



Methodology Statement: ESRI Data—Market Potential

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Methodology Statement: ESRI Data—Market Potential

An ESRI White Paper

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Market Potential Index

ESRI's Market Potential data measures the likely demand for a product or service in an area. The database includes an expected number of consumers and a Market Potential Index (MPI) for each product or service. An MPI compares the demand for a specific product or service in an area with the national demand for that product or service. The MPI values at the U.S. level are 100, representing overall demand. A value of more than 100 represents higher demand, and a value of less than 100 represents lower demand. For example, an index of 120 implies that demand in the area is likely to be 20 percent higher than the U.S. average; an index of 85 implies a demand that is 15 percent lower.

How ESRI Calculates Market Potential

ESRI computes Market Potential by combining Tapestry™ Segmentation data with Doublebase 2008 data from Mediamark Research & Intelligence (MRI). Doublebase 2008 is an integration of information from four consumer surveys. Each survey respondent can be identified by Tapestry segment, so a rate of consumption by Tapestry segment can be determined for a product or service for any area.

The *Expected Number of Consumers* (households or adults) for a product or service for an area is computed by applying the consumption rate for Tapestry market segment "n" to households or adults in the area belonging to Tapestry segment "n," and summing across all 65 Tapestry segments.

$$\text{Expected Number of Consumers} = \sum_{n=1}^{65} (\text{Count}_n \times \text{Consumption Rate}_n)$$

The *Local Consumption Rate* for a product or service for an area is computed as the ratio of the expected number of consumers for a product or service for the area to the total households or adults in the area.

$$\text{Local Consumption Rate} = \frac{\text{Expected Number of Consumers}}{\text{Base Count}}$$

The *Market Potential Index* for a product or service for an area is the ratio of the local consumption rate for a product or service for the area to the U.S. consumption rate for the product or service, multiplied by 100.

$$\text{Market Potential Index} = \frac{\text{Local Consumption Rate}}{\text{U.S. Consumption Rate}} \times 100$$

ESRI's Market Potential database includes data for more than 2,200 items, organized into 35 categories and representing goods, services, attitudes, and activities collected from MRI surveys. Unless otherwise noted, each item refers to consumer spending or behavior in a 12-month period. The *a* or *h* following the five-digit product code denotes the consumer base as being composed of adults or households.

ESRI has added more than 200 new products to its standard list. Products and services, such as apparel items, types of digital cameras, video game systems, financial accounts and services, health-related items, Internet activities, satellite TV providers, personal care services, and detailed information about cell phones/PDAs (brands, service providers, average monthly bills, and purchase locations), are included. A product description was revised since the last Market Potential update if a product change was made by MRI, if ranges had to be collapsed, or if more clarification was required. A product was dropped since the last Market Potential update if it did not pass a sample size test, became outdated or unnecessary, or no longer exists in the MRI database.

ESRI's Data Development Team

Led by chief demographer Lynn Wombold, ESRI's data development team has a 30-year history of excellence in market intelligence. The combined expertise of the team's economists, statisticians, demographers, geographers, and analysts totals nearly a century of data and segmentation development experience. The team has crafted data methodologies, such as the demographic update, segmentation, the Diversity Index, and ESRI Data—Retail MarketPlace, that are now industry benchmarks.

For more information about the Market Potential data, please call 1-800-447-9778.



About ESRI

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ESRI is a socially conscious business, actively supporting organizations involved in education, conservation, sustainable development, and humanitarian affairs.

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