

Venture Value Proposition, Market Size, and Market Traction

DOI: <https://doi.org/10.5281/zenodo.18368388>

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Citation: Virgen, M. (2025). Venture Value Proposition, Market Size, and Market Traction. *Doctors In Business Journal*. <https://doi.org/10.5281/zenodo.18368388>

A value proposition is the central element of a business model, and is critical for this purpose. However, how entrepreneurial ventures modify their value propositions to increase the attractiveness of their comparatively inferior offerings is not well understood (Antonio, J.L. et al., 2024). In other words, A value proposition is a statement that describes why should a consumer purchase your product or service. It is an explanation about the unique benefits being offered. Having a strong value proposition is essential in order to be able to clearly identify the target customer and how the offering solves a customers pain points. Passion for ones work allows entrepreneurs to engage in the development and implementation of new value propositions, including customer relationships. Hence, innovativeness has a positive impact on offerings and markets within new value propositions (Turulja, L. et al., 2025). To have an effective value proposition it should include; Target audience, and Specific benefit. Additionally, a value proposition should describe who benefits the most from the business offerings and then tailor the message to that specific group. Some effective propositions usually compare against alternatives. For example, cheapest price, highest quality, or a unique feature or technology.



A good start would be to begin by researching potential customers and then conducting interviews, or running surveys. The next step can then be to identify the specific problem your product or service will solve. Once the value proposition has been finalized, it will become essential to communicate it consistently in marketing, on the business website, and in investor pitches. A well-crafted proposition not only guides product development but also makes it easy for customers and investors to see why your business matters.

Market Size

Estimating market size may help in estimating the total opportunity and set realistic goals. Three frameworks usually include Total Addressable Market (TAM), Serviceable Available Market (SAM), and Serviceable Obtainable Market (SOM). Some businesses always spend money to increase their market awareness, and then they can grab market size on their new businesses. Analogously, the market awareness decision and market size could affect the competition of potential entrant platforms and incumbent platforms (Li, J. et al., 2023). TAM is the overall revenue opportunity if you could sell to every customer in the defined market. In other words, TAM is the total demand for a product or service. As for SAM, it is the portion of the market the business actually has the opportunity to capture based on sales/marketing capabilities and competition. On the other hand, SOM would be the market share you expect to initially obtain. In summary, TAM indicates the full growth potential of the market; SAM shows which customer segments you should target first; and SOM helps

set achievable sales/revenue targets. Investors and executives can use this data to judge if a market is big enough to support the business and to make decisions about resource allocation. The location a company chooses to operate in has an affect in the market size that is immediately available. Hence, companies should choose the location that maximizes profit. By choosing a location where both market share and price demand meet the market, the total fixed cost of entering a specific market can be in equilibrium with the market size (Kim, D., 2023). In practice, market sizing can be done by top-down or bottom-up approaches. Top-down means starting with published industry or market data and then applying filters to narrow it down to your niche. Bottom-up means building estimates from the ground up. In reality, companies often use a mix: top-down for a sanity check and bottom-up for more precise targeting.

Several data sources and tools can support these estimates today. For example, government and public data provide broad market figures: the U.S. Census Bureau and Bureau of Labor Statistics are free sources of market data. Industry analysts such as Gartner, and Forrester publish market research reports with total market values and growth projections. Lead-generation platforms like ZoomInfo compile millions of companies, useful for B2B TAM estimates. Analysts may also purchase or license reports tailored to specific sectors. Finally, the key is to use multiple sources such as public stats, industry reports, company databases, and even surveys to assemble enough reliable data for TAM, SAM, and SOM.

Market Traction

Market traction refers to evidence that your product or service is gaining real-world adoption. Hence, traction signals that customers care about what you offer. A common definition is that traction measures a startup's progress in customer acquisition and revenue generation. Traction can be viewed as a confirming validation that a startup has potential, since it proves there is actual demand for the product or service. Hence, gaining traction shows the businesses value proposition is seen as compelling to its customers and that there is an effective business model in place. While emerging market international new ventures (INVs) in high-technology sectors are gaining traction as entrepreneurial actors, It is still essential to employ effective marketing campaigns to raise brand awareness and product offerings in new markets in order to gain market traction. Hence, businesses need to take calculated risks towards uncovering new product-market opportunities, identify new ways to create value for customers, and forge customer relationships for developing offerings in niche marketsLinks to an external site. (Buccieri, D. et al., 2022). Early indicators of traction include measurable user/customer and revenue metrics. Key signals can be; initial users, early revenue, user growth, and repeat usage. Having Initial users shows willingness to try the product and reflects that customers are interested in the product or service. Additionally, any sales made can reflect that people are willing to pay, and having recurring paying customers, such as subscriptions, can be a strong indicator of future growth since it a subscription model allows for predictable growth. Furthermore, a steadily rising user base can confirm that demand is

real. Finally, a high customer retention rate means users derive ongoing value, and having repeat customers can hint that the business actually has a product–market fit.

To build traction, startups can use several strategies. Practically, this means focusing on meaningful progress in priority areas, and then concentrate on improving metrics. In creating rapid market traction, iteration is important. This would be where launching a minimum viable product, collecting user feedback, and improving the offerings is important because poor execution can kill momentum early on. Additionally, getting strategic partnerships can accelerate traction by collaborating with established brands in order to access larger audiences. Founders can then use traction metrics to tell a coherent story: for instance, “X users joined in our pilot, Y% became paying customers, and we’ve retained Z% of them over 3 months,” and relate that back to market potential. As one expert advises, turning projections into “measurable reality” via data-driven traction is far more convincing to investors than promises alone.

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-Miguel Virgen, PhD Student

Further Responses and Discussion:

Hi Miguel,

You made a great point about how a strong value proposition is the foundation of any successful startup. I'd like to add that investors often look at how clearly a startup explains what makes it unique and valuable to customers. According to Berre and Le Pendeven (2022), startups that clearly show their strengths and value often receive higher valuations because it's easier to see their growth potential. A value proposition should not only say what the product or service does but also show how it solves a real problem for a specific group of people. When startups can do this well, it gives investors confidence that the business model will work. Vernon (2020) also explains that venture capitalists want to invest in companies that show long-term growth, and a clear value proposition helps them see how the business can succeed. Being innovative and understanding what customers need plays a big role in shaping a strong value proposition that investors notice.

When it comes to market size and traction, both are really important in showing whether a startup can grow. Hidayat et al. (2022) point out that things like technology and global reach often increase how much a startup is worth, but investors want proof that people are actually interested in the product. This is where traction comes in. Early signs like your first users, steady sales, and loyal customers show that there's real interest in what the startup offers. This proves that the value proposition works and that the business has room to grow. Startups can build traction by quickly testing ideas, collecting feedback, and making improvements. As Vernon (2020) explains, using real numbers to show progress, like user growth or repeat customers—is much more convincing to investors than just talking about future plans. By having a strong value proposition, knowing the size of the market, and showing early success with customers, startups can build a powerful story that gains investor trust.

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-Dusten Miller, PhD Student

Dear Miguel

Thank you for your contribution to this week's work. You explained the value proposition, market size, and market traction very well. Here, I would like to expand on the importance of market traction.

For investors evaluating startups, market traction represents tangible validation of business potential. It demonstrates actual market demand rather than theoretical projections, showing that customers genuinely value your solution. Strong traction reduces investment risk by proving product-market fit, validating your business model, and indicating scalability potential. For founders seeking funding, demonstrating meaningful market traction can significantly strengthen your position with potential investors.

Evaluating a startup without evidence of market adoption is like assessing a recipe without tasting the food. Market traction provides concrete evidence that customers actually want and will pay for your solution. For investors, this validation dramatically reduces risk by transforming theoretical projections into measurable reality.

Market traction serves as a powerful indicator of product-market fit – the degree to which your solution addresses a genuine market need. When customers actively engage with your product and return for more, it confirms your business hypothesis and suggests potential for sustainable growth.

Beyond validating your concept, traction demonstrates that your business model works in practice. It shows investors that your customer acquisition strategy, pricing model, and value proposition resonate in the real world, not just in pitch decks. This evidence of execution capability often weighs more heavily than ambitious projections or impressive technology alone.

For pre-seed and seed-stage startups, defining meaningful traction requires looking beyond just revenue figures. Revenue follows a whole process of product development, marketing, sales, and customer support. Looking only at turnover misses understanding why certain choices lead to specific outcomes.

Customer growth metrics provide fundamental insight into market response. This includes not just total user numbers but growth rates and patterns over time. Exponential or consistently accelerating growth often signals strong market fit and effective acquisition strategies. Retention metrics may actually provide more valuable signals than acquisition metrics for early-stage companies. High customer retention rates indicate your product delivers lasting value, not just initial curiosity. Investors look favorably at startups that can demonstrate repeat usage, minimal churn, and growing customer lifetime value. For startups with initial revenue, patterns matter

more than absolute numbers. Predictable, recurring revenue streams are particularly attractive to investors because they provide visibility into future performance and demonstrate sustainability. This is why many investors favor subscription-based models that generate more predictable cashflows. For example, new technologies have often been effectively deployed to improve firm–consumer interactions by providing new marketing tools (Hoffman, Moreau, et al., 2021).

Building traction should begin during concept validation, even before a full product exists. Early engagement with potential customers through interviews, waitlists, or landing page signups establishes a foundation for measuring market interest. During product development, gathering user feedback and engagement metrics becomes critical. This stage should focus on learning over scaling to validate assumptions about your value proposition and refine your solution based on user interaction. Strategic partnerships and pilot programs with established companies lend credibility and validate market need. When recognized organizations invest time and resources to work with your startup, it signals potential commercial value, particularly in B2B sectors. In strategic partnerships, individual partners seek to meet institutional objectives and inherently have the support of top-level leaders as a result (Amey & Eddy, 2023).

Letters of intent and non-binding commitments from potential customers demonstrate serious interest in your solution once available. These formal indicators of future business relationships can significantly strengthen your position with investors even without current revenue.

Presenting growth figures without proper context often creates skepticism. Data-driven investors want to understand what drives your growth, whether it's sustainable, and what underlying unit economics support it. Growth at the expense of profitability rarely impresses sophisticated investors.

Failing to address the quality of your customer base weakens traction claims. Early adopters who match your target customer profile and demonstrate willingness to pay carry significantly more weight than users acquired through heavy discounts or those who don't fit your long-term customer persona.

Overlooking leading indicators in favor of lagging metrics limits your ability to tell a compelling story. Investors value metrics that predict future performance, not just report past results. This might include conversion rate improvements, organic traffic growth, or increasing referral rates.

Building meaningful market traction requires a deliberate learning strategy. Especially without convincing revenue metrics, investor readiness [Links to an external site.](#) depends on your data collection approach and ability to demonstrate control over your business model through systematic learning. The investor landscape increasingly values predictability alongside growth potential. Startups that can demonstrate not just traction, but predictable, repeatable traction patterns position themselves favorably, particularly in uncertain economic environments.

Market traction requirements evolve throughout your funding journey. Early stages focus on validating problem-solution fit, while later stages require evidence of scalable acquisition models and operational efficiency. Understanding these shifting expectations helps you focus on the right metrics at each stage.

Ultimately, traction provides the most compelling evidence that you've identified a genuine market opportunity and can execute effectively to capture it. When combined with a strong team and clear vision, demonstrated traction creates the foundation for successful fundraising and sustainable growth.

The Bible, offers various principles that can be applied to business, impacting market traction. These principles, including honesty, integrity, hard work, and treating others with respect, can foster positive relationships with customers and employees, leading to increased trust and loyalty, ultimately driving business growth.

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-Safoura Asgari, PhD Student

Hi Miguel, thank you for your thread regarding value proposition, market size, and market traction. I enjoyed reading it and found that you did an excellent job of explaining each concept in detail. I especially enjoyed reading your posts that discussed SAM, TAM, and SOM. You also did an excellent job discussing how location influences market access and potential.

I also really liked your focus on the importance of having a clear and compelling value proposition. As Hamid et al. (2024) explain, value propositions play a vital role in building trust and satisfaction among millennial entrepreneurs and their customers. This is especially true with communicating through digital channels, such as social media. I currently operate a small, shaved ice trailer, and I am not the best at posting on social media, even though it is an excellent way to connect and communicate with my customers. Eriksson et al. (2022) emphasize that value propositions are shaped by value configurations and can evolve through collaboration and organizational focus. This highlights the importance of continuously refining the messages based on customer feedback and market needs.

For reference to market traction, you effectively illustrated how early signals like customer retention and growth are validating points. Hamid et al. (2024) support this

by explaining how building trust and creativity can enhance customer satisfaction, especially on social media channels.

Again, great job, and I look forward to reading more of your posts in the future.

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-Meagan Swafford, PhD Student

Publisher Note

Miguel Virgen, PhD Student. I have no known conflict of interest to disclose.

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