

**Study Guide**  
**HOW TO BUILD A VENTURE CAPITAL PITCH DECK**  
**Lesson 9: Establish Market Size**

**WHY IS THIS SLIDE IMPORTANT?**

- You need to prove the potential market is big enough that venture capital firms will be willing to invest in your startup – typically, at least a \$1 billion market.
- You should show you can articulate who you want to sell to, and it should link to your sales and go-to market strategy. Show that there is a large space for your startup to grow into or take share within.
- You need to outline your total available market (TAM), serviceable available market (SAM), and serviceable obtainable market (SOM). The TAM is the value of the entire market, the SAM is the portion of the market that your product addresses, and the SOM is a realistic estimate of the market you can actually reach initially.

**LIST THE RESEARCH SOURCES YOU WILL USE TO SIZE THE MARKET:**

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**THE MARKET SLIDE CHANGES AS THE COMPANY MATURES**

- New companies simply need to prove that a market exists that will purchase your product.
- More mature companies should look at extending the market, either vertically with new services or features, or geographically to new customers.
- A small initial market is acceptable if your company can grow into other markets, but you need to make sure to present your growth plans.



### Market Size & Trajectory



- **127k** plumbing businesses in the US
- **566k** licenced plumbers in the US
- **\$124 bn** annual spend on plumbing
  - **72%** of that is on new installation & renovations
  - **\$35 bn** annual spend on emergency plumbing and maintenance
- Industry is growing at **3.5% CAGR**
- Addressable market in the US: Approx. **350k** small businesses and sole traders.

\*Data from IBIS Research, Plumbing, Heating, Cooling Contractors Association of America (PHCC), Plumbing Contractors of America (PCA)

## PRESENT YOUR NUMBERS

- Do your research – consulting firms have probably researched your market and you need to make sure your numbers are supported by facts.
- VC investors will check this information during due diligence, and if your numbers differ from established research you'll need to explain your methodology.
- Use examples of similar companies in your market, if possible.

### Market Size & Trajectory



- Craft beer market is growing steadily
- There's no market leader for the at-home market
- Direct-to-consumer trend increasing rapidly

### LIST YOUR TAM, SAM, AND SOM WITH NUMBERS:

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### WATCH FOR THESE PITFALLS

- Focusing on too small a market – there has to be enough potential to interest investors.
- Sizing the market incorrectly or including areas that aren't really your market.
- Not doing your homework – check for research on the size of your market, and find or buy market reports.
- Research your VC firm. Are any of them experts in your space? you need to know that before the meeting, and make sure you are ready to explain your market numbers.
- Make sure your market size slide matches your sales/go-to-market slide.

### SUMMARY

- This slide requires extensive research, and make sure you can explain your numbers.
- For niche companies with a small and specific SOM, this slide is critical.
- The best case scenario is that the investors agree your market numbers make sense, and then move on.
- The slide should position the company for answering the question, “If everything goes according to plan, how big will this company get?”