

MARKET EVIDENCE & VALIDATION

GLBFA-GUIDE-014 | How to prove real demand before you ask for funding

For SMEs, start-ups, growth businesses and Growth Hub Advisors

Practical business finance guidance — a Business Lincolnshire resource for SMEs, start-ups and growth businesses preparing to make better funding decisions.

01 What counts as market evidence	02 How to gather proof of demand	03 What each funder wants to see	04 How to present evidence credibly
---	--	--	---

START: Use this guide alongside the other Finance Accelerator resources, and book a Funding Diagnostic Session when you are ready to discuss your options.

ABOUT THIS GUIDE

Almost every business plan claims a big market. Very few prove there is real demand for what they actually sell. That gap — between a market that exists and customers who will pay — is one of the most common reasons funding applications stall.

Funders see hundreds of plans asserting that a market is worth millions. What they rarely see is credible evidence that this business can win a share of it. Market evidence is what turns an assertion into an argument.

This guide shows you how to gather that evidence, present it honestly, and avoid the mistakes that cost businesses credibility in the room.

The test every funder applies

Would a sceptical outsider, reading only what you have written, believe that real customers want this and will pay for it? If the answer rests on your enthusiasm rather than your evidence, you are not ready yet.

SECTION 1 — WHAT COUNTS AS EVIDENCE

Not all evidence is equal. Funders weight it roughly in this order, from weakest to strongest. The further down this list you can get, the stronger your case.

Level of evidence	What it looks like	How much it counts
Assertion	You state the market is large and growing.	Almost nothing on its own.
Desk research	Published market reports, industry statistics, competitor data.	Establishes the context, not the demand for you.
Stated interest	Survey responses, expressions of interest, positive conversations.	Weak — people are polite. Intentions are not purchases.
Commitment	Letters of intent, pre-orders, signed pilots, waiting lists.	Strong — someone put their name to it.
Money	Paying customers, repeat purchases, renewals, contracts.	Strongest. Nothing beats revenue.

The most common mistake

A business quotes a large market figure, then jumps straight to a share of it: "The UK market is worth £200 million. If we capture just 5%, that is £10 million." There is nothing in between — no explanation of how those customers are reached, why they would switch, or what evidence exists that any of them want this.

Funders call this the "if we just get 1%" fallacy. It signals that you have not thought seriously about how customers are actually won. If your plan contains a sentence like that, it needs work before it goes out.

Say this instead

Start from the bottom up. How many customers can you realistically win, through which channels, at what cost, in what timeframe — and what evidence supports each step? A small, defensible number beats a big, unexplained one every time.

SECTION 2 — HOW TO GATHER EVIDENCE AT ANY STAGE

You can build evidence whatever stage you are at. What changes is the kind of proof available to you.

If you have not launched yet	If you are already trading
Talk to real potential customers — not friends and family. Ask about behaviour, not opinions: what do they buy now, from whom and at what cost? Test with a landing page, sign-up page or pre-order. Seek letters of intent from prospective customers or partners. Run a paid pilot, even a small one.	Analyse sales by product, channel and customer segment. Evidence repeat purchase, renewal and retention. Know the cost of winning a customer and the lifetime value. Track pipeline, conversion and sales-cycle length. Use named references, reviews and case studies where appropriate.

Turn your own trading into evidence

If you are already selling, lead with it. Real figures — units, revenue, repeat rate, named customers — will do more for your application than any market report you can cite.

SECTION 3 — SIZING YOUR MARKET HONESTLY

Funders do not expect precision. They expect a method they can follow, and assumptions they can challenge. Show your working.

A bottom-up estimate builds from what you actually know: your customers, prices, capacity and channels. A top-down estimate starts with a huge industry figure and slices it. Funders trust the first and discount the second.

Approach	Example	How a funder reads it
Top-down	The market is £200m; we will take 1% = £2m.	Unconvincing. Where does the 1% come from?
Bottom-up	400 target customers within reach; we convert 15% over 3 years at £2,500 each = £150k.	Credible. Every number can be tested.

Be honest about your reachable market

Your true addressable market is not everyone who could theoretically buy. It is the customers you can actually reach, serve and win, given your geography, capacity, channels and price point. Stating that honestly builds more trust than an inflated number.

Cite your sources

Any external figure should carry a source and a date. Prefer original sources — trade bodies, government statistics, regulators and published industry research — over recycled figures in blog posts.

SECTION 4 — WHAT EACH FUNDER WANTS TO SEE

The evidence that persuades one funder may be irrelevant to another. Tailor what you lead with.

Funder	What they are really asking	Lead with
Bank / lender	Will this business generate enough predictable cash to repay us?	Trading history, recurring customers, contracted income and stable demand.
Equity investor	Can this grow into something substantial, and can it defend its position?	Growth rate, traction, repeat purchase, market size and why you can win a share.
Grant assessor	Is there a genuine need, and will public money create real benefit?	Evidence of the problem, who is affected, letters of support and wider impact.

One document, three emphases

You do not need three different business plans. You need one strong evidence base, presented with the emphasis each funder cares about. A lender wants to know demand is stable; an investor wants to know it is growing.

For Growth Hub Advisors

When reviewing a client plan, ask: what is the strongest demand evidence in the file, and where does the evidence chain break? The answer usually points to the next piece of practical work the client needs to do.

SECTION 5 — PRESENTING EVIDENCE WELL

Good evidence is often undermined by poor presentation. A few principles make a disproportionate difference.

- Show the number and its source — every figure should be traceable
- Separate fact from assumption — be explicit about which numbers are measured and which are estimated
- Lead with your strongest evidence — if you have paying customers, that goes first, not on page 14
- Quantify wherever you can — "strong demand" means nothing; "312 units sold in six months, 28% returning" means everything
- Do not hide the weaknesses — if your evidence is thin in a particular area, say so and explain how you will strengthen it
- Keep it current — market data more than two or three years old invites the question of what has changed since

A quick self-test before you send

Go through your plan and highlight every claim about demand or market size. For each one, ask: what is my evidence, and would a sceptic accept it? Anything you cannot answer is either a gap to fill or a claim to remove.

The honest version wins

A modest, well-evidenced claim beats an ambitious, unsupported one. Funders are not looking for the biggest number — they are looking for the business they can believe.

START YOUR JOURNEY TODAY

Visit our website to learn more and access support

Ready to move forward?

Not sure whether your evidence stands up? Book a fully funded Funding Diagnostic Session — a one-to-one conversation with a Growth Hub Adviser who will work through your evidence with you, tell you honestly where it is thin, and help you plan the right next step.

FIND OUT MORE

- Book a fully funded Funding Diagnostic Session
- Access Finance Accelerator tools and templates
- Speak to an experienced Business Lincolnshire adviser

FIND OUT MORE



Scan to visit businesslincolnshire.com

www.businesslincolnshire.com

businesslincolnshire@lincolnshire.gov.uk



Funded by
UK Government

