Market Definition

# Executive Summary

* REDACT’s Target Market is defined **as small, medium, and large companies in North America that redact in specific market segments that include** redact
* This market segmentation is defined in terms of revenue of $5M to $200M.
* The Total Addressable Market fitting this definition is almost 10,000 companies. If we include companies of unknown revenues, we will estimate 15-25,000 companies.
* Based on typical engagement and funnel conversion metrics, this represents roughly 20-30 new REDACT customers per year. To achieve a level of 40 new customer adds per year, REDACT would need to engage with 111% of the total addressable market.

# Market Definition

According to InsideView, there are 83,723 North American companies that are in the redact industry. There are another 207,072 companies in Europe and the United Kingdom. This is validated by other industry statistics. As an example, according to [Statista](https://www.statista.com/topics/1660/food-retail/#:~:text=How%20big%20is%20the%20U.S.,around%2038%2C000%20for%20several%20years.), the U.S. redact industry sales exceeded six trillion dollars alone in 2019.

But what defines the redact industry. This is a highly verticalized industry that starts from redact and goes right into redact businesses. It is important to define the market using segmentation.

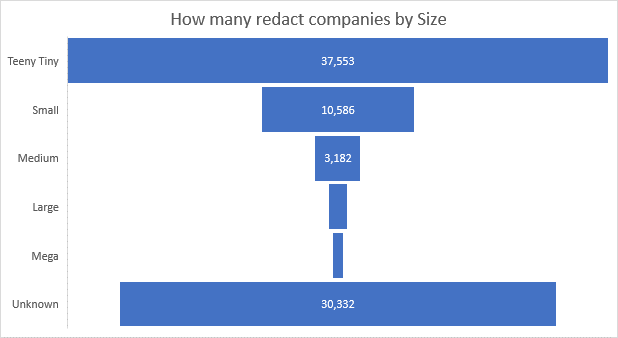
But first, we will state that our focus for this exercise is redact. This is defined as companies that make or distribute redact product. They add value to a raw material(s), formulate, produce, package, and then distribute that product for consumption. Consumption could be by a human, or it could be an animal as is the example from feed or pet food manufacturers that have the same challenges as producers who make the redact.

# Defining Industry Segmentation

There are a number of ways to define this redact industry. We are going to use two primary methods.

## By Company Size

How big are these companies? The primary measure we will use is revenue, and we will segment into four categories. Next to each category, we will identify the number of North American companies in that segment.



|  |  |  |
| --- | --- | --- |
| Segment Name | Revenue Range | Number of Companies |
| Teeny Tiny | 0-5M | 37,553 |
| Small | 5-20M | 10,586 |
| Medium | 21-50M | 3,182 |
| Large | 51-200M | 1,302 |
| Mega | 200M+ | 768 |
| Unknown |  | 30,332 |
| Total |  | 83,723 |

## By Sub-Segment

What do these redact companies produce? This is an important approach as companies in different sub-segments have different challenges that technology can help address. The counts below represent the leading segmentations, and only include companies that have $5M or more revenue. This count also excludes companies with unknown revenues, which represents almost half the companies in the InsideView database. It would be a fair assumption to double these counts.

|  |  |
| --- | --- |
| Segment | Count |
| redact | 3,980 |
| redact | 1776 |
| redact | 1224 |
| redact | 1012 |
| redact | 990 |
| redact | 932 |
| redact | 764 |
| redact | 721 |
| redact | 662 |
| redact | 643 |
| redact | 587 |
| redact | 328 |
| redact | 264 |
| Total | 13,883 |

Note, that only 13,883 of the companies of the total 83,723 are represented in this chart. This is because of filters on unknown revenue, revenue less than $5M, and segments not represented on this list.

## Other Segmentation Options

Not mutually exclusive, there are other segmentation options. These include targeting companies that have specific requirements or are facing certain trigger events:

# Target Market

REDACT will target the following segments with their software offerings.

Small, Medium, and Large food producers and distributors with specific industry focus on.

# Total Addressable Market

The total addressable market for this target market is **9,895** companies that have known revenue. There are a further **30,230** companies in these segments where revenue is unknown. Extrapolating the data, a safe assumption is that there are 15,000-25,000 companies in the targeted segments in North America.

# Waterfall Execution

Let’s assume that no more than 10% of the Total Addressable Market would be actively engaged in a buying process for solutions that REDACT supplies in any given year.

Let’s also present three scenarios. Scenario 1; where REDACT adds 20 new customers per year; Scenario 2 adding 30 new customers per year, Scenario 3 adding 40 new customers per year.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Stage | Conversion | Conversion Rates | Scenario 1 | Scenario 2 | Scenario 3 |
| **Engaged** | Active to Engaged | - | 1111 | 1667 | 2222 |
| **Prioritized** | Engaged to Prioritized | 10% | 111 | 167 | 222 |
| **Qualified** | Prioritized to Qualified | 60% | 67 | 100 | 133 |
| **Pipeline** | Qualified to Pipe | 100% | 67 | 100 | 133 |
| **Close** | Pipe to Close Won | 30% | 20 | 30 | 40 |

The chart above presents reasonable funnel conversion rates from Engaged to Closed Won. For example, in Scenario 1 if the business wants to add 20 customers in a year, we need to engage with 1111 companies. In Scenario 3 If we want to add 30 new customers per year we know that we would need to engage with 1667 companies who are actively looking for a solution.

Scenario 3 provides a scale validation. To close 40 new customers each year, REDACT needs to add 133 deals into its pipeline based on these conversion assumptions. This level would be aspirational in the first year.

# Conclusion

Based on our funnel conversion and TAM assumptions, we should expect between 20 and 30 new customers per year. To increase the number of customers we would need to:

1. **Revise our funnel conversion assumptions**. How do we do this? The numbers represented above are fairly typical for a redact company. To increase our win rate we would need to become better than average at finding prospects, creating opportunities, and winning deals.
2. **Expand our Geographical market.** The TAM above is based on the North American market size of 83,723 companies. Expanding to other geographies would be one way to increase the TAM.
3. **Increasing the range of companies**. The TAM above is based on the number of companies known to be over $5M in revenue. Providing an offering to companies with revenues lower than $5M would be one approach to increasing TAM.