

# Evaluating Opportunities

90% of start-ups fail

99.9% of apps will not make money

What's the problem?

# New products fail because

1. there was no basic need for the item, as seen  
**by intended users;**

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“Build a better  
mousetrap and  
the world will be a  
path to your door.”

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Ralph Waldo Emerson  
1803 - 1882



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- Electronic Traps (5)
- Hygienic Traps (1)
- Ultrasonics (7)
- Live Traps (6)
- Glue Traps (4)
- Rodenticides (6)
- 3-Pack Bundles (4)

**Area to Protect**

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Ideas that are 10% better  
aren't good enough

Here is a frustration ....

Western Crossing



# *Gas Stations*

COAST TO COAST



MICHAEL KARL WITZEL



Tankpitstop - the fuel-pumping robot/photos/

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one hang of an ugly lexus there  
Luxury SUV Comparison :: Audi Q5 v BMW X3 v Lexus NX v Volvo XC60  
0 minutes ago

Highly unlikely... It seems we're stuck with this clown and his stupid comments for a while yet...  
Jeep Wrangler Ute under consideration  
23 minutes ago

Alexander Sambuco They should do an entry level model with the 5.0L V8 from the Mustang with say 350 to 400 KW and a 6sp Manual.  
2015 Ford GT - New carbon fiber supercar

16 Comments CarAdvice Login

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**Casey** · 7 years ago

For that money, you could pay some kid for about 5 years to do the same thing to multiple cars at once - just like the good old days, he could do your windscreen and tyres at the same time! Technology & Progress - not always the same thing.

^ | v · Reply · Share

Fat, lazy people rejoice!

SteveV · 7 years ago

I can see this catching on with the seriously wealthy and/or company cars. Pre-register the credit card and your vehicle details / dimensions and you'll never have to get out of the car at a servo again. The rich (& most women) will be happy to pay a premium.

I love the fumes too much, I'll still be getting out of the car!

^ | v · Reply · Share

Lcat · 7 years ago

potentially could make a big difference to the lives of disabled drivers.

2015 Holden Cruze and Holden Corsa VXR spied in Melbourne  
1 hour ago

BEST SELLING CARS

1 Toyota Corolla 2 Toyota HiLux

3 Ford Focus 4 Holden Commodore

# New products fail because

1. there was no basic need for the item, as seen by intended users;
2. the new product did not meet its need, considering all disadvantages;

Technological assessments are easy;  
marketing and business assessments  
are difficult

# Two types of opportunity

## Demand-pull

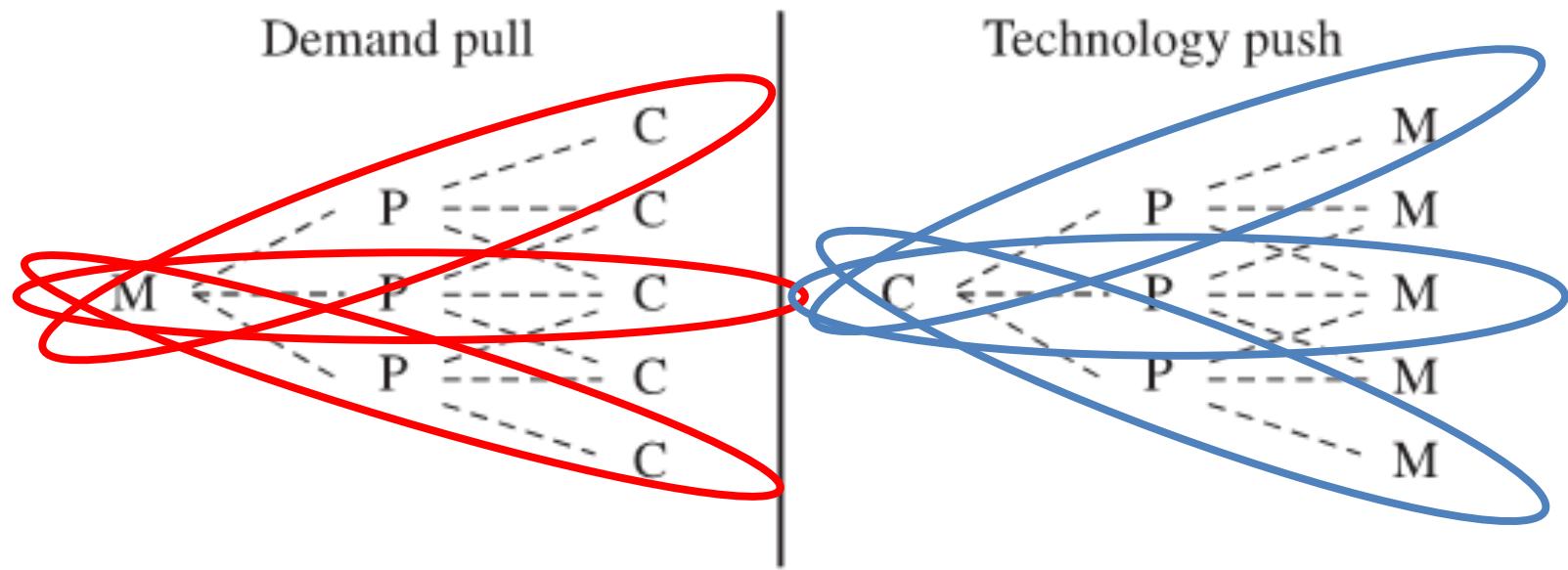
Based on a need or a problem that cries out for a solution

**Market → Product → Technology**

## Technology-push

Begin with a solution which leads to a search for ways to apply it

**Technology → Product → Market**



M = Market need; P = Product (or service); C = Technological capability

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1. there was no basic need for the item, as seen by intended users;
2. the new product did not meet its need, considering all disadvantages;
3. the new product idea was not properly communicated (marketed) to the intended user.

# Our Marketing Plan

1. Crowdfunding
2. Social media
3. Viral video
4. Word of mouth

# Facebook fast facts

age of average user is **38** and rising



more than **900 million** objects people interact with (pages, groups, events and community pages)



more than **2 billion** posts are liked and commented on daily



on average, **250 million photos** are uploaded every day

**7+ million** apps and websites are integrated on Facebook



How will your customers find your page?  
One of 900,000,001

KIKO

## OUR STORY

Kik was founded in 2009, when a small but incredibly passionate group of University of Waterloo students decided to build a company that would shift the center of computing from the PC to the smartphone.

Fast forward to today, and Kik has become the best way to connect with friends, no matter where you meet them. And unlike other messengers, Kik uses usernames - not phone numbers - as the basis for Kik accounts, so our users are always in complete control of who they talk to on Kik.

But Kik isn't just about our users chatting with their friends. Our marketing tools let brands talk to and share cool content with our users, and track the results. Our developer tools help developers optimize and distribute their web content on Kik. And our built-in browser lets Kik users search for and share cool content and experiences - without leaving Kik, and without downloading anything new.

To top it all off, we're backed by major brand-name VC's - the same firms that first helped Twitter, Foursquare, Zynga and others rise to world domination.

With over 200 million users and an incredible team, our plans are well underway.

2009

Kik was founded at the University of Waterloo Velocity Residence in Waterloo, Ontario.

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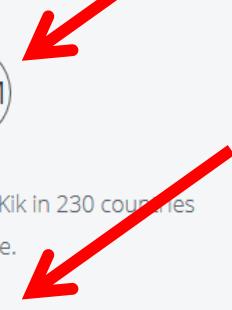
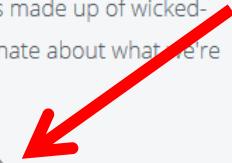
Our small, incredible team is made up of wicked-smart people who are passionate about what we're doing.

200M

People have signed up for Kik in 230 countries worldwide.

2.5M

Kik-optimized mobile web sites are shared by our users, every single day.





# New products fail because

1. there was no basic need for the item, as seen **by intended users**;
2. the new product did not meet its need, considering all disadvantages;
3. the new product idea was not properly communicated (marketed) to the intended user.

*In sum, they didn't need it, it didn't work, they didn't get the message.*

# 9 categories of opportunity

1. Increasing the value of a product or service
2. New applications of existing means or technologies
3. Creating mass markets
4. Customization for individuals
5. Increasing reach
6. Managing the supply chain
7. Convergence of industries
8. Process innovation
9. Increasing the scale of the firm

## 5 characteristics of an attractive opportunity

1. Timely – a current need or problem
2. Solvable – a problem that can be solved in the near future with accessible resource
3. Important –the customer deems the problem or need important
4. Profitable – the customer will pay for the solution and allow the enterprise to profit
5. Context – a favourable regulatory and industry situation

## Guiding principles for selecting good opportunities

- Only one or two good opportunities are needed in a lifetime
- Invest less time, money and effort than the venture will be worth in one or two years. Calculate the probability of a large return in four years
- Do not count on a high-priced sale of the firm to the public or another company
- Carry out a solid analysis of current and expected industry conditions
- If it turns out bad, can you exit with minor losses?
- Is there potential for long-term success or is it a fad?
- Can the management team execute the strategy?
- Will the customer enable your firm to profit from this venture?

## Basic 5-step process of evaluating an opportunity

1. **Capabilities:** Is the venture opportunity consistent with the capabilities, knowledge and experience of the team members?
2. **Novelty:** Does the product or service have significant novel, proprietary or differentiating qualities? Will the customer want the product and pay a premium for it?
3. **Resources:** Can the team attract the necessary financial, physical and human resources consistent with the size of the venture?
4. **Return:** Can the product be produced at a cost so that a profit can be obtained? Is the expected return consistent with the risk?
5. **Commitment:** Do the team members feel compelled to commit to this venture? Are they passionate about the venture?

# Evaluating Opportunities

# Quantitative Methods

- Net present value (NPV)
  - Discounted cash inflows of a project minus the discounted outflows
- Internal rate of return (IRR)
  - The rate of return from a project, normally calculated as the discount rate that makes the NPV equal zero
- Discounted payback period
  - The time required to break even on a project using discounted cash flows
- Real options
  - Applying stock option valuation methods to investments in nonfinancial assets

# Real Options

- The application of stock option valuation methods to investments in non-financial assets
- Development projects can create valuable future opportunities for the firm
- Even development projects that appear unsuccessful may prove to be very valuable when they are considered from the perspective of the options they create for the future of the firm

# A call option on a stock...

- Gives an investor the right to buy the stock at a specified price (the "exercise price") in the future.
- In the future:
  - If the stock is worth more than the exercise price, the holder of the option will typically exercise the option by buying the stock.
  - If the stock is worth more than the exercise price plus the price paid for the original option, the option holder makes money on the deal.
  - If the stock is worth less than the exercise price, the option holder will typically choose not to exercise the option, allowing it to expire. In this case, the option holder loses the amount of money paid for the initial option.
  - If the stock is worth more than the exercise price but not more than the exercise price plus the amount paid for the original option, the stockholder will typically exercise the option. Even though the stockholder loses money on the deal (some portion of the price paid for the original option), he or she loses less than if he or she allowed the option to expire (the entire price paid for the original option)

# In real options...

- The assets underlying the value of the option are nonfinancial resources.
- An investor who makes an initial investment in basic R&D or in breakthrough technologies is, it is argued, buying a real call option to implement that technology later should it prove to be valuable.
  - The cost of the R&D program can be considered the price of a call option.
  - The cost of future investment required to capitalize on the R&D program (such as the cost of commercializing a new technology that is developed) can be considered the exercise price.
  - The returns to the R&D investment are analogous to the value of a stock purchased with a call option.

# Commercialization of Innovative Technologies

Chapter 6  
Assessing Ideas

# An innovation team has to answer many questions:

- Strategic, administrative and legal issues
  - Does the concept fit within the scope of the strategic plan?
  - Why do you want and need money from us?
  - Is the business plan/proposal clear, unambiguous, well organized and well-written?
  - Who really was the inventor? Who did the work that led to the innovation?
  - What are the qualifications and track record of the inventor/innovator?
  - Who owns the innovation?
  - Does the owner have unequivocal rights to the innovation?
  - Is the legal right fully documented?
  - Is the legal right exclusive and defensible?
  - Is the inventor/innovator willing and able to make full disclosure of all details?
  - Are any special hazards or environmental problems associated with the innovation?
  - Should we move ahead with the idea?

# An innovation team has to answer many questions:

- Technical issues
  - Is the concept original?
  - Is the concept sound scientifically and theoretically?
  - How does it work? How well does it work? Can we make it work better?
  - Is the process reproducible?
  - What technical work has been performed to prove the idea?
  - How well is the idea documented?
  - What does the inventor believe remains to be done?
  - What do we believe remains to be done to solidify the concept?
  - Will it work better, cost less and function more reliably than existing technology?
  - Can we lower costs?
  - How long is it going to take to reach a first significant milestone?
  - How much will it cost to develop, design, build and fully commercialize the innovation? Can it be done safely, reliably and cost-effectively?
  - How much will it cost to prove the concept and develop design criteria?
  - How reliable is the concept? Can we make it more reliable?
  - Will it be easy to build and fix?
  - Do we need outside help whether the idea is a good one?
  - Does the inventor/innovator have the laboratory and test facilities with appropriate analytical tools?

# An innovation team has to answer many questions:

- Marketing and commercialization issues
  - Is the innovation unique, ingenious and a significant leap forward?
  - Who needs the innovation and does it meet well-defined customer needs?
  - How many potential customers are there?
  - Does the inventor/innovator have a track record of successful innovation and commercialization?
  - Is the innovation suited for the application envisioned?
  - How long will it take to develop, design, demonstrate and commercialize the innovation?
  - Who are potential competitors?
  - Technological assessments are easy; marketing and business assessments are difficult
  - Ideas that are 10% better aren't good enough