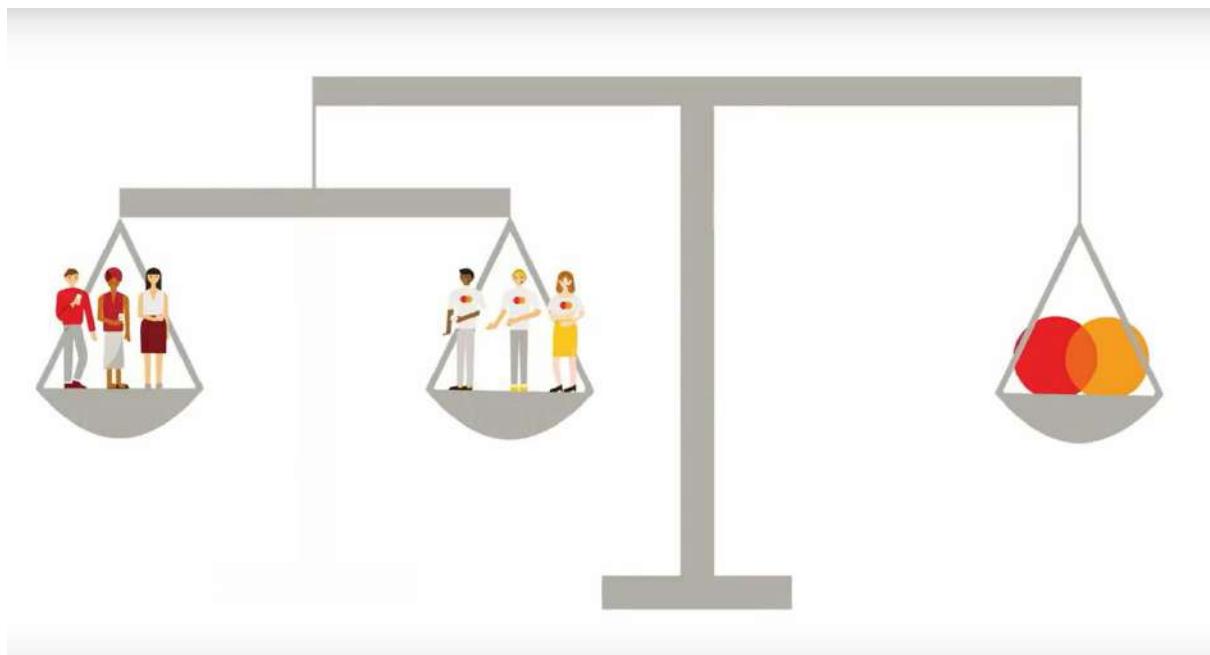


INTRODUCTION

How many clients will use a new product or service? It's a difficult question to answer. It's also a critical question. If we can't put an estimate on product demand, then we cannot scale our delivery or support teams. We also need to understand the impact the new service might have on the rest of our infrastructure. Forecasting demand can be summed up as follows:

1. Incredibly difficult to get right and;
2. Critical to do.

So how do we tackle it?




THE SIX STEP SCOPING PROCESS

Forecasting for a new product or service is challenging when we have no historic or foundation data to work from. Therefore, we must approach the problem from first principles. Think of it as a 6-step process:

1. Find the total available market

The first step is to work out how many customers could use your product or service – the maximum number of clients across your markets if there was 100% take up. Using this technique, we calculate the back-stop number - a number that represents 100% market saturation. We then break this down by regions and sectors.



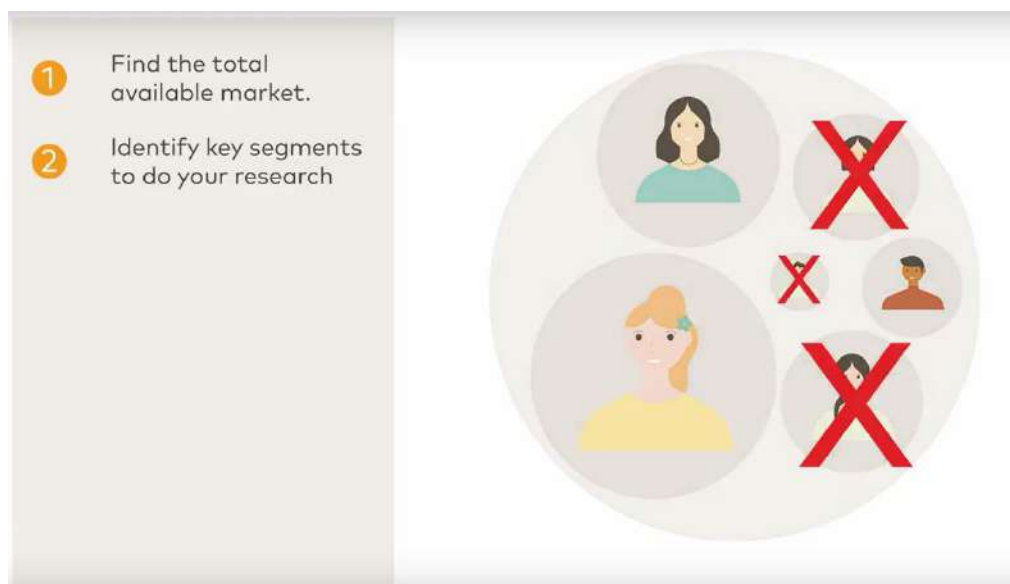
1 Find the total available market.

Calculate backstop number -
Representing 100% market saturation.

Scoping a new idea

2. Identify key segments to do your research

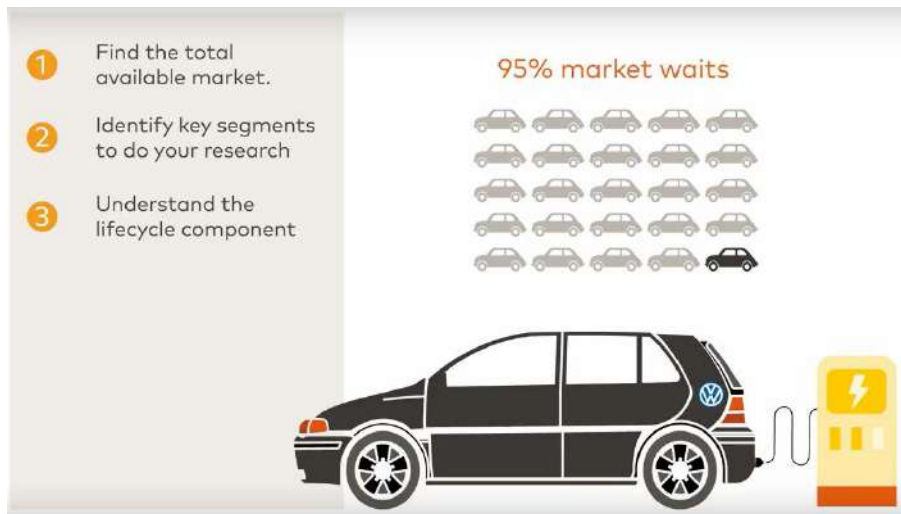
Research is expensive and time consuming. Almost always, it's better to identify two or three groups within the total available market and focus our research efforts with them. Research group candidates should include groups with the most pressing need for the solution.



3. Understand the lifecycle component

Understand where the product or service sits on a lifecycle or adoption curve. This will hugely influence demand. For example, think of the electric car – the Total Available Market is all car owners, but because it's new and innovative technology, we know that only a 5% innovator group is likely to be interested in buying this product initially. In contrast, a car such as a Diesel-powered SUV is in decline in European markets because of new emissions legislation, so we wouldn't plan to launch in a declining market.

Scoping a new idea



4. Triangulate with qualitative research

There's no substitute for direct market research. Test the proposition with a minimum of three client groups in your target market and also with other relevant stakeholders such as support functions or other product teams.

Get answers to questions such as:

If we supply it, will they use it?

Why would they use it?




How often would they use it?

How are they solving the issue today?

What are the barriers to adoption and use?

From this, make an estimate – how many of my target market are likely to adopt.

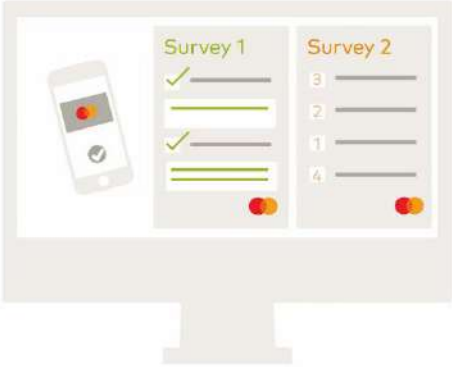
Scoping a new idea

<ol style="list-style-type: none">1 Find the total available market.2 Identify key segments to do your research3 Understand the lifecycle component4 Triangulate with qualitative research	<p>If we supply it, will they use it?</p> <p>Why would they use it?</p> <p>How often would they use it?</p> <p>How are they solving the issue today?</p> <p>What are the barriers to adoption and use?</p>	  
---	--	---

5. Underpin with quantitative research

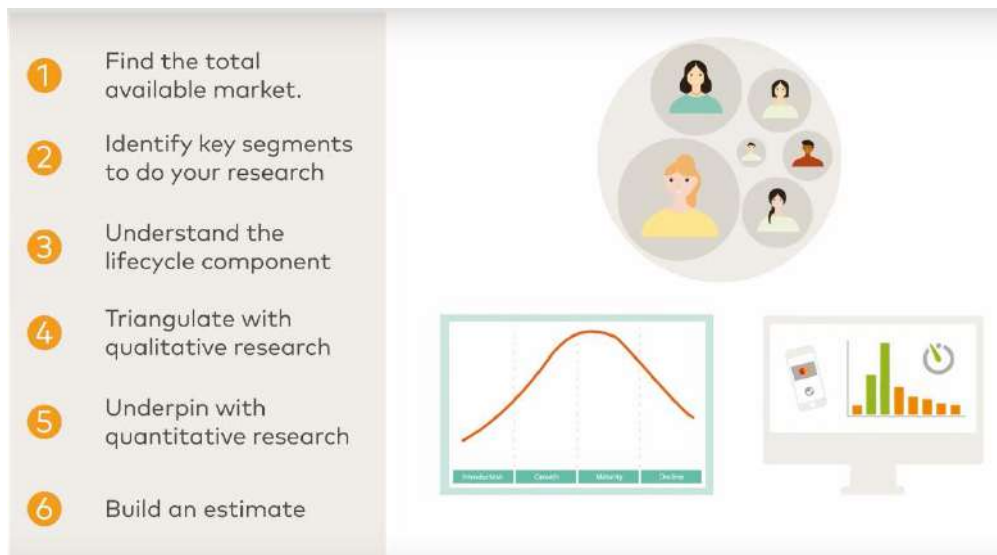
Test your research findings with surveys. Look for proof points and anomalies – feedback that either supports your qualitative research or challenges it. Essentially, try and get to a point where you can say:

“Three client groups said this solution will speed up processing time by 30% and, when surveyed, an additional 200 clients supported these findings.”

<ol style="list-style-type: none">1 Find the total available market.2 Identify key segments to do your research3 Understand the lifecycle component.4 Triangulate with qualitative research5 Underpin with quantitative research	
--	--

6. Build an estimate

And finally, you can calculate your market estimate. Do this by overlaying the total available market figure with the lifecycle stage and your initial target market to estimate your market size at launch. Then double-check that your research findings support this estimate.



A WORKED EXAMPLE

Let's look at this method through a worked example. Take the market of Product Management and imagine we want to build a new online learning tool for them.

Using our six-step process:

1. Find the total available market

There are 1,000,000 product managers across the globe, making our Total Available Market.

2. Identify key segments to do your research

100,000 reside in the UK. This is our local and first target market.

3. Understand the lifecycle component

Our market has never had a dedicated online learning resource, so we are in an innovator market. This means 5% of our UK product managers are targets, giving us 5,000 potential product managers.

4. Triangulate with qualitative research

We've researched 32 teams across the UK, focusing on teams who have new product management functions potentially with high training needs if they take a traditional face to face route. Of those teams, we estimate 40% would buy our online solution. That means 40% of our 5,000 potential product managers are likely to adopt, giving an estimate of 2,000 product managers.

5. Underpin with quantitative research

We researched 350 customers using Qualtrics and found strong support for our face to face research findings.

6. Build an estimate

So, from 1m product managers worldwide, to 100,000 in the UK, taking into account the innovator market status and our research findings, we estimate a take up of 2,000 product managers in the first year. To give us some flexibility, we will plan for take-up of between 1,500 and 2,500.

Product Management
New online learning tool

The
estimate:

1 million product managers worldwide

100,000 in the UK

5% Innovator market - 5000 PMs

Research findings (40% take up) - 2000 PMs



Plan for take-up of
between 1,500 and 2,500.