

HAVE YOU EVER WONDERED WHAT YOUR PRODUCT'S WORTH?

We're looking to determine how industry and academia accurately evaluate the market value for prototypes, designs, and the market that follows.

When evaluating our method, we've considered the following: product costs from ideation to creation, IP, product sale price, product impact, the potential market for this product today, and what the market may look like across the next couple of decades.

We are conducting our research, and we are looking to consider the whole picture of a formula that doesn't exist yet. We've developed a formula that considers what this picture may look like. Our Step 2 requires refining this understanding.

The truth is, there isn't an all-encompassing formula that exists today. Primarily, this is because no market evaluation is ever the same. To fill this need, we'd like to refine our way closer to through the lens of many rather than of few.

We are looking for you to argue for or against:
Is our reasoning sound as it is?
And/or what adjustments need to be made to better represent a more reasonable evaluation?

OUR *CURRENT* DYNAMIC FORMULA

COGS- COST OF GOODS SOLD

The average cost to produce a product in a given market considering the prevailing per unit cost structure (labor, materials, logistics, intellectual property, etc.) across Industry.

MARKET DRIVEN PRICE

Market driven price is the current or prevailing selling price for a product or service in a competitive market. Or what customers are willing to pay under reasonable conditions.

In market analysis, it reflects the balance of supply and demand and can shift with market conditions, perceived value, and competitive activity.

COMPETITIVE PRICE POINT

A competitive price point is the strategically determined price for a product or service that reflects the current market rate and customer expectations. CPP aligns with your cost structure and value proposition, and ensures you remain competitive without eroding profitability.

**(COGS [+/-] DIFFERENCE IN MARKET DRIVEN PRICE
OR COMPETITIVE PRICE POINT)
[X]([SAM OR SOM] + [SAM, SOM (X) CAGR])**

The anticipated
of years of
competitive
features place in
the market place

2-20 YEARS

SAM - SERVICEABLE AVAILABLE MARKET

SAM represents the portion of the Total Addressable Market (TAM) that your company's products or services can realistically serve, based on your geographic reach, regulations, or target segment.

SOM - SERVICEABLE OBTAINABLE MARKET

SOM is the subset of the SAM that your company can capture within a defined period, given your market share potential, resources, distribution, and competition. It reflects realistic short- to mid-term market potential.

CAGR - COMPOUND ANNUAL GROWTH RATE

A Measurement of the average annual growth rate of market size or investment value over a period of time, assuming the value grows at a steady compounded rate each year.

PRIMARY CONSIDERATIONS:

COGS (+/-) DIFFERENCE IN MARKET DRIVEN PRICE OR COMPETITIVE
PRICE POINT (X) SAM OR SOM + (SAM OR SOM (X) CAGR)

When we consider this formula to determine the value of 1 product, when calculating COGS and P/L per unit, we consider the actual product value.

However, based on additional information, including unit cost, production feasibility, manufacturing readiness, and market need, we consider the value of mass production (Pro Tip: mass production could alter the value of COSG).

Market validation for said product can be determined utilizing SAM and SOM. SAM and SOM assess market opportunity based on historical information to the present.

In context, an example may look like:

An indestructible pen costs **3.50** per unit (procurement, manufacturing, trademark, packaging, shipping/distribution) and a unit sells for **\$6.50**.

$$(3.50 + 3) \times (5M + (5M \times .0254)) = \sim 33.3M$$

or $(3.00 + 3.50) \times (18M + (18M \times .0254)) = \sim 120M$ (unit price level load (drop)
due to mass production)

Since we are considering a market of medium-quality (priced) pens that opens us to a **SAM of ~18M** units (ChatGPT). Let's consider 2 cases: 1. Our current supply chain can only manufacture **5M units** (that will be our SOM). 2. In a case where we intended to sell our design to a big player like "BIC," well, we'd then hold the **18M SAM** (if not more) due to their reflective operational resources and market reach. (SAM should be reasonable in each case). That means the potential market value of our operation would be **\$32.5M**, whereas our potential sale value could be **\$117M +**. Assuming the CAGR wasn't considered in either SAM assessment, our **CAGR is ~ 2.50%** over **10 years**.

KEY CONSIDERATIONS:

**MDP - MARKET
DRIVEN PRICE**

VS

**CPP -
COMPETITIVE
PRICE POINT**

When we consider Market Driven Price VS Competitive Price Point, it varies depending on a business model and the product or innovation.

Market-Driven Price: The price a product could realistically command based on market demand, perceived value, and willingness to pay. It reflects what customers are ready to pay, considering the overall market context.

Competitive Price Point: The price at which competitors are selling similar products. This is more about positioning relative to competitors rather than customer perception; this method enables a longer-term growth potential for the company as a whole through ensuring profitability when achieved correctly.

If $MDP > CPP$, the product could potentially be premium-priced, suggesting customers value it more than competing offerings.

If $MDP < CPP$, the product may be overpriced relative to customer perception, which could hurt demand.

KEY CONSIDERATIONS:

**SAM -
SERVICEABLE
AVAILABLE
MARKET**

VS

**SOM -
SERVICEABLE
OBTAINABLE
MARKET**

SAM:

Focus: Market you could serve

Scope: Broader, strategic

Assumptions: Based on product fit and market access

Use Case: Evaluate opportunity size, justify investment

Data Sources: Industry reports, segmentation analysis

SOM:

Focus: Market you will realistically capture

Scope: Narrower, tactical

Assumptions: Based on market share, competition, and sales capacity

Use Case: Build forecasts, set targets, allocate resources

Data Sources: Competitor analysis, internal capabilities, demand modeling

According to our understanding, we'd use SOM when you're selling or evaluating smaller operations or smaller demands. Whereas SAM is a true market reflection at maximum potential. Sam is utilized when selling or evaluating a product at the scale of medium to large operations. Business capabilities would drive the decision between the two.

KEY CONSIDERATIONS:

CAGR -
COMPOUND
ANNUAL
GROWTH RATE

ACROSS

YEARS OF
COMPETITIVE
ADVANTAGE

Compound Annual Growth Rate, in our case, is a metric that shows the average annual growth of a market over a specific period of time. It is important to consider that in our formula, we would define that specific period of time in reference to the amount of time your novel product actually holds, or is reasonably expected to hold a competitive position in the marketplace.

This competitive advantage is defined by structural barriers that protect your competitive position from others. One can consider elements like intellectual property and customer loyalty to be a few of the many structural barriers a company can build. In competitive advantage, we'd look at a company's SWOT and Competitive Analysis. These will define industrial dynamics, the comparison and pace of internal and external innovation, as well as the company's strategic agility.

CAGR from the perspective of market value provides a smooth and more accurate picture of overall market performance. This allows investors to compare different markets (investments), evaluate past returns, and project future growth based on historical data.

Compound annual growth rate is a reflection of the growth of an investment in a given market. As a new product with high features(s) enters the market, CAGR goes up as well. As a product's market value goes up, so does CAGR. However, value is to be defined and validated. Hence, the reason why we've tailored CAGR's general overview to be relative to a product's specific market value.