



PREDICTIVE
ANALYTICS
INTEGRATORS

TRIPLE-A METHOD OF MARKET SIZING

Addressable, Available, Actual

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Introduction to Canback

Triple-A market sizing framework

Example



Founded by Dr. Staffan Canback, we are an elite management consulting firm anchored in predictive analytics and consumer knowledge.

We serve clients through five practices: Commercial Strategy, Sources of Growth, M&A Due Diligence, Corporate Finance, and Organizational Performance.

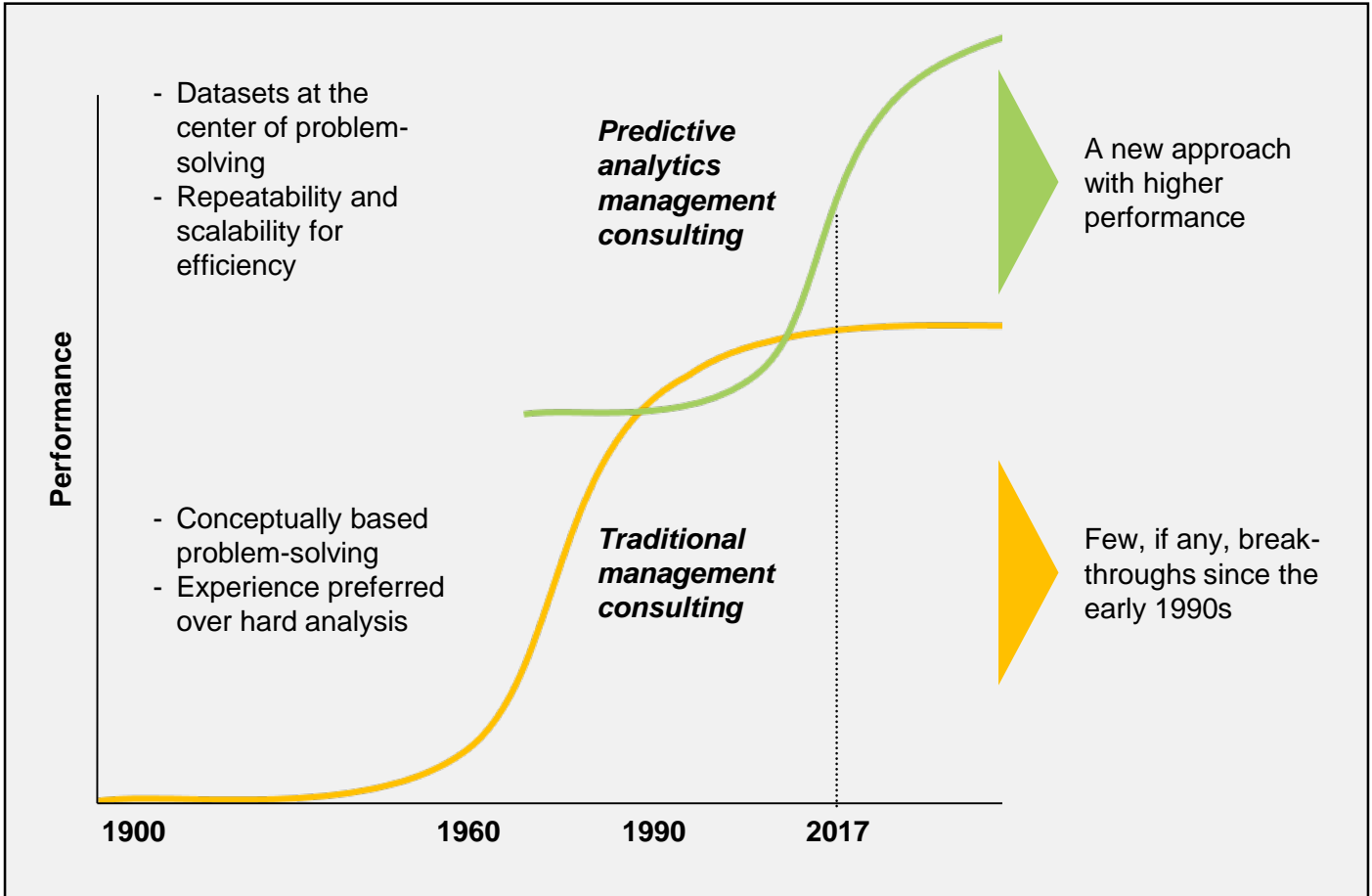
We operate globally with the world's largest companies as clients. This has taken us to 84 countries since our founding in 2004.

We also offer analytic services with the Canback Global Income Distribution Database (C-GIDD) as our cardinal product.

Canback is a subsidiary of The Economist Group since 2015.



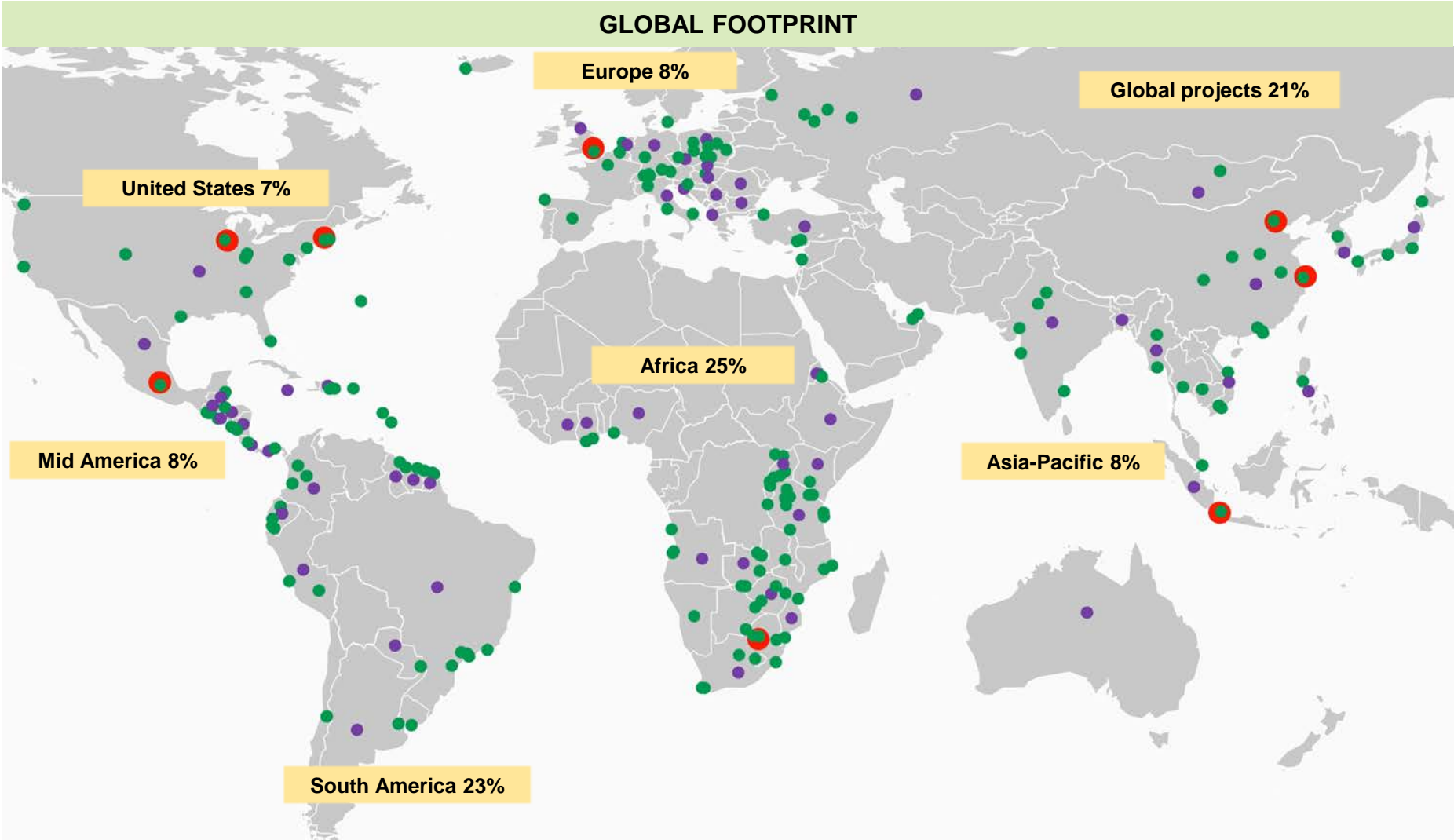
MANAGEMENT CONSULTING INDUSTRY S-CURVE



"The future is already here, it is just unevenly distributed"



Canback has worked on the ground in 84 countries



- Offices
- Country projects
- Consultants' work travel

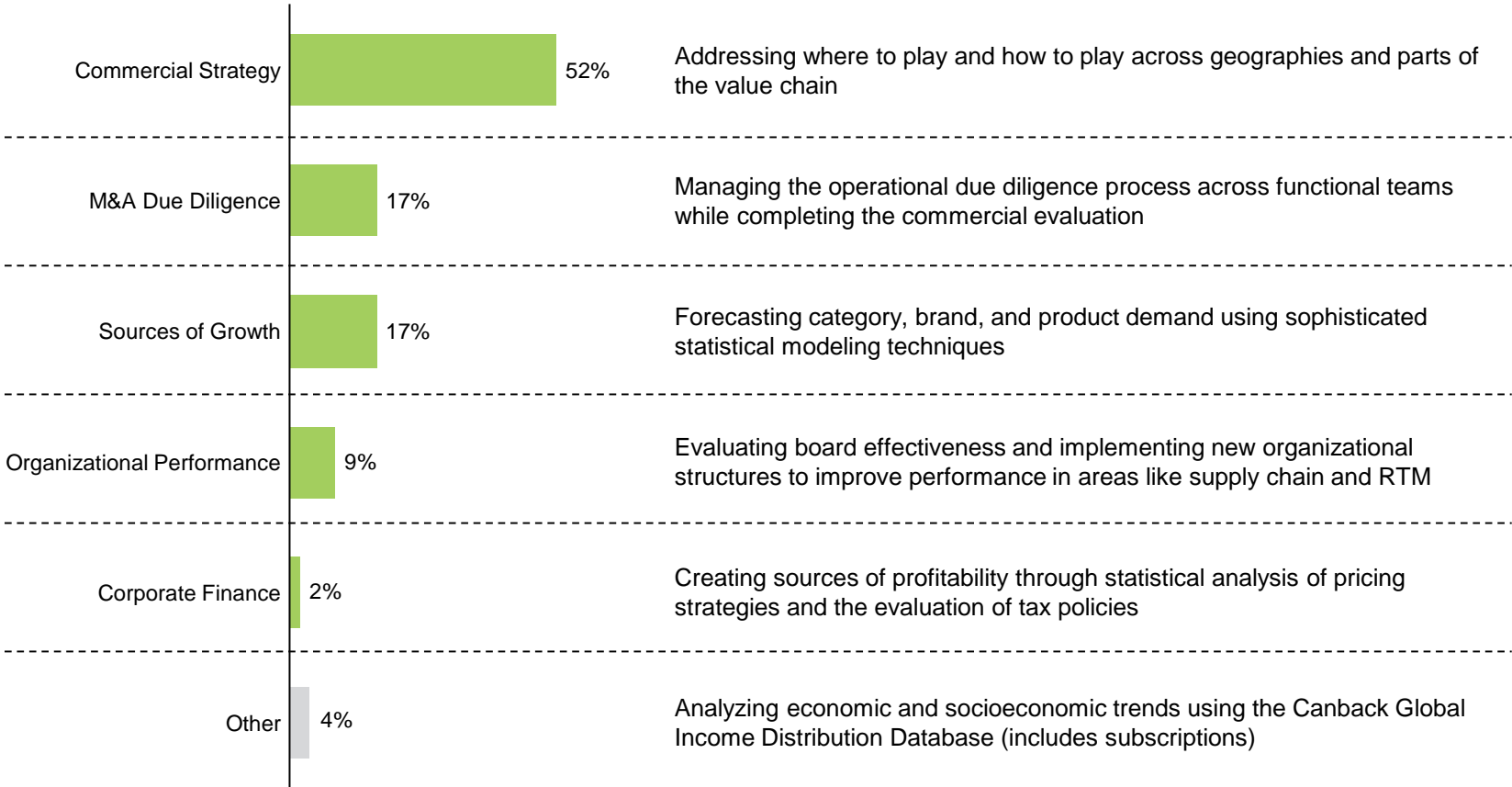


Canback has worked on a large variety of projects, usually with a commercial focus

CANBACK PRACTICES

Project split

Overview





Canback works mainly in five consumer-facing sectors

FOOD & BEVERAGE

- Alcoholic beverages
- Soft drinks and dairy
- Packaged products
- Artisanal foods and beverages

HEALTH & BEAUTY

- Personal care
- Beauty products
- Home care
- Over-the-counter drugs

RETAIL

- Traditional trade
- Modern trade
- E-commerce
- Informal markets

TECH & MEDIA

- Social media
- Traditional media
- Cellular and cable operators

FINANCIAL SERVICES

- Retail banking
- Savings
- P&C insurance
- Payments & remittances



Introduction to Canback

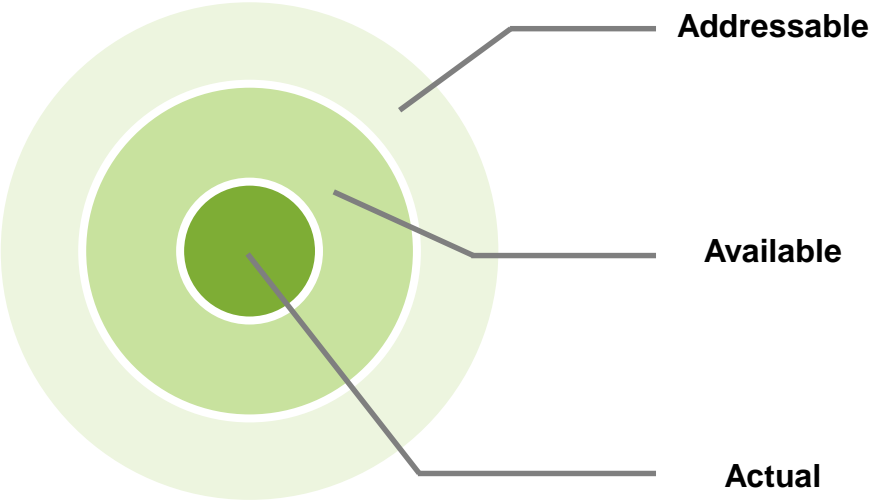
Triple-A market sizing framework

Example



The Triple-A (Addressable-Available-Actual) method provides a clear and systematic framework for quantifying market opportunities

TRIPLE-A FRAMEWORK



The **addressable** market is the unconstrained market size of all relevant consumers within a certain income bracket and demographic profile

The **available** market takes into account of limits in distribution coverage. It represents the market potential in those areas where the product is available

Even though the product is available, it may not be in demand. For example, people may not be aware of it. The **actual** market reveals what people truly consume



We follow the three-step approach to sizing the market

ADDRESSABLE – AVAILABLE – ACTUAL MARKET





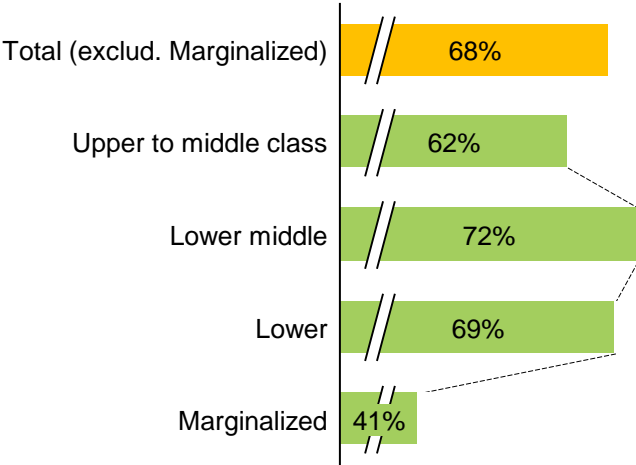
First, we identify the **addressable** market based on a product’s affordability and consumer demographic profiles

ADDRESSABLE

The addressable market is the market of all relevant consumers within certain demographic profiles and socioeconomic levels that can afford the product

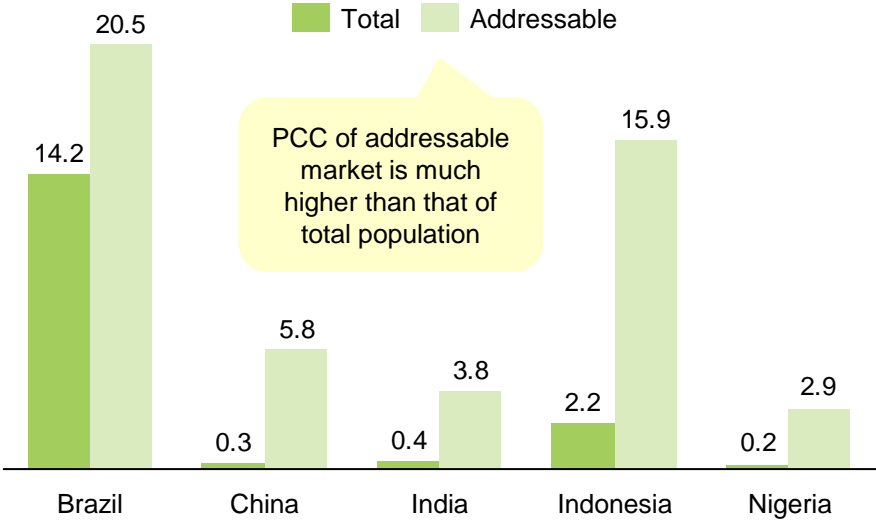
SOFT DRINK PENETRATION BY SOCIOECONOMIC LEVEL*

Select countries (Brazil, China, India, and Indonesia)



PER CAPITA CONSUMPTION (PCC) BY COUNTRY

By total population and addressable population



- In a previous project, we found soft drink consumption varies by socioeconomic level, with lower middle class consuming the most and marginalized class consuming the least
- Based on this finding, we suggest the client identify the addressable market to include all socioeconomic classes except for marginalized (the poorest class of all)
- Per capita consumption for soft drink is significantly higher for the addressable market than the total population, although Brazil is far ahead of the comparison countries. The significant difference in PCC supports our sizing criteria

*We use an international definition developed by AMAI to define socioeconomic levels (SEL) and apply it consistently to all countries (regardless of a country’s own SEL definition). This allows for comparability between countries, subdivisions and cities



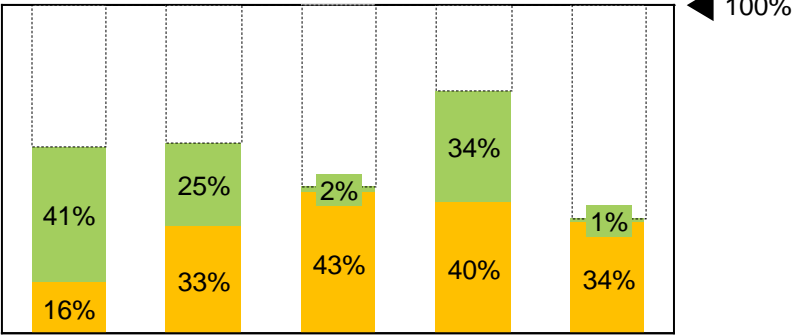
Second, we quantify the **available** market by considering the distribution coverage of the product, which influences whether consumers have access

AVAILABLE

The available market takes into account of a product's distribution coverage. It represents the market potential in those areas where the product is available

SOFT DRINK DISTRIBUTION BY CHANNEL

Percent of addressable population



Other channels Modern trade Traditional trade

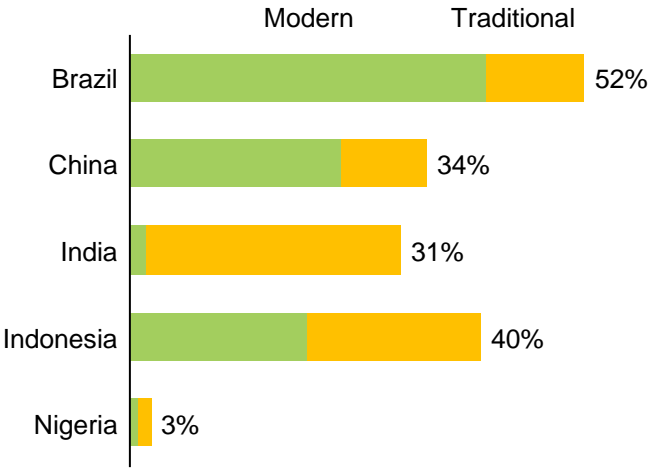
SOFT DRINK DISTRIBUTION COVERAGE

Percent of channel

	Brazil	China	India	Indonesia	Nigeria
Modern	100%	97%	97%	60%	90%
Traditional	70%	30%	68%	50%	5%

AVAILABLE POPULATION

Percent of addressable population



OBSERVATIONS

- Brazil has a much larger available population share (52%) than China (34%) despite similar distribution channel coverages of beverage in two countries
- This is because in Brazil, soft drink has high coverage in both modern and traditional while in China traditional channel coverage is limited



Thirdly, we size the **actual** consumers in demand by identifying characteristics of consumers making purchasing decisions

ACTUAL

The actual market is the market of all available consumers in demand of the product. Many factors may influence consumers' willingness to purchase the product despite it being available

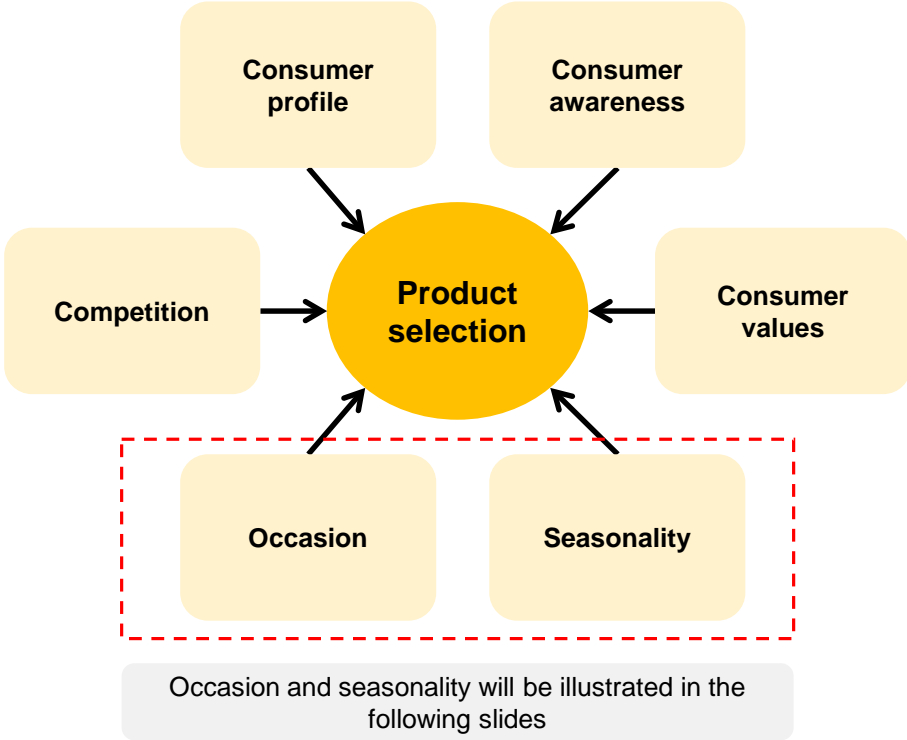
ACTUAL CONSUMER FRAMEWORK

Why actual market sizing

- Consumers may not be aware of the product and others may choose alternatives
- Identifying factors relevant to purchasing decisions will further pinpoint target consumers and segment the market
- This requires an in-depth understanding of who the consumers are and their purchasing behavior (i.e. when/why/how they buy)

Canback approach

- Market visit and/or consumer survey are usually conducted for this purpose
- Use regression analysis to determine the most significant factors influencing consumer's product selection



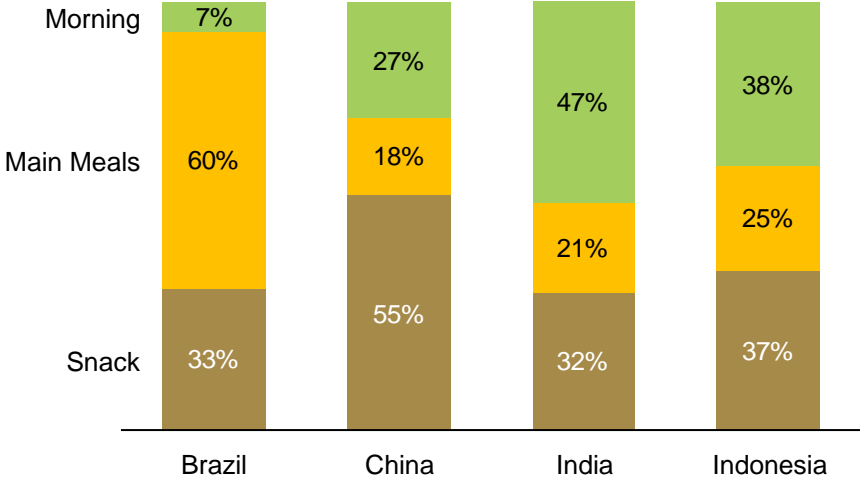


For example, evaluating consumer preferences by *occasion* reveals different consumption habits of soft drink across countries

Occasion

SOFT DRINK CONSUMPTION BY OCCASION

Percent of total consumption



OBSERVATIONS

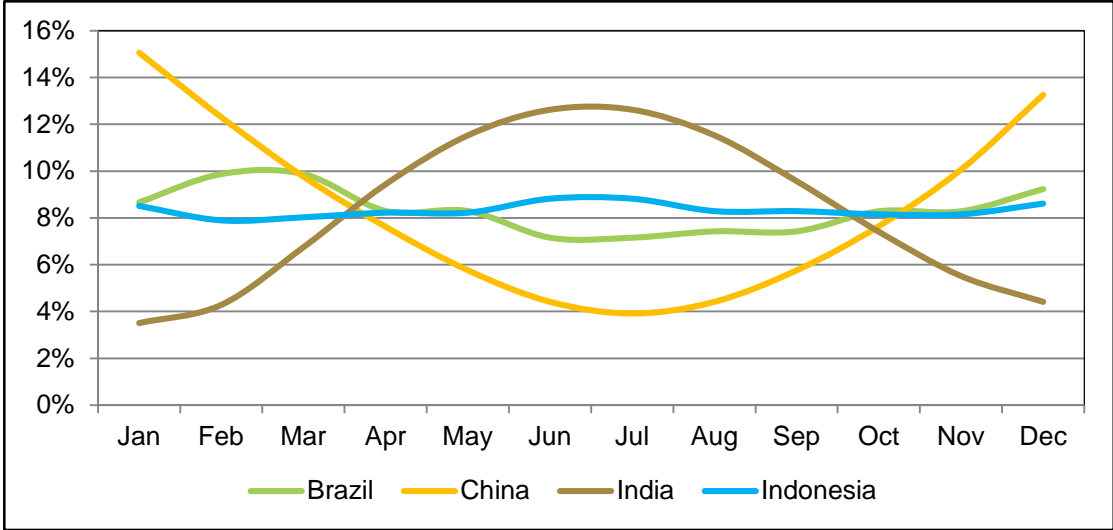
- Current occasions for consumption vary greatly by country. For instance, the soft drink in study prevails as a morning drink in India, while prevailing as a snack drink in China
- Brazil, the most established soft drink market of the countries studied, consists of 60% meal-time consumption, which may be a key driver of high consumption
- High share of snack-time consumption may be a driver of low intensity in low consumption countries



Moreover, *seasonality* trends in soft drink consumption facilitates understanding of consumer demand and further pinpoints opportunities for growth

Seasonality

SOFT DRINK SEASONALITY TRENDS
Percentage of total consumption by month



OBSERVATIONS

- China and India’s soft drink consumption are most affected by seasonality but with reversed seasonal trends
- In India, consumption intensity is the highest in summer and lowest in winter. Given its similar climate to Indonesia, the difference could be reduced by boosting off-peak consumption
- The high winter consumption in China may be attributed to the culture and tradition of hot soft drinks. An opportunity lies in expanding cold alternatives



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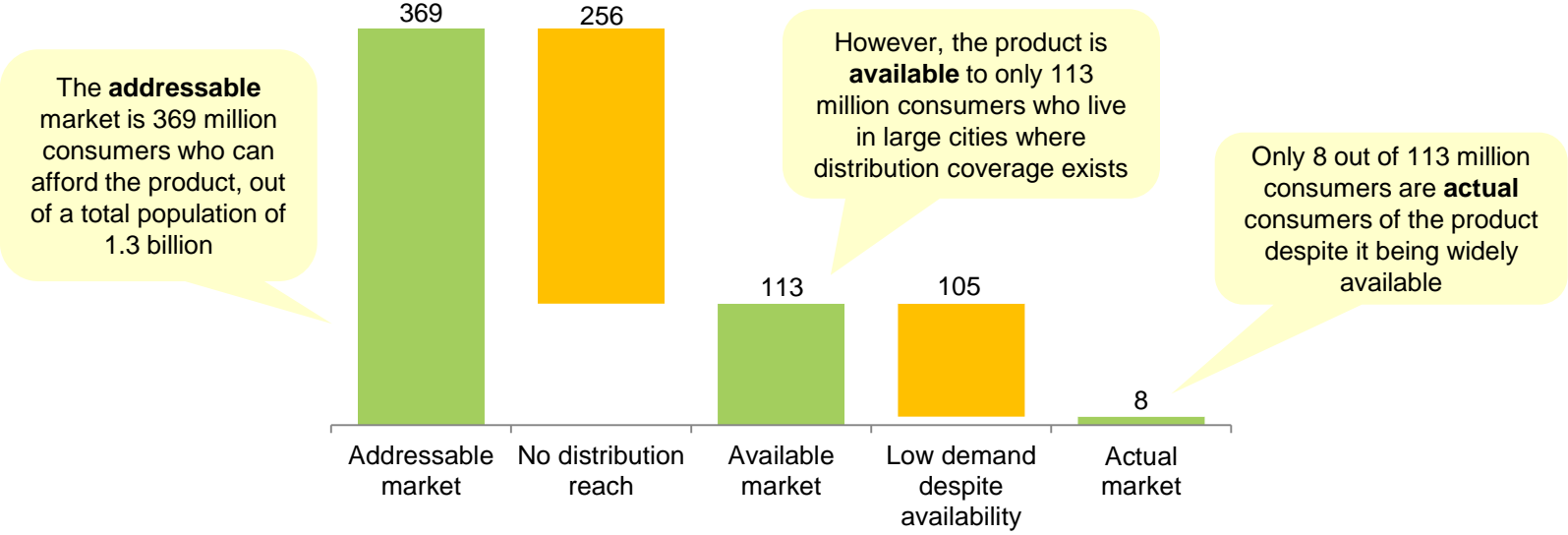
Example



We recently used the Triple-A method in sizing the soft drink market in India. The result not only answers to the market sizing question but also prompts strategic discussions

TRIPLE-A EXAMPLE: SOFT DRINK IN INDIA

Population basis, millions



Recommendations (in order of priority)

- **Stimulate demand:** Increase demand among the existing available consumers
- **Expand distribution:** Increase distribution network out of large cities to key mid-sized cities

Why? If the company chose to pursue maximum distribution, then it would sell to 26 million (all other things equal). However, there are 105 non-consumers and only 18 million of them have to be converted into consumers to match the maximum distribution scenario above (8+18=26). The cost to serve these new consumers is radically lower than building maximum distribution coverage all of India



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