OpportunityIQ

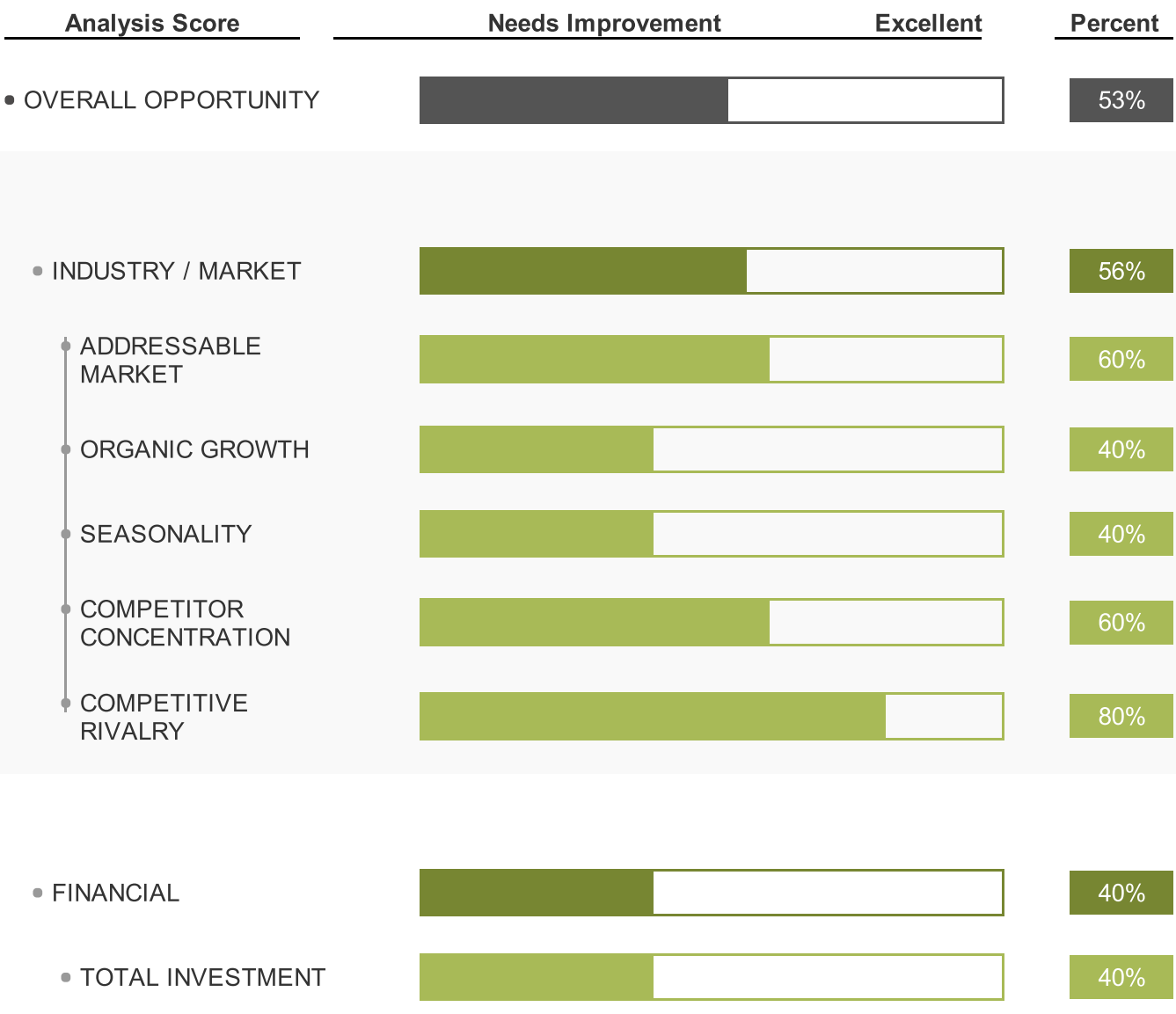
Dan's Test Assessment

Opportunity Analysis

December 01, 2014

Dan's Test Assessment

Summary - Overall Opportunity Score 53



INDUSTRY / MARKET: Addressable Market

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)

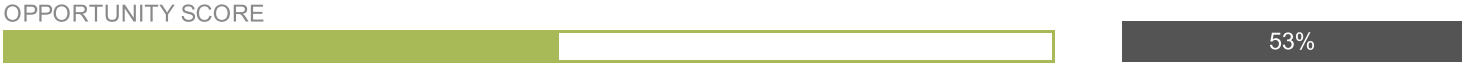
ANSWER

- [ ] Very small addressable market size (<$5 million)
- [ ] Small addressable market size ($5 million - $25 million)
- [x] 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: Organic Growth

Key Principle

What is the rate of annual growth of the addressable market?

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.)

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.

Show Your Work (shared)

ANSWER

- [ ] Very low annual organic growth (<0%)
- [x] Low annual organic growth (0 – 5%)
- [ ] Moderate annual organic growth (5 – 10%)
- [ ] High annual organic growth (10 – 25%)
- [ ] Very high annual organic growth (>25%)

How You Answered

Needs Improvement Excellent Percentile

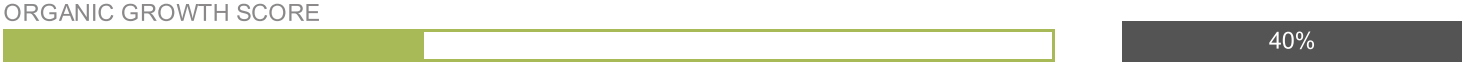
OPPORTUNITY SCORE

53%

INDUSTRY / MARKET ANALYSIS SCORE

56%

ORGANIC GROWTH SCORE



INDUSTRY / MARKET: Seasonality

Key Principle

To what extent does the ability to produce or sell the offering depend on the time of year?

Definition

The extent to which the ability to produce a product or service or the ability to sell a product or service depends on the time of year or season.

Why This Matters

The less the seasonality, the better the opportunity. The less the seasonality, the more the potential for consistently higher asset utilization (for asset-intensive opportunities) and consistent Revenue and Earnings throughout the year (for any type of opportunity).

Show Your Work (shared)

ANSWER

- [ ] Very high seasonality (ability to produce or market demand limited to < 3 months per year)
- [x] High seasonality (ability to produce or market demand limited to 3 – 6 months per year)
- [ ] Moderate seasonality (ability to produce or market demand for 6 – 9 months per year)
- [ ] Low seasonality (ability to produce or market demand for 9 – 12 months per year)
- [ ] Very low or no seasonality (ability to produce or market demand for 12 months per year)

How You Answered

Needs Improvement Excellent Percentile

OPPORTUNITY SCORE — 53%

INDUSTRY / MARKET ANALYSIS SCORE — 56%

SEASONALITY SCORE — 40%

INDUSTRY / MARKET: Competitor Concentration

Key Principle

What is the market share concentration among the five largest competitors in the addressable market?

Definition

The amount of market share concentrated among the largest competitors within an industry; an indication of the market power of the largest competitors.

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.

Show Your Work (shared)

ANSWER

- [ ] 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%)
- [x] 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)

How You Answered

Needs Improvement Excellent Percentile

OPPORTUNITY SCORE

53%

INDUSTRY / MARKET ANALYSIS SCORE

56%

COMPETITOR CONCENTRATION SCORE

60%

INDUSTRY / MARKET: Competitive Rivalry

Key Principle

What is the level of intensity with which the competitors in the addressable market compete with each other?

Definition

The intensity with which the addressable market competitors compete with each other over customers.

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.

Show Your Work (shared)

ANSWER

- [ ] Very high competitive rivalry (> 15% customer churn)
- [ ] High competitive rivalry (10% - 15% customer churn)
- [ ] Moderate competitive rivalry (5% - 10% customer churn)
- [x] Low competitive rivalry (2.5% - 5% customer churn)
- [ ] Very low competitive rivalry (< 2.5% customer churn)

How You Answered

Needs Improvement Excellent Percentile

OPPORTUNITY SCORE

53%

INDUSTRY / MARKET ANALYSIS SCORE

56%

COMPETITIVE RIVALRY SCORE

80%

FINANCIAL: Total Investment

Key Principle

What is the total investment required to fully fund the opportunity?

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.

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.

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)
- [x] 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

53%

FINANCIAL ANALYSIS SCORE

40%

TOTAL INVESTMENT SCORE

40%

OpportunityIQ

Smart Analysis. Smart Business.

OPPORTUNITYIQ.COM