

The Most Expensive Mistake?

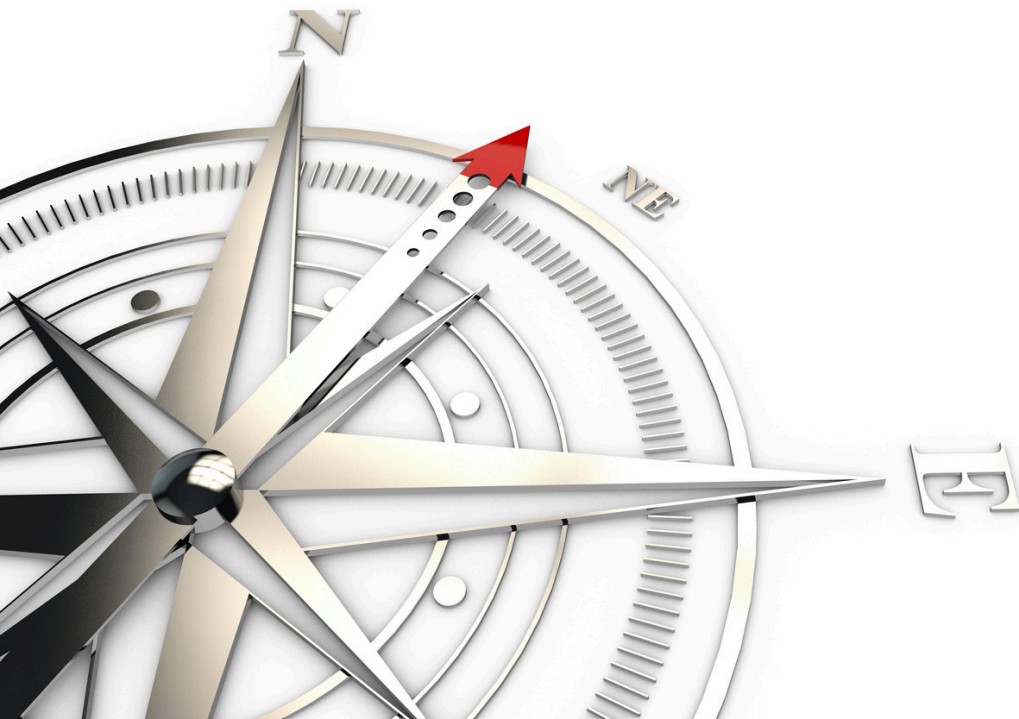
Targeting the Wrong Market



How to Uncover Your Real Market Potential

Overview

- **Why Market Potential Matters**
- **The Top-Down Approach**
- **The Bottom-Up Approach**
- **Top-Down vs. Bottom-Up**
- **From Big Picture to Business Impact**
- **The MODELYZR Market Engine**





Why Market Potential Matters

Knowing your company's true market potential is critical. It determines where multi-million budgets are invested to drive growth and deliver returns. A wrong estimate can quickly lead to misplaced priorities and costly misallocations.

Market analysis provides the foundation for quantifying this potential. It is the cornerstone of every business strategy and an indispensable element of any business plan—whether you are entering new markets, launching new products, expanding business units, or preparing investor presentations.

Approaches to Market Analysis

But the decisive question is: *Which analytical approach provides a reliable picture of market potential?*

For decades, the **Top-Down method** was the industry standard. Today, however, modern data availability and AI-powered analytics enable a far more precise alternative: **the Bottom-Up method**.

These two approaches lead to fundamentally different outcomes. The choice determines whether you end up with a rough orientation or a data-driven model for action.

The Top-Down Approach

Originating in classical market research and strategic consulting, the Top-Down analysis evaluates markets from a macro perspective.

How it works:



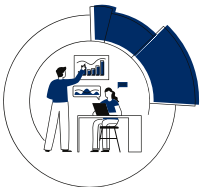
Collect external studies and market data

Sources such as Statista, IDC, Gartner, or Roland Berger provide KPIs for industries, regions, or products, offering a high-level overview.



Manual evaluation and interpretation

Analysts review and cross-check results, interpreting numbers and studies to estimate market size.



Define the total market size

From the collected data, a market volume is calculated (e.g., “The European machinery market is worth €X billion”).



Narrow down to sub-markets, segments, or regions

This total is broken down further by geography, sector, customer segments, product categories, or use cases.

The result: a theoretical estimate of market volume in a given segment which is usually based on assumptions and averages.

Overview Top-Down Method

Effort

- Initial orientation: 0.5–1 day of desk research (often very superficial)
- For robust results: weeks to months, plus thousands of euros for reports and significantly higher costs for commissioned studies

Value

- Delivers a “big picture” view of the market
- Suitable for management or investor presentations



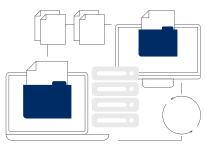
Limitations

- Time- and cost-intensive for solid results
- Findings reflect a single point in time and can quickly become outdated
- No firm-level precision
- Limited value for operational sales and marketing decisions

The Bottom-Up Approach

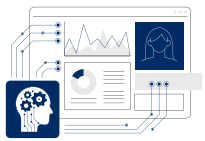
With the rise of rich datasets and advanced analytics, the Bottom-Up approach emerged. It views markets from a micro perspective, starting at the level of individual companies.

How it works:



Analyze existing customer and revenue data

Starting point: your own client base. Purchase history, revenues, industry, employee size, locations, etc.



Build relevance clusters

Companies with similar characteristics (industry, size, region, business model) are grouped into clusters. A single cluster can contain hundreds of firms resembling your ideal customer.



Project to the total market

Insights from these clusters are extrapolated to companies outside your client base, creating a complete market picture inside and beyond your CRM.



Refine with statistical cleansing

Outliers (e.g., one-time small deals or unusually high sales) are filtered out. What remains is a realistic potential value showing the revenue that can be expected from a company in the next contract cycle.

Overview Bottom-Up Method

Effort

- Initial setup: a few weeks for data integration (CRM, ERP plus external sources)
- Thereafter: results within minutes, continuously updated in real time

Value

- Firm-level accuracy and realistic estimates
- Identifies white spots and buying centers
- Directly actionable for account prioritization and campaign design



Limitations

- Requires a comprehensive data foundation
- Execution is difficult to scale without dedicated platforms.

Top-Down vs. Bottom-Up

	Top-Down	Bottom-Up
Perspeptive	Macro (industry, region, total market)	Micro (individual companies, buying centers)
Effort	Quick orientation: 0.5–1 day; detailed: weeks–months	Initial integration: a few weeks; then automated in real time
Costs	Thousands of euros for studies/reports	Investment in data platforms and analytics
Accuracy	Superficial, point-in-time estimates	High, firm-level, statistically validated, real time
Purpose	Good for investor decks and strategic orientation	Directly usable for go-to-market strategies, sales, and marketing
Limitations	No firm-level insights; limited operational usefulness	Dependent on data volume; requires supporting technology

From Big Picture to Business Impact

Top-Down provides orientation and a strategic big picture which is useful for board-level discussions or investor decks. But for sales and marketing execution, it is too imprecise and fails to provide actionable guidance.

Bottom-Up, by contrast, connects strategy with execution:

- **Strategic impact:** a robust foundation to prioritize markets, model growth scenarios, and allocate resources with confidence.
- **Operational impact:** firm-level precision to identify which accounts hold true potential, how large that potential is, and which steps generate measurable returns.

Bottom-Up transforms abstract market volumes into concrete action models – a roadmap that turns market potential into measurable, sustainable growth.

Organizations that rely solely on Top-Down risk misallocating time, budget, and resources.

Those that embrace Bottom-Up can identify market opportunities with precision, set the right priorities, and actively steer growth.

The MODELYZR Market Engine

Bottom-Up analysis is data-intensive and requires the right technological backbone. This is precisely where platforms like MODELYZR make the difference.

How MODELYZR's Market Engine works:

- **Data foundation:** integration of internal systems (CRM, ERP) with external market data
- **Automated analytics:** AI-driven clustering and statistical refinement
- **Full transparency:** every company receives a potential score - whether already visible in your CRM or previously hidden
- **Direct application:** insights feed straight into campaign planning, sales pipelines, and go-to-market strategies

The result: you avoid the costs and inaccuracies of Top-Down studies and gain a real-time view of your true addressable market.

With MODELYZR, you identify and prioritize your market potential in real time. Data-driven, strategy-ready, and directly actionable for sales and marketing.

Experience how Bottom-Up works in practice.

Request a personal demo today.

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