



TAM, SAM and SOM for [COMPANY NAME] [PRODUCT/SERVICE] in [MARKET SEGMENT]

How to calculate TAM = (# of accounts in a market) x (annual contract value)

The number of accounts in a market is determined by market research. Annual contract value is determined by the company’s historical data of existing companies. What is the average purchase amount per account over a year? You can then multiply by the rate you’re using to measure. E.g. for a market of 6,000 accounts at \$1,500 ACV, the TAM would be \$9M.

How to calculate SAM = (target segment of TAM) x (annual contract value)

Where the TAM includes the target market, your SAM will only include the segment of the market you can service. This will be the percentage of the TAM that is a good fit for your offerings as determined by your business model. E.g. Let’s say the market is 6,000, but only 3,333 reside in the geographical area you serve. With a \$1,500 ACV, the SAM is ~\$5M.

How to calculate SOM = (last year’s market share) x (this year’s SAM)

The previous year’s market share is calculated by dividing your previous year’s revenue by your previous year’s SOM. E.g. Let’s say last year’s SAM was \$4M and your revenue was \$1.5M (37.5%); if this year’s SAM is \$5M, you’d multiply that by 0.375 to get a SOM of ~\$1.88M. (Note: If the company is pre-revenue, please see the assumptions below.)

USA market [EXAMPLE]:

Assume that there are 8 million adults in the USA with [CLINICAL INDICATION/MARKET SEGMENT].
Assume that 10% of these adults are [XXX] = 800,000 [XXX].
Assume [COMPANY’S] product priced at \$1,000/patient/month.

TAM = 800,000 patients X \$1,000/patient/month X 12 months = **\$9.6B per year.**

Assume that **SAM** is 20% of TAM = \$1.92B per year.

Assume that **SOM** is 15% of TAM = \$288M

References:

[CITE ALL REFERENCEASS USED IN ANALYSIS]