

# Dan's Test Assessment

Opportunity Analysis
November 26, 2014

## Summary - Overall Opportunity Score

Analysis Score	Needs Improvement	Excellent	Percent
OVERALL OPPORTUNITY			53%
• INDUSTRY / MARKET			56%
ADDRESSABLE     MARKET			60%
• ORGANIC GROWTH			40%
SEASONALITY			40%
COMPETITOR CONCENTRATION			60%
COMPETITIVE RIVALRY			80%
• FINANCIAL			40%
• TOTAL INVESTMENT			40%

### **Key Principle**

What is the size of that portion of the market that is likely to have an interest in the offering?

### □ Definition

The "addressable market" is size of the market that is likely to have an interest in what you have to offer. It is that portion of the market that you are ready, willing, and able to serve.

### Why This Matters

The larger your potential market, the better the opportunity. The larger the market, the easier it will be for you to enter the market and carve out a sufficient amount of business in order to have a viable opportunity.

A very small addressable market can be very problematic. For example, if the addressable market calcuations indicate \$5m and taking a reasonable assumption that it is unlikely to enter a market and capture more than 10% market share, then the total potential Revenue for the opportunity is only \$500k (\$5m x 10% market share = \$500k). Further, since a reasonable average Earnings for any opportunity is 10% of Revenue, that means the \$5m addressable market would only produce a maximum Earnings of only \$50k (\$5m x 10% market share = Revenue of \$500k x Earnings of 10% = \$50k). Obviously that would not be a very exciting opportunity to pursue.

### Show Your Work (shared)

ANSWER			
Very small addressable market size (<\$5 million)			
Small addressable market size (\$5 million - \$25 million)			
Medium addressable market size (\$25 million - \$100 million)			
Large addressable market size (\$100 million - \$1 billion)			
Very large addressable market size (>\$1 billion)			

### How You Answered

Needs Improvement Excellent Percentile

OPPORTUNITY SCORE

INDUSTRY / MARKET ANALYSIS SCORE	
	56%
ADDRESSABLE MARKET SCORE	

60%

INDUSTRY / MARKET ANALYSIS SCORE

INDU	STRY / MARKET: Organic Growth
X	Key Principle
	What is the rate of annual growth of the addressable market?
M	Definition
	The rate of annual growth of the addressable market. (There are other methods of growing an opportunity, such as market share growth and acquisition growth, but for purposes of analyzing the market in this principle, the "organic" growth is of the industry / market itself rather than different methods of growth compared to competitors.)
X	Why This Matters
	The higher your organic growth, the better the opportunity. The faster the market grows, the easier it will be for you to grow your business as a rising tide lifts all boats.  A slow growth, no growth, or declining market means the industry and market compeitors not only find it impossible to grow — except at each other's expense — but the context will usually drive several other negative consequences such as price, gross margin, competitive intensity, etc.
M	Show Your Work (shared)
ANS	WER .
	Very low annual organic growth (<0%)
W	Low annual organic growth (0 – 5%)
	Moderate annual organic growth (5 – 10%)
	High annual organic growth (10 – 25%)
	Very high annual organic growth (>25%)
X	How You Answered
Needs	Improvement Excellent Percentile
OPPOF	RTUNITY SCORE 53%

56%

# Needs Improvement Excellent Percentile OPPORTUNITY SCORE INDUSTRY / MARKET ANALYSIS SCORE SEASONALITY SCORE 40%

NDU	NDUSTRY / MARKET: Competitor Concentration			
M	Key Principle			
	What is the market share concentration among the five largest competitors in the addressable market?			
X	Definition			
	The amount of market share concentrated among the largest competitors within an industry; an indication of the market power of the largest competitors.			
W	Why This Matters			
	The less concentrated the addressable market, the better the opportunity. Having fewer powerful competitors and more smaller competitors is a better context for a new entrant. The less concentrated the marketplace, the easier it is to enter the market and compete against the existing competitors that lack concentrated market power.			
X	Show Your Work (shared)			
ANSV	WER .			
	Very high degree of competitor concentration (top 5 control >80% market share or largest controls >40% market share)			
	High degree of competitor concentration (top 5 control 50 – 80% market share or largest controls 25 - 40%)			
W	Moderate degree of competitor concentration (top 5 control 25 - 50% market share or largest controls 15 - 25%)			
	Low degree of competitor concentration (top 5 control 10 - 25% market share or largest controls 5 - 15%)			
	Very low degree of competitor concentration (top 5 are not identifiable or control <10% market share and the largest is not identifiable or controls <5% market share)			
[W]	How You Answered			
Needs	Improvement Excellent Percentile			
OPPOF	RTUNITY SCORE 53%			
NDUST	TRY / MARKET ANALYSIS SCORE 56%			
COMPE	ETITOR CONCENTRATION SCORE 60%			

X	Key Principle
	What is the level of intensity with which the competitors in the addressable market compete with each other?
M	Definition
	The intensity with which the addressable market competitors compete with each other over customers.
X	Why This Matters
	The less the competitive rivalry, the better the opportunity. The less the competitive rivalry, the higher the margins tend to be in the industry as competitors invest in their current customers and reap the benefits of longer-term customer relationships rather than fighting over them.
X	Show Your Work (shared)
ANS	
	Very high competitive rivalry (> 15% customer churn)
	High competitive rivalry (10% - 15% customer churn)
	Moderate competitive rivalry (5% - 10% customer churn)
W	Low competitive rivalry (2.5% - 5% customer churn)
	Very low competitive rivalry (< 2.5% customer churn)
[X]	How You Answered
Needs	Improvement Excellent Percentile
OPPOR	RTUNITY SCORE 53%
INDUS	TRY / MARKET ANALYSIS SCORE
	56%
COMPI	ETITIVE RIVALRY SCORE 80%

FINANCIAL: Total Investment				
W	Key Principle			
	What is the total investment required to fully fund the opportunity?			
X	Definition			
	The total size of the investment or capital required to buy or build the company, fully develop the opportunity, launch the new product, or fully fund the business plan.			
M	Why This Matters			
	The smaller the total investment amount required, the better the opportunity. The smaller the total investment amount required, the more likely the opportunity will get funded (either by your personal resources, company resource, or other investors), the more likely the entrepreneur will retain control and the less the risk for the entrepreneur and investors.			
W	Show Your Work (shared)			
ANSWER				
	Very large total investment amount required (>5.00x the available liquid capital from the company or entrepreneur or >2.00x the average investment size)			

# Very large total investment amount required (>5.00x the available liquid capital from the company or entrepreneur or >2.00x the average investment size) Large total investment amount required (1.00x to 5.00x the available liquid capital from the company or entrepreneur or 1.00x to 2.00x the average investment size) Moderate total investment amount required (0.50x to 1.00x the available liquid capital from the company or entrepreneur or average investment size) Small total investment amount required (0.25x to 0.50x the available liquid capital from the company or entrepreneur or average investment size) Very small total investment amount required (<0.25x the available liquid capital from the company or entrepreneur or average investment size)

### How You Answered

Needs Improvement Excellent Percentile

**OPPORTUNITY SCORE** 

FINANCIAL ANALYSIS SCORE			
		40%	
TOTAL INVESTMENT SCORE			
		40%	)



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