



Methodology Statement: Market Potential Database

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Methodology Statement: Market Potential Database

An ESRI White Paper

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Introduction

ESRI's Market Potential database includes data for 2,000 items, organized into 35 categories, representing goods, services, attitudes, and activities collected from surveys conducted by Mediamark Research Inc. 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 adults or households.

ESRI added 60 new products in 2008 to its standard list. A product description was modified since the last update if a product change was made by Mediamark Research Inc., if ranges had to be collapsed, or for clarification. A product was dropped if it did not pass a sample size test, became outdated or unnecessary, or does not exist in the 2007 MRI Doublebase.

Market Potential Index

ESRI provides Market Potential data to measure 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 to the national demand for that product or service. The index is tabulated to represent a value of 100 as the overall demand for the United States. A value of more than 100 represents high demand; a value of less than 100 represents low demand. For example, an index of 120 implies that demand in the area is likely to be 20 percent higher than in the United States; an index of 85 implies a demand likely to be 15 percent lower.

How ESRI Calculates Market Potential

ESRI calculates Market Potential by combining ESRI's Community™ Tapestry™ segmentation system and 2008 Doublebase data from Mediamark Research Inc. Because each survey respondent can be identified by Community Tapestry segment, a rate of consumption by 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 in an area is computed by applying the consumption rate for Community Tapestry market segment "n" to the households or adults in the area belonging to Community Tapestry segment "n", and summing across all Community 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 in 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.

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

For more information about the Market Potential database, visit www.esri.com/data.



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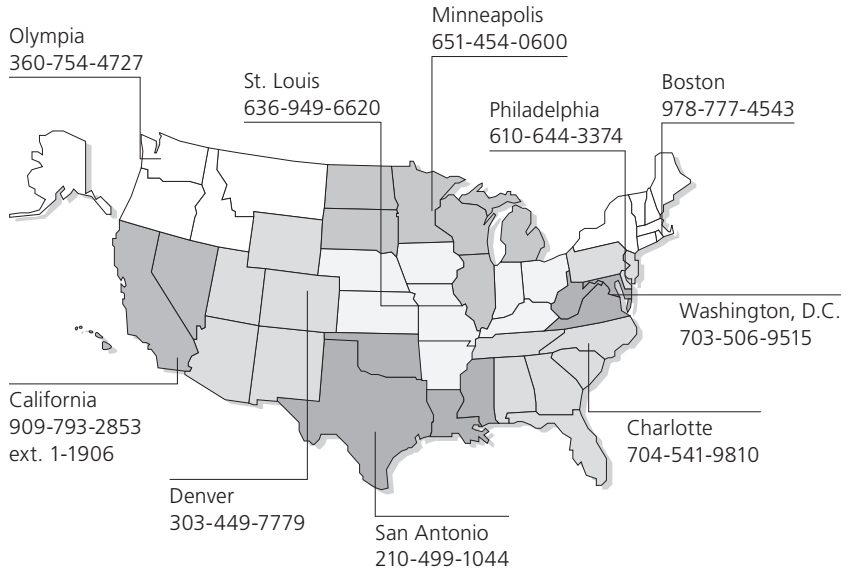
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