

**YOUNG
CEO
PROGRAM**



thinkstartup

Session 8 : Understanding Markets



This Session's Objectives

- Establishing Product Market Fit
- Knowing your competition
- Market Sizing

Warning

Long Case Study : Group Activity



MTO

Cakes and Shakes



Case Study : Background

- MTO Cakes and Shakes is a home startup that sells customised Cakes, Cookies, Juices and Smoothies.
- Customers have the option to get their orders made as per their choice.
- Typically, a customer would ask for extra layer of cheese, nuts, double cream, topping, no sugar but honey or dates, etc.
- This is the reason why customers love MTO, which stands for Made to Order.
- That's why your customers love MTO and has got 4.4 Star customer rating.



MTO: 3 Idiots

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Cakes and Shakes

- MTO, is started by three friends, all of whom have recently graduated.
- One went to Business School, another completed his engineering and the third graduated out of a Hotel Management course, who is the chef.
- These three friends, rented a Barsati apartment at Shahpur Jat, near Siri Fort auditorium in New Delhi to start the venture at a monthly rental of Rs. 25000/-



MTO: Goes Live

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- The business has went live about 6 months back.
- The business model is simple. It is fully online business, where all orders come through a food delivery app like Swiggy and Zomato.
- In addition, they also have their own website and a social media page.
- One room of 2BHK is used as office, one room as a store and they have invested Rs. 2 lakh to set up a kitchen with oven, mixer, grinder, refrigerator and other utensils.

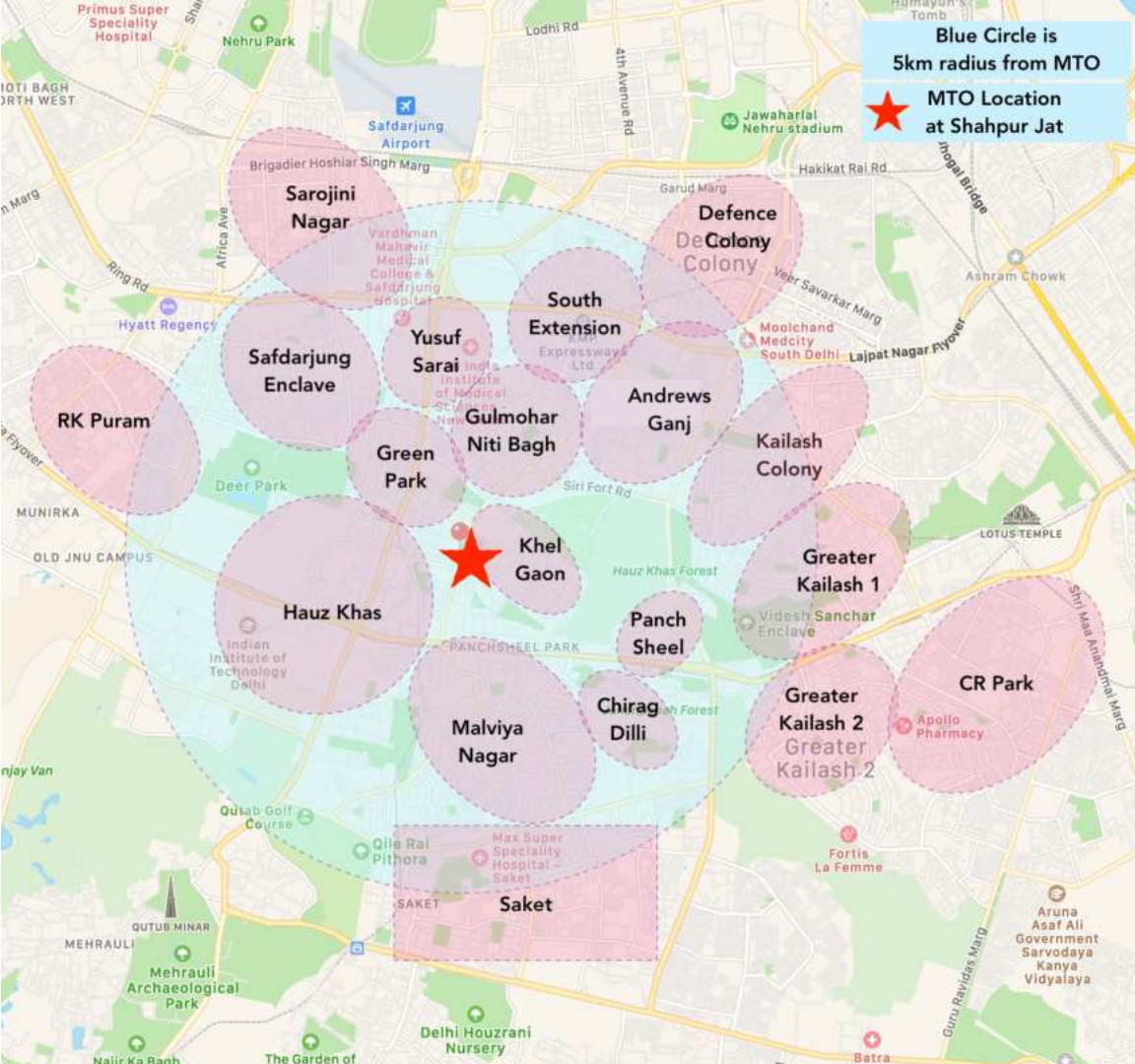


MTO: First 6 months

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- MTO realised that close to 75% of the orders come from a radius of 5km distance (i.e. 20 to 30 minutes) and balance from a radius of 8Km (30 to 45 minutes).
- Achieved daily average sale of Rs. 10,000 from about 25 orders per day.
- The cost of making MTO stuff is 50% of the order value, packaging takes away another 5% to 8%.
- If the order comes from a food app (Zomato / Swiggy), they have to pay average 33% towards customer acquisition and delivery costs (CADC).
- For orders thru' its own website, the CADC is 20%, but less than 10% orders are placed on MTO's website.





Location	Population
Shahpur Jat	15000
Hauz Khas	70000
RK Puram	80000
Safdarjung Enclave	45000
Green Park	30000
Sarojini Nagar	90000
Yousuf Sarai	10000
Khel Gaon	10000
Gulmohar Niti	10000
Andrews Ganj	15000
South Extension	80000
Defence Colony	10000
Kailash Colony	15000
Greater Kailash 1	40000
Greater Kailash 2	30000
CR Park	45000
Saket	45000
Malviya Nagar	70000
Chirag Delhi	10000
Panchsheel	20000
Misc. Unmarked places within 5KM radius	100000
	840000

MTO: Question

1. From the given facts, make an estimate of the **total market potential** of MTO - Cakes and Shakes
2. What is the ideal profile of MTO Customer (use AGILE)

Population of localities around Shahpur Jat	Population	% in Age Segment	% in Income Segment	% Coverage	#Customers
Shahpur Jat	15000	30%	10%	100%	450
Hauz Khas	70000	25%	40%	100%	7000
RK Puram	80000	25%	25%	30%	1500
Safdarjung Enclave	45000	20%	60%	100%	5400
Green Park	30000	20%	50%	100%	3000
Sarojini Nagar	90000	30%	30%	40%	3240
Yousuf Sarai	10000	30%	30%	100%	900
Khel Gaon	10000	20%	30%	100%	600
Gulmohar Niti	10000	20%	75%	100%	1500
Andrews Ganj	15000	30%	30%	100%	1350
South Extension	80000	25%	30%	100%	6000
Defence Colony	10000	20%	60%	40%	480
Kailash Colony	15000	20%	40%	60%	720
Greater Kailash 1	40000	20%	75%	50%	3000
Greater Kailash 2	30000	25%	75%	20%	1125
CR Park	45000	25%	30%	0%	0
Saket	45000	25%	30%	40%	1350
Malviya Nagar	70000	30%	40%	100%	8400
Chirag Delhi	10000	30%	40%	100%	1200
Panchsheel	20000	25%	75%	100%	3750
Misc. Unmarked places within 5KM circle	100000	30%	25%	100%	7500
Total Estimate	840000				58465

MTO: Competition Blues

In the blue shaded region, upon market survey, it has been found that there are 4 cakes and shakes shop, who offer similar custom made products like MTO

Competitors	Location	Customer Model	Average Price	Started	Customer Rating
Custom Cakes	Green Park	Swiggy, Zomato, Website, Social Media	Rs. 400	3 years	4 Star
Bake it till you make it	Hauz Khas	TripAdvisor	Rs. 800	2 years	5 star
MYO - Make your Own	Kailash Colony	Swiggy, Zomato, Website, Social Media	Rs. 450	12 months	4 star
BAC - be a Chef!	Malviya Nagar	Instagram	Rs. 350	6 months	3.5 Star
About 50 other cakes / shakes sellers, who offer non-customisable products	in the blue circle	Mixed	Rs. 300 to Rs. 500	mixed	missed

MTO: Question 2

Considering the 4 main competitors, their location, price point, history and assuming 60,000 to 70,000 potential customers in the market,

How much of the market can be potentially serviced by MTO? Let's call it SAM.

10% to 15%
15% to 20%
20% to 25%
25% to 30%
30% to 35%
35% to 40%

MTO: Question 3

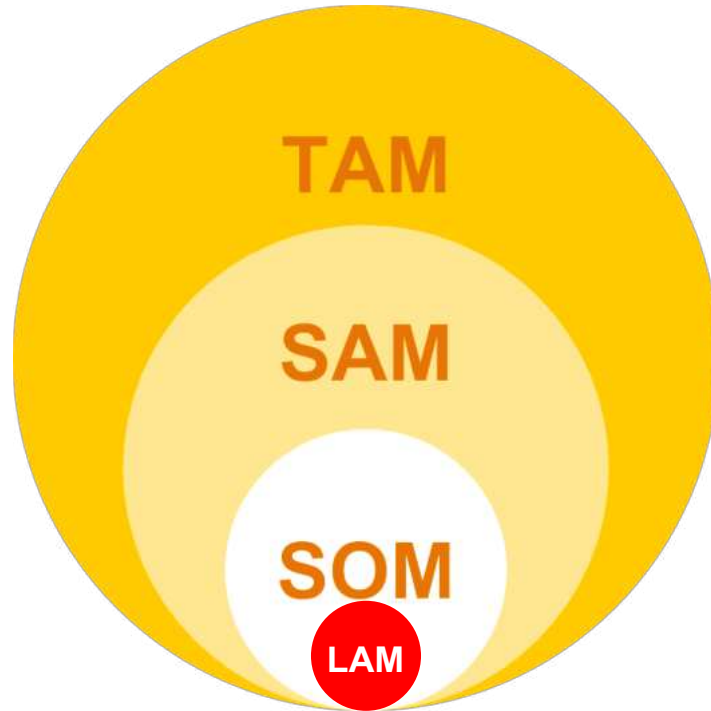
Considering the fact that MTO is a frugally built business that has started only 6 months earlier.

What do you think is the market size available for capture for MTO in the next 3 months?

10% to 20% of SAM
20% to 30% of SAM
30% to 40% of SAM
40% to 50% of SAM
50% to 60% of SAM
60% to 70% of SAM



Key Concept: How **big** is the market?





How **big** is the market?

- TAM = Total Addressable Market
 - **maximum amount** of revenue a business can possibly generate by selling their product or service **in a specific market**
- SAM = Serviceable Addressable Market
 - Number of customers to whom you could **realistically** sell
- SOM = Share of market
 - Part of the market you are eager to capture realistically
 - is the size of your **actual** customer base
- LAM = Launch Addressable Market



Do people **know** you?



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Day2 Assignment

- Write the Value Proposition in 15 words
- Define the main customer segment
- Your Top 3 competitors + What price they sell + How do they reach to the customers + What customers say about them
- How big is your market – TAM, SAM, SOM