Methodology Statement: 2014 Esri US Market Potential Database

An Esri® White Paper
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Market Potential Index

Esri's 2014 Market Potential database 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 US 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 US average; an index of 85 implies a demand that is 15 percent lower.

How Esri Calculates Market Potential

Esri computes Market Potential by combining 2014 Tapestry™ Segmentation data with Doublebase® 2013 data from GfK MRI. Doublebase 2013 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 in 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 67 Tapestry segments.

$$\text{Expected Number of Consumers} = \sum_{n=1}^{67}(\text{Count}_n \times \text{Consumption Rate}_n)$$

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 US consumption rate for the product or service, multiplied by 100.

$$\text{Market Potential Index} = \frac{\text{Local Consumption Rate}}{\text{US Consumption Rate}} \times 100$$

Esri's 2014 Market Potential database incorporates the next generation of Tapestry Segmentation with 2013's major overhaul of the list of products and groupings. Data for more than 2,600 items, organized into 35 categories, representing goods, services, attitudes, and activities collected from GfK MRI surveys, are included. 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 a consumer base of adults or households, respectively.

Products and services, such as apparel items and expenditures, electronics, civic activities and political affiliation, financial accounts and services, groceries and household products, health-related items, Internet activities, leisure activities, media-related items, personal care services, cell phones and service, shopping, sports, and travel activities are included. Information on consumer confidence, buying styles, values, and general attitudes are included as well.

Esri's Data Development Team

Led by chief demographer Lynn Wombold, Esri's data development team has a 35-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 develops datasets, including annual demographic updates, Tapestry Segmentation, Consumer Spending, Market Potential, and Retail MarketPlace, which are now industry benchmarks.

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

Esri inspires and enables people to positively impact their future through a deeper, geographic understanding of the changing world around them.

Governments, industry leaders, academics, and nongovernmental organizations trust us to connect them with the analytic knowledge they need to make the critical decisions that shape the planet. For more than 40 years, Esri has cultivated collaborative relationships with partners who share our commitment to solving earth's most pressing challenges with geographic expertise and rational resolve. Today, we believe that geography is at the heart of a more resilient and sustainable future. Creating responsible products and solutions drives our passion for improving quality of life everywhere.

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