

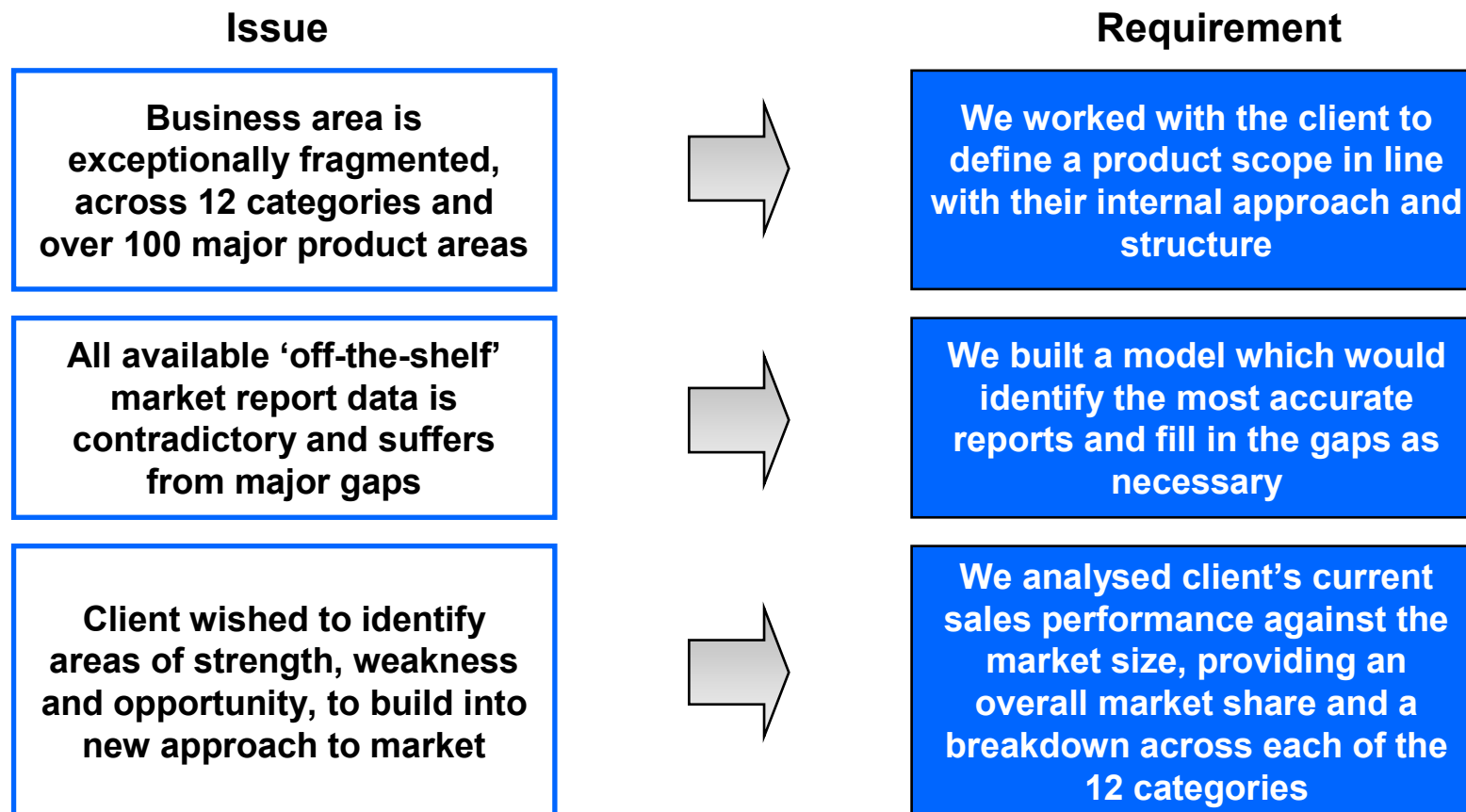


Case Study:
Market Sizing in Retail

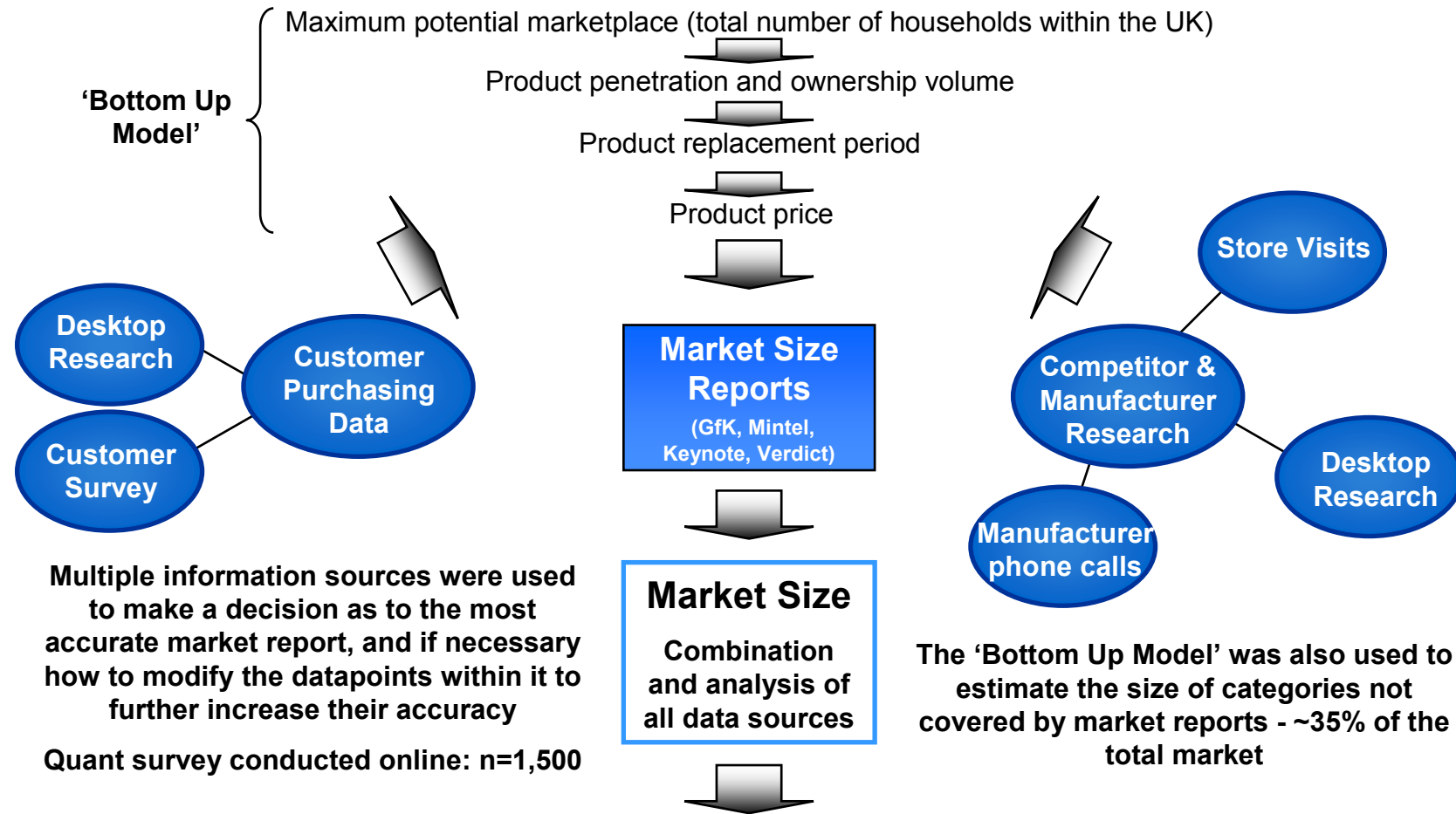
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Case study: Market sizing of a consumer goods market for a major UK retailer (>£2bn turnover)...

Our client wished to build a business case for investment across a core business area, and required an accurate external assessment of market size and share to satisfy key internal stakeholders:



Our approach was based on using a wide range of market data to build the most accurate analysis possible...



Our analysis allowed our client to build a business case for change, supporting the wider drive towards proposition development

Central to project success was the development of an appropriate market size model which could be driven by customer research...

- 1 We identified relevant and obtainable geo-demographic ‘backbone’ data and divide the UK market into sub-groups for market size analysis
 - Key = ensuring the market is divided into groups which were relevant to client and were aligned with their sales data
- 2 We then developed measures which allowed market size to be calculated against the backbone data
- 3 A questionnaire was then written and deployed to populate model for each product

The model divided the UK into a number of household size groups – we then collected product ownership data within each household size group to drive the model:

Product A:

$$\text{Market Size} = (\text{Population} \times \text{Penetration} \times \text{Price}) / \text{Product Lifespan}$$

| Household Size | Number of Households | Penetration of Item | Av. Number of Items | Average Unit Price | Product Lifetime | Annual Spend Per Household | Annual Units Purchased (UK) | Market Size |
|----------------|----------------------|---------------------|---------------------|--------------------|------------------|----------------------------|-----------------------------|-------------|
| 1 | 7,660,000 | 82% | 1 | 4.5 | 10.1 | £0.37 | 621,901 | £2,798,554 |
| 2 | 9,010,000 | 83% | 1.2 | 4.8 | 10.6 | £0.45 | 846,600 | £4,063,680 |
| 3 | 4,040,000 | 86% | 1.5 | 4.2 | 11.3 | £0.48 | 461,204 | £1,937,055 |
| 4 | 3,320,000 | 85% | 1.5 | 7.2 | 9.6 | £0.96 | 440,938 | £3,174,750 |
| 5+ | 1,720,000 | 90% | 1.5 | 7.8 | 8.2 | £1.28 | 283,171 | £2,208,732 |

TOTALS:

2,653,813 £14,182,771

- 4 Totals were then aggregated for each region & product to calculate market size & share

Outputs included a breakdown of market size by category, directly supporting business planning...

| Category | Market Size | Client Market Share |
|--------------------------|--------------|---------------------|
| Small kitchen appliances | £xxx,xxx,xxx | x% |
| Cookware and bakeware | £xxx,xxx,xxx | |
| Pots and pans | £xxx,xxx,xxx | x% |
| Baking | £xx,xxx,xxx | x% |
| Knives and scissors | £xx,xxx,xxx | x% |
| Gadgets and utensils | £xxx,xxx,xxx | x% |
| Textiles | £xx,xxx,xxx | x% |
| Picnicware | £xx,xxx,xxx | x% |
| Barware | £xx,xxx,xxx | x% |
| Tea and coffee | £xx,xxx,xxx | x% |
| Storage | £xx,xxx,xxx | x% |
| Salt and pepper | £xx,xxx,xxx | x% |
| | | |
| TOTAL | £x | 100% |

- Category C is the most valuable product category, containing a large number of commonly-purchased mid-high priced goods
- Category D is one of the smallest groups, due to the narrow product range and mid-low level pricing within the category
- Two groups – F and C - make up over half of the market
- The remaining nine groups include an extremely diverse and fragmented product range
 - Ranges from low-value, but commonly purchased goods such as wooden spoons through to high priced but niche products such as hampers

We recommended investing heavily in two categories, both in terms of product line-up and marketing