

"Noah Kagan's TAM Formula"

To gauge if a particular niche suits itself as a worthwhile and sustainable target market, you can use the TAM formula developed by AppSumo founder Noah Kagan. "TAM" stands for "Total Available Market", and it gives you a rough idea of how much money is available in the market you are researching.

If your niche's TAM turns out to be worth more than \$1,000,000 then that's an indication that it is a viable market.

Keep in mind that it's a rough estimate, and also keep in mind that you will never reach the total available market. Many people who start a business think, "The market has the size X - so if we can reach even just one percent of that, we'll make Y amount of money". That's wishful thinking, and it's not what this formula is about.

(Niche #1)

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

[Estimated Reach] x [Your Price Point] = Total Available Market

(Niche #2)

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

[Estimated Reach] x [Your Price Point] = Total Available Market

(Niche #3)

$$\underline{\hspace{2cm}} \times \underline{\hspace{2cm}} = \underline{\hspace{2cm}}$$

[Estimated Reach] x [Your Price Point] = Total Available Market