



Exclusively Prepared For

# Test

March 2, 2015

**Confidential**

## 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 calculations 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 ( $\$5m \times 10\% \text{ market share} = \$500k$ ). 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 ( $\$5m \times 10\% \text{ market share} = \text{Revenue of } \$500k \times \text{Earnings of } 10\% = \$50k$ ). Obviously that would not be a very exciting opportunity to pursue.

## 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

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; height: 10px; background-color: #333;"></div>		70%
Industry / Market	<div style="width: 68%; height: 10px; background-color: #333;"></div>		68%
Addressable Market	<div style="width: 100%; height: 10px; background-color: #333;"></div>		100%

## 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 competitors 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.

## ANSWER



Very low annual organic growth (<0%)



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

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #333; height: 10px;"></div>		68%
Organic Growth	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## 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).

## ANSWER



Very high seasonality (ability to produce or market demand limited to < 3 months per year)



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

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #333; height: 10px;"></div>		68%
Seasonality	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## 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.

## 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%)



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

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Industry / Market	<div style="width: 20%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 80%; background-color: #333; height: 10px;"></div>		68%
Competitor Concentration	<div style="width: 10%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 90%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

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

## DEFINITION

customers.

## WHY THIS MATTERS

### ANSWER

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

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #555; height: 10px;"></div>		68%
Competitive Rivalry	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

How much of the variable cost structure is highly concentrated among only a few suppliers in the addressable market?

## DEFINITION

## WHY THIS MATTERS

### ANSWER



Very high degree of supplier concentration (50% or more of the variable input costs are only available from < 3 suppliers)



High degree of supplier concentration (25 - 50% of the variable input costs are only available from < 3 suppliers)



Moderate degree of supplier concentration (10 - 25% of the variable input costs are only available from < 3 suppliers)



Low degree of supplier concentration (5 - 10% of the variable input costs are only available from < 3 suppliers)



Very low degree of supplier concentration (all inputs are readily available and interchangeable from > 3 suppliers)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #555; height: 10px;"></div>		68%
Supplier Concentration	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

What are the costs involved in switching from one supplier to another?

## DEFINITION

## WHY THIS MATTERS

### ANSWER



Very high supplier switching costs (>200% of total monthly supplier cost)



High supplier switching costs (100% - 200% of total monthly supplier cost)



Moderate supplier switching costs (50% - 100% of total monthly supplier cost)



Low supplier switching costs (25% - 50% of total monthly supplier cost)



Very low supplier switching costs (<25% of total monthly supplier cost)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #555; height: 10px;"></div>		68%
Supplier Switching Costs	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

To what extent is the industry subject to government regulation or laws that affect price or demand?

## DEFINITION

The extent to which the target industry is subject to government regulation. Generally, the less the level of regulation, the better the opportunity. The less the level of regulation, the more the degrees of freedom for the management team to continuously tweak its offering and business model.

## WHY THIS MATTERS

The less the regulation, the less the potential for unfavorable laws being passed that curtail demand or that unnecessarily drive up costs.

## ANSWER



Very high regulatory environment (major regulatory reform pending/recently put in place and major governmental licensing or oversight)



High regulatory environment (minor regulatory actions pending or recently put in place with some governmental licensing or oversight)



Moderate regulatory environment (a few annual changes to the industry laws and procedures with some government oversight)



Low regulatory environment (very few annual changes and no government oversight of the industry)



Very low or no regulatory environment (virtually no regulation and no government intervention or oversight of the industry)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Industry / Market	<div style="width: 68%; background-color: #333; height: 10px;"></div>		68%
Regulatory Environment	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

To what extent might new technology play a major role in shaping market conditions and market share of the addressable market?

## DEFINITION

The extent to which technology plays a major role in shaping the market conditions and the competitive landscape; where a new and exciting technology can cause large changes in market share shifting from one competitor to another.

## WHY THIS MATTERS

The lower the degree of technological change, the better the opportunity. The lower the degree of technological change, the less risk that technological innovation could render your offering obsolete in a short period of time.

## ANSWER

-  Very high degree of technological change (>25% annual change to core technology infrastructure in the form of enhancements, new versions, or new apps)
-  High degree of technological change (15% to 25% annual change to core technology infrastructure in the form of enhancements, new versions, or new apps)
-  Moderate degree of technological change (10% to 15% annual change to core technology infrastructure in the form of enhancements, new versions, or new apps)
-  Low degree of technological change (5% - 10% annual change to core technology infrastructure in the form of enhancements, new versions, or new apps)
-  Very low degree of technological change (<5% annual change to core technology infrastructure in the form of enhancements, new versions, or new apps)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Industry / Market	<div style="width: 35%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 65%; background-color: #333; height: 10px;"></div>		68%
Technological Change	<div style="width: 10%; background-color: #555; height: 10px; margin-bottom: 5px;"></div> <div style="width: 90%; background-color: #333; height: 10px;"></div>		20%

## KEY PRINCIPLE

To what extent do major trends in customer behavior or demographics shape market conditions and demand?

## DEFINITION

The extent to which major trends in customer behavior or demographics play a critical role in shaping the market conditions and customer demand.

## WHY THIS MATTERS

These “macro trends” are major trends that tend to affect the entire industry and typically come in the form of trends in customer behavior or customer demographics, but can also stem from slowly shifting dynamics in the industry that are detected over a period of years that are not related to growth, technology, seasonality, or regulation. The more favorable the macro trend, the better the opportunity. The more favorable the macro trend, the more the potential demand for your offering.

## ANSWER



Very unfavorable macro trends (2 or 3 trends that negatively affect the target market)



Unfavorable macro trends (1 trend that negatively affects the target market)



Neutral macro trends (no identifiable trends that affect the target market)



Favorable macro trends (1 trend that favorably affects the target market)



Very favorable macro trends (2 or 3 trends that favorably affect the target market)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; height: 10px; background-color: #666;"></div>		70%
Industry / Market	<div style="width: 68%; height: 10px; background-color: #666;"></div>		68%
Other Macro Trends	<div style="width: 100%; height: 10px; background-color: #666;"></div>		100%

## 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.

## 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)



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

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Financial	<div style="width: 69%; background-color: #333; height: 10px;"></div>		69%
Total Investment	<div style="width: 60%; background-color: #333; height: 10px;"></div>		60%

## KEY PRINCIPLE

What portion of the total investment will be invested in fixed assets?

## DEFINITION

The total size of the investment required to assemble the fixed assets needed to operate the business relative to the total investment required to execute on the opportunity.

## WHY THIS MATTERS

The smaller the fixed asset investment required, the better the opportunity. The smaller the fixed asset investment required, the less risk of not being able to repurpose your investment or change direction with your business opportunity, since fixed assets can be difficult to use for other purposes and rarely retain a high resale value.

## ANSWER



Very large fixed asset investment required (>60% of the total investment amount)



Large fixed asset investment required (40 - 60% of the total investment amount)



Moderate fixed asset investment required (20 - 40% of the total investment amount)



Small fixed asset investment required (10 - 20% of the total investment amount)



Very small fixed asset investment required (<10% of the total investment amount)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Financial	<div style="width: 69%; background-color: #555; height: 10px;"></div>		69%
Fixed Asset Investment	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

What is the average amount of elapsed time between when you start to experience the costs of delivering the offering to a customer and when you collect from that customer?

## DEFINITION

The average amount of elapsed time between when you experience the costs of the product or service you are delivering and when you collect from your customer for the product or service.

## WHY THIS MATTERS

The more efficient the cash cycle (the faster you get paid), the better the opportunity. The more efficient the cash cycle, the more cash flow is generated and the less the need for external financing for working capital and growth.

## ANSWER

-  Very inefficient cash cycle (> 30 days)
-  Inefficient cash cycle (15 – 30 days)
-  Moderate cash cycle (1 – 15 days)
-  Efficient cash cycle (0 days)
-  Very efficient cash cycle (< 0 days)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Financial	<div style="width: 69%; background-color: #555; height: 10px;"></div>		69%
Cash Cycle	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

How long will it take for the opportunity to have sufficient monthly revenue to cover all of its monthly expenses?

## DEFINITION

The amount of time it takes for your opportunity to breakeven from the time you launch until your net income is zero or positive.

## WHY THIS MATTERS

The shorter the breakeven timing, the better the opportunity. The shorter the breakeven timing, the less the risk of opportunity failure due to not ever reaching breakeven.

## ANSWER



Very long breakeven timing (> one year)



Long breakeven timing (six months – one year)



Moderate breakeven timing (three months – six months)



Short breakeven timing (one month – three months)



Very short breakeven timing (< one month)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; height: 10px; background-color: #555; border-radius: 5px;"></div>	<div style="width: 30%; height: 10px; background-color: #555; border-radius: 5px;"></div>	70%
Financial	<div style="width: 69%; height: 10px; background-color: #555; border-radius: 5px;"></div>	<div style="width: 31%; height: 10px; background-color: #555; border-radius: 5px;"></div>	69%
Breakeven Timing	<div style="width: 100%; height: 10px; background-color: #555; border-radius: 5px;"></div>	<div style="width: 0%; height: 10px; background-color: #555; border-radius: 5px;"></div>	100%

## KEY PRINCIPLE

What is the level of fixed costs expressed as a percentage of the total cost structure?

## DEFINITION

The costs that stay constant and do not vary based on the quantity of the number of offerings or the general level of Revenue.

## WHY THIS MATTERS

Fixed costs typically include costs such as rent, debt payments, lease payments, insurance, salaries of supervisory personnel, etc. The lower the level of fixed costs, the better the opportunity. The lower the level of fixed costs, the shorter the breakeven timing and the less the level of sales required to be profitable.

## ANSWER

-  Very high level of fixed costs (> 50% of the total cost structure)
-  High level of fixed costs (40% - 50% of the total cost structure)
-  High level of fixed costs (40% - 50% of the total cost structure)
-  Low level of fixed costs (20% - 30% of the total cost structure)
-  Very low level of fixed costs (<20% of the total cost structure)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Financial	<div style="width: 69%; background-color: #555; height: 10px;"></div>		69%
Fixed Costs	<div style="width: 20%; background-color: #555; height: 10px;"></div>		20%

## KEY PRINCIPLE

What is the anticipated Gross Margin of the average offering?

## DEFINITION

Gross Margin is the difference between the Net Sales Revenue and the Direct Expenses (also known as Variable Expense) such as the cost of goods sold (COGS) and any Direct Labor expenses. Gross margin is also commonly referred to as Gross Profit and is usually expressed as a percentage as follows:  $(\text{Net Sales Revenue} - \text{Direct Expenses}) / \text{Net Sales Revenue}$ . Therefore, \$100 of Net Sales Revenue with Direct Expenses of \$50, results in a Gross M of 50%. Gross Margin is often measured on a unit of sales (unit Gross Margin) as well as a total Gross Margin for a given period.

## WHY THIS MATTERS

Opportunities with high Gross Margins will generally always perform better on all other financial metrics compared to opportunities with lower Gross Margins unless there are significant overhead or Indirect Expenses associated with the high Gross Margin business. Most of the world's most valuable businesses are enterprises that have business models that have high Gross Margins due to low Direct Expenses compared to Revenue.

## ANSWER



Very low gross margin (< 20%)



Low gross margin (20% - 35%)



Moderate gross margin (35% - 50%)



High gross margin (50% -75%)



Very high gross margin (> 75%)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 15px; border-radius: 5px;"></div>		70%
Financial	<div style="width: 40%; background-color: #555; height: 15px; border-radius: 5px;"></div>		69%
Gross Margin	<div style="width: 20%; background-color: #555; height: 15px; border-radius: 5px;"></div>		60%

## KEY PRINCIPLE

What is the five year return on the total investment in the opportunity?

## DEFINITION

The return on the total investment in the fully-funded opportunity expressed as a multiple of the total investment that is allocated to the investor. The investor's value is based upon the investor's portion of the Equity Value, which is calculated as the Enterprise Value, less Debt, plus any excess Cash. (See the examples below.)

## WHY THIS MATTERS

Investors such as private equity and venture capital investors and corporate development departments will only be attracted to opportunities that meet minimum returns on investment over a specific timeframe. Putting capital at risk will normally require returns at higher rates than public equity returns. Most corporate product development guidelines will also have minimum hurdles in terms of the expected returns on a new product investment. And finally, entrepreneurs and business owners have limited time and focus and should only invest their time on the highest potential return opportunities.

## ANSWER



Very low earnings multiple (< 3X)



Low earnings multiple (3X)



Moderate earnings multiple (4 - 5X)



High earnings multiple (6 - 7X)



Very high earnings multiple (> 7X)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Financial	<div style="width: 69%; background-color: #333; height: 10px;"></div>		69%
Return On Investment	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

How many distinct internal capabilities are required to fully realize the opportunity?

## DEFINITION

The number of distinct internal capabilities or different business processes you plan to develop as part of your offering.

## WHY THIS MATTERS

The fewer internal capabilities that are to be developed, the better the opportunity. The fewer internal capabilities that are to be developed, the lower the investment (in time and capital) and the lower the risk of the opportunity.

## ANSWER

-  Very high number of internal capabilities (>6 capabilities)
-  High number of internal capabilities (5 – 6 capabilities)
-  Moderate number of internal capabilities (3 – 4 capabilities)
-  Low number of internal capabilities (2 – 3 capabilities)
-  Very low number of internal capabilities (1 capability)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #555; height: 10px;"></div>		53%
Capability Development	<div style="width: 40%; background-color: #555; height: 10px;"></div>		40%

## KEY PRINCIPLE

What is the ability to develop a copyright, trademark, or patent the offering to extend the value of the opportunity?

## DEFINITION

The ability to develop a registered copyright, trademark, or patent around whatever may be proprietary about your product, process, or business that protects and extends the value of your business opportunity.

## WHY THIS MATTERS

The more your ability to create and protect intellectual property, the better the opportunity. The more your ability to create and protect intellectual property, the more potential value your business opportunity will create through limiting competition, licensing, royalties, or other residual income.

## ANSWER



Very low ability to create intellectual property (< 5% of the offering input or process is proprietary)



Low ability to create intellectual property (5% - 10% of the offering input or process is proprietary)



Moderate ability to create intellectual property (10% - 25% of the offering input or process is proprietary)



High ability to create intellectual property (25% - 50% of the offering input or process is proprietary)



Very high ability to create intellectual property (> 50% of the offering input or process is proprietary)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #555; height: 10px;"></div>		53%
Intellectual Property	<div style="width: 80%; background-color: #555; height: 10px;"></div>		80%

## KEY PRINCIPLE

What is the ability to fully test the offering with a representative sample of customers prior to launching the opportunity?

## DEFINITION

The ability to meaningfully test your product prototype or service with a representative sample of pilot or beta customers prior to investing the resources necessary to gear up for full production or launch.

## WHY THIS MATTERS

The higher your ability to test or pilot prior to full development, the better the opportunity. The higher your ability to test or pilot prior to full development, the lower the investment and risk of the opportunity and the greater the chance to "reorient" or "pivot" your offering as necessary to better meet customer requirements.

## ANSWER



Very low ability to pilot prior to full development (pilot/prototype cost is >75% of full development cost)



Low ability to pilot prior to full development (pilot/prototype cost 50% - 75% of full development cost)



Moderate ability to pilot prior to full development (pilot/prototype cost is 25% - 50% of full development cost)



High ability to pilot prior to full development (pilot/prototype cost is 10% - 25% of full development cost)



Very high ability to pilot prior to full development (pilot/prototype cost is <10% of full development cost or N/A)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #555; height: 10px;"></div>		53%
Ability To Pilot	<div style="width: 80%; background-color: #555; height: 10px;"></div>		80%

## KEY PRINCIPLE

What is the ability to sell the same offering to all customers?

## DEFINITION

The ability to sell the same product or service over and over again with the same product or process content in a cookie cutter fashion.

## WHY THIS MATTERS

For a services business, this typically means the ability to use service templates or "productize services" in order to deliver the same consistent service over and over again. For a product business, this typically means the ability to produce and sell the same product many times over and to have less product line proliferation. The higher the repeatability of the offering the better the business model and the opportunity. The more customers that buy exactly the same offering, the quicker that offering can be perfected, the faster the organization can learn, the faster costs will decline, and the easier it is for the business to grow. Only opportunities with repeatable offerings can take advantage of the Experience Curve ([https://www.bcgperspectives.com/content/Classics/strategy\\_the\\_experience\\_curve/](https://www.bcgperspectives.com/content/Classics/strategy_the_experience_curve/)) which has been proven that in nearly every business model, the cost of delivering any offering goes down by 20% - 30% for each cumulative doubling of output of that same offering. Think of it as practice makes perfect.

## ANSWER



Very low repeatability (a doubling of sales requires a >75% change in the offering)



Low repeatability (a doubling of sales requires a 50% to 75% change in the offering)



Moderate repeatability (a doubling of sales requires a 25% to 50% change in the offering)



High repeatability (a doubling of sales requires a 10% to 25% change in the offering)



Very high repeatability (a doubling of sales requires a <10% change in the offering)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #333; height: 10px;"></div>		53%
Repeatability	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

How much does each incremental offering cost?

## DEFINITION

The relationship between the growth in units of each offering and the incremental cost of each offering. This principle is related to "economies of scale" and is defined as the ability to increase the number of units offered (either products or service engagements) and experience a decrease in the average cost of each unit.

## WHY THIS MATTERS

High scalability means the Revenue grows faster than Direct Expenses. The more scalable the business model, the better the opportunity. The more scalable the business model, the higher the profitability and the higher the operating leverage.

## ANSWER



Very low scalability (a doubling of sales requires a >75% increase in costs)



Low scalability (a doubling of sales requires a 50% to 75% increase in costs)



Moderate scalability (a doubling of sales requires a 25% to 50% increase in costs)



High scalability (a doubling of sales requires a 10% to 25% increase in costs)



Very high scalability (a doubling of sales requires a <10% increase in costs)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #333; height: 10px;"></div>		53%
Scalability	<div style="width: 20%; background-color: #333; height: 10px;"></div>		20%

## KEY PRINCIPLE

What is the ability to use technology to reduce costs, increase productivity and/or increase quality?

## DEFINITION

The ability to use technology in order to automate a business process and reduce costs, increase productivity, and/or increase quality.

## WHY THIS MATTERS

The higher the amount of technology leverage, the better the opportunity. The higher the amount of technology leverage, the better the chance to create a proprietary "edge" in your market and create higher-than-average margins.

## ANSWER



Very low technology leverage (technology can reduce <5% of the typical cost structure)



Low technology leverage (technology can reduce 5 – 10% of the typical cost structure)



Moderate technology leverage (technology can reduce 10 – 15% of the typical cost structure)



High technology leverage (technology can reduce 15 – 20% of the typical cost structure)



Very high technology leverage (technology can reduce >20% of the typical cost structure)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #333; height: 10px;"></div>		53%
Technology Leverage	<div style="width: 60%; background-color: #333; height: 10px;"></div>		60%

## KEY PRINCIPLE

What is the cost the labor compared to competitors?

## DEFINITION

The comparative cost of the skill sets that are required to grow the opportunity.

## WHY THIS MATTERS

The lower the overall cost of the majority of the labor required compared to competitors, the better the opportunity. The lower the overall cost of labor compared to competitors, the higher the comparative profitability and/or the lower the comparative cost of operations.

## ANSWER



Very unfavorable labor pool costs (the bulk of the necessary labor costs >10% more than competitors)



Unfavorable labor pool costs (the bulk of the necessary labor costs 5% to 10% more than competitors)



Neutral labor pool costs (the bulk of the necessary labor costs roughly the same as competitors)



Favorable labor pool costs (the bulk of the necessary labor costs 5% to 10% less than competitors)



Very favorable labor pool costs (the bulk of the necessary labor costs >10% less than competitors)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #333; height: 10px;"></div>		53%
Labor Pool	<div style="width: 80%; background-color: #333; height: 10px;"></div>		80%

## KEY PRINCIPLE

What are the uncontrollable risks of the opportunity?

## DEFINITION

The risks that the opportunity will not be able to operationally deliver its offering due to uncontrollable risks such as weather, pests, supplier instability, labor instability, and/or political instability.

## WHY THIS MATTERS

The lower the operational risk, the better the opportunity. The lower the operational risk, the better the chances of being able to operate without disruption.

## ANSWER



Very high operational risk (the combination of risks could impact >25% of the total costs or >50% of the Revenue)



High operational risk (the combination of risks could impact 10% to 25% of the total costs or 25% to 50% of the Revenue)



Moderate operational risk (the combination of risks could impact 5% to 10% of the total costs or 10% to 25% of the Revenue)



Low operational risk ((the combination of risks could impact up to 5% of the total costs or up to 10% of the Revenue)



Very low operational risk (there are no apparent risks)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Operational	<div style="width: 53%; background-color: #333; height: 10px;"></div>		53%
Operational Risk	<div style="width: 20%; background-color: #333; height: 10px;"></div>		20%

## KEY PRINCIPLE

What is the ability to identify the customer's needs that are under-served or not currently being met?

## DEFINITION

The ability to identify the needs of the potential customers in the addressable market and clearly determine whether or not those needs are currently under-served or not being met by the existing competitive offerings and substitutes.

## WHY THIS MATTERS

The greater your ability to identify unmet needs, the better the opportunity. The greater your ability to identify unmet needs, the more precisely you can design and develop your offering to meet the customer demand, the easier it will be to acquire new customers, and the easier it will be to grow the opportunity.

## ANSWER

-  Very low ability to identify unmet needs (limited understanding of the addressable market's needs)
-  Low ability to identify unmet needs (some understanding of 10% to 25% of the addressable market's needs)
-  Moderate ability to identify unmet needs (good understanding of 25% to 50% of the addressable market's needs)
-  High ability to identify unmet needs (deep understanding of 25% to 50% of the addressable market's needs)
-  Very high ability to identify unmet needs (deep understanding of >50% of the addressable market's needs)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 80%; background-color: #333; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #333; height: 10px;"></div>		75%
Unmet Needs Identification	<div style="width: 20%; background-color: #333; height: 10px;"></div>		20%

## KEY PRINCIPLE

Does the offering provide overall value to customers that is decidedly different and better than substitute offerings?

## DEFINITION

The ability to deliver a product or service to your customers that provides value that is decidedly different than other products or services, not just in price, quality or service, but in performance or value created.

## WHY THIS MATTERS

The more distinctive your value proposition, the better the opportunity. The more distinctive your value proposition, the more defensible your market position, the easier the sale, the higher the barriers to exit the relationship and the lower the price pressure.

## ANSWER



Very low value proposition distinctiveness (saves <10% of the customer's time or money)



Low value proposition distinctiveness (saves 10% - 25% of the customer's time or money)



Moderate value proposition distinctiveness (saves 25% - 50% of the customer's time or money)



High value proposition distinctiveness (saves 50% - 100% of the customer's time or money)



Very high value proposition distinctiveness (saves >100% of the customer's time or money)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #555; height: 10px;"></div>		75%
Offering Distinctiveness	<div style="width: 60%; background-color: #555; height: 10px;"></div>		60%

## KEY PRINCIPLE

What is the risk that customers will not readily understand the value of the offering?

## DEFINITION

The risk that the value proposition of the product or service will not be easily understood, accepted, and adopted by potential customers.

## WHY THIS MATTERS

The more difficult it is to articulate the value proposition, the more complex the product or service, the more unsophisticated the understanding of the customer decision making unit (DMU), and the more difficult the pricing mechanism, the more the concept risk. The lower the concept risk, the better the opportunity. The lower the concept risk, the easier it is for the customer to "get it" and the shorter the sales cycle.

## ANSWER

-  Very high concept risk (new type of offering + new pricing model + new to the industry)
-  High concept risk (new offering + readily understood pricing + new to the industry)
-  Moderate concept risk (readily understood offering + new pricing model + new to industry)
-  Low concept risk (readily understood offering + readily understood pricing + new to industry)
-  Very low concept risk (readily understood offering + readily understood pricing + current industry participant)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity			70%
Offering			75%
Concept Risk			100%

## KEY PRINCIPLE

What is the total time to bring the offering to market from concept to full development?

## DEFINITION

The total time it takes to bring your product to market or perfect your service so that your offering is ready to take to market.

## WHY THIS MATTERS

The shorter the development time frame, the better the opportunity. The shorter the development time frame, the less the risk, the lower the investment, the lower the development effort, the quicker the market feedback on the offering, and the shorter the path to Revenue.

## ANSWER

-  Very long development time frames (>1 year)
-  Long development time frames (6 months – 1 year)
-  Moderate development time frames (3 months – 6 months)
-  Short development time frames (1 month - 3 months)
-  Very short development time frames (<1 month)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #555; height: 10px;"></div>		75%
Development Time Frame	<div style="width: 80%; background-color: #555; height: 10px;"></div>		80%

## KEY PRINCIPLE

What is the average price of the average offering?

## DEFINITION

The average relative price of the average product or service increment (not in comparison to competitors or substitutes, but on a relative scale).

## WHY THIS MATTERS

The higher the price point, the better the opportunity. The higher the price point, the more you can invest in the customer relationship, the higher the potential unit gross margin, and the higher the potential customer lifetime value.

## ANSWER

-  Very low product or service price point (<\$10)
-  Low product or service price point (\$10 - \$50)
-  Moderate product or service price point (<\$50 - \$500)
-  High product or service price point (<\$500 - \$5,000)
-  Very high product or service price point (>\$5,000)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 10px;"></div>		70%
Offering	<div style="width: 25%; background-color: #555; height: 10px;"></div>		75%
Price Point	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

How does the price of the offering compare to competitive or substitute offerings?

## DEFINITION

The average price of the average product or service increment in comparison to competitive or substitute offerings.

## WHY THIS MATTERS

The lower the price (for comparable offerings) relative to competitors, the better the opportunity. The lower the price relative to competitors, the higher the value for your customers and the easier it is to grow your business.

## ANSWER

-  Very high price relative to competitors (> 20% higher)
-  High price relative to competitors (5 – 10% higher)
-  Price parity relative to competitors (+/- 5%)
-  Low price relative to competitors (5 – 10% lower)
-  Very low price relative to competitors (> 20% lower)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>	<div style="width: 30%; background-color: #333; height: 10px;"></div>	70%
Offering	<div style="width: 75%; background-color: #333; height: 10px;"></div>	<div style="width: 25%; background-color: #333; height: 10px;"></div>	75%
Price Relative To Competitors	<div style="width: 60%; background-color: #333; height: 10px;"></div>	<div style="width: 40%; background-color: #333; height: 10px;"></div>	60%

## KEY PRINCIPLE

How does the quality of the offering compare to competitive offerings?

## DEFINITION

The ability to differentiate the quality of the product or service from competitors at a similar price.

## WHY THIS MATTERS

The higher the quality compared to competitors, the better the opportunity. The higher the quality, the fewer complaints, the higher the customer satisfaction, the fewer the returns, and the better the market reputation.

## ANSWER

-  Very low quality relative to competitors
-  Low quality relative to competitors
-  Same quality relative to competitors
-  High quality relative to competitors
-  Very high quality relative to competitors

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>	<div style="width: 30%; background-color: #555; height: 10px;"></div>	70%
Offering	<div style="width: 75%; background-color: #555; height: 10px;"></div>	<div style="width: 25%; background-color: #555; height: 10px;"></div>	75%
Quality Relative To Competitors	<div style="width: 100%; background-color: #555; height: 10px;"></div>	<div style="width: 0%; background-color: #555; height: 10px;"></div>	100%

## KEY PRINCIPLE

How does the service quality of the offering compare to competitive offerings?

## DEFINITION

The ability to deliver a higher level of service compared to your competitors at a similar price.

## WHY THIS MATTERS

The higher the level of service relative to competitors, the better the opportunity. The higher the level of service relative to competitors, the higher the value for your customers, the higher your customer satisfaction, and the better your market reputation.

## ANSWER

-  Very low service level relative to competitors
-  Very low service level relative to competitors
-  Service parity relative to competitors
-  High service level relative to competitors
-  Very high service level relative to competitors

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #555; height: 10px;"></div>		75%
Service Relative To Competitors	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

What is the availability of substitute offerings that also meet the customer's needs?

## DEFINITION

The availability of substitute products or services that offer an alternative solutions in addition to offerings that are directly competitive.

## WHY THIS MATTERS

The lower the availability of substitutes, the better the opportunity. The lower the availability of substitutes, the fewer the customer choices and the more inelastic the demand.

## ANSWER

-  Very high availability of substitutes
-  High availability of substitutes
-  Moderate availability of substitutes
-  Low availability of substitutes
-  Very low availability of substitutes

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #333; height: 10px;"></div>		75%
Substitutes	<div style="width: 100%; background-color: #333; height: 10px;"></div>		100%

## KEY PRINCIPLE

To what extent does the offering need to be sold/delivered at a specified time without the ability to store or preserve it?

## DEFINITION

The extent to which you have to sell a product or service in a short period of time or before a certain specified time, without the flexibility to store it or preserve it for later use.

## WHY THIS MATTERS

The lower the perishability, the better the opportunity. The lower the perishability, the more the sales flexibility, the lower the capacity risk, and the less the price pressure because there is no "expiration".

## ANSWER



Very high perishability (offering ages or expires within < 1 month)



High perishability (offering ages or expires between 1 - 6 months)



Moderate perishability (offering ages or expires between 6 - 12 months)



Low perishability (offering ages or expires after >12 months)



Very low perishability (offering never expires)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #333; height: 10px;"></div>		75%
Perishability	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

What is the potential to enter new, adjacent markets to address similar needs with the existing offering and infrastructure?

## DEFINITION

The potential to enter new, adjacent markets where you can address similar needs with the existing offering or infrastructure.

## WHY THIS MATTERS

The higher the availability of adjacent opportunities, the better the opportunity. The higher the availability of adjacent opportunities, the better the chance of growing your business and leveraging your existing offering development and infrastructure investment into new markets.

## ANSWER



Very low availability of adjacent opportunities (no adjacent opportunities)



Low availability of adjacent opportunities (adjacent markets represent up to 25% growth with >50% change in the offering or infrastructure)



Moderate availability of adjacent opportunities (adjacent markets represent up to 50% growth with a 25% - 50% change in the offering or infrastructure)



High availability of adjacent opportunities (adjacent markets represent up to 50% growth with a 10% - 25% change in the offering or infrastructure)



Very high availability of adjacent opportunities (adjacent markets represent up to 100% growth with a <10% change in the offering or infrastructure)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Offering	<div style="width: 75%; background-color: #555; height: 10px;"></div>		75%
Adjacent Opportunities	<div style="width: 60%; background-color: #555; height: 10px;"></div>		60%

## KEY PRINCIPLE

Is it possible to identify when a customer prospect is most likely to make a buying decision?

## DEFINITION

The ability to identify the timeframe in which the customer prospect is most likely to make the buying decision regarding your product or service.

## WHY THIS MATTERS

The higher the ability to identify the in-market timing, the better the opportunity. The higher the ability to identify the in-market timing, the better the chances of being able to engage and close prospective customers and grow your business.

## ANSWER



Very low ability to identify in-market timing (no ability to predict purchase behavior)



Low ability to identify in-market timing (<25% of purchase decisions are predictable)



Moderate ability to identify in-market timing (25% - 50% of purchase decisions are predictable)



High ability to identify in-market timing (50% - 75% of purchase decisions are predictable)



Very high ability to identify in-market timing (>75% of purchase decisions are predictable)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%;"></div>		70%
Customer	<div style="width: 27%;"></div>		77%
In-Market Timing	<div style="width: 28%;"></div>		80%

## KEY PRINCIPLE

How easy is it to identify the name and contact information of prospects in the addressable market?

## DEFINITION

The ability to identify the name and contact information of those potential customers in your addressable market to enable you to market to them broadly through any channel or means.

## WHY THIS MATTERS

The higher the ability to identify targets or customer prospects, the better the opportunity. The higher the ability to identify targets, the better the chances of engaging with prospects and converting them into customers to grow your business.

## ANSWER



Very low ability to identify targets (<10% of the addressable market at a cost of less than 1% of revenue)



Low ability to identify targets (10% - 25% of the addressable market at a cost of less than 1% of revenue)



Moderate ability to identify targets (25% - 50% of the addressable market at a cost of less than 1% of revenue)



High ability to identify targets (50% - 75% of the addressable market at a cost of less than 1% of revenue)



Very high ability to identify targets (>75% of the addressable market at a cost of less than 1% of revenue)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%;"></div>		70%
Customer	<div style="width: 77%;"></div>		77%
Prospect Identification	<div style="width: 80%;"></div>		80%

## KEY PRINCIPLE

How easy is it to gain access to all of the decision makers that will influence the buying decision?

## DEFINITION

The ability to gain access to all of the decision makers that will influence the buying decision for your product or service.

## WHY THIS MATTERS

The Decision Making Unit, or "DMU" is comprised of all the people involved in the decision-making process from the customer's view point and is an indication of the overall complexity of the sales process. The higher the accessibility of the DMU, the better the opportunity. The higher the accessibility of the DMU, the better the chances of being able to engage with prospects, convert them into customers, and grow your business.

## ANSWER



Very low accessibility of the DMU (all four issues: large DMU + multiple organizations + lack of availability + difficult to contact)



Low accessibility of the DMU (any three of the four issues: large DMU + multiple organizations + lack of availability + difficult to contact)



Moderate accessibility of the DMU (any two of the four issues)



High accessibility of the DMU (any one of the four issues)



Very high accessibility of the DMU (none of the four issues)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 15px;"></div>		70%
Customer	<div style="width: 25%; background-color: #555; height: 15px;"></div>		77%
Customer Accessibility	<div style="width: 0%; background-color: #555; height: 15px;"></div>		100%

## KEY PRINCIPLE

What is the ability to drive sales via channel partners such as referrals, distributors, resellers, wholesalers, or retailers?

## DEFINITION

The ability to drive sales via channel partners such as a referral network, distributors, resellers, wholesalers or retailers in order to more rapidly grow your business by leveraging the sales and marketing infrastructure of those channel partners.

## WHY THIS MATTERS

The more sales channels you can leverage, the better the opportunity. The more sales channels you can leverage, the easier it will be for you to grow your sales at a lower overall investment and lower risk.

## ANSWER



Very low ability to leverage sales channels (<10% of sales via sales channels)



Low ability to leverage sales channels (10 – 25% of sales via sales channels)



Moderate ability to leverage sales channels (25 – 50% of sales via sales channels)



High ability to leverage sales channels (50 – 75% of sales via sales channels)



Very high ability to leverage sales channels (>75% of sales via sales channels)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; height: 10px; background-color: #333; border-radius: 5px;"></div>		70%
Customer	<div style="width: 40%; height: 10px; background-color: #333; border-radius: 5px;"></div>		77%
Sales Channels	<div style="width: 20%; height: 10px; background-color: #333; border-radius: 5px;"></div>		60%

## KEY PRINCIPLE

Does value to current customers increase when additional customers are sold?

## DEFINITION

The market effect when one customer draws in other customers via word of mouth because the value to that initial customer is higher if others also join the network.

## WHY THIS MATTERS

The higher the network effect, the better the opportunity. The higher the network effect, the more the word-of-mouth, the lower the cost of customer acquisition, the faster the growth and the more powerful the customer affinity with each other.

## ANSWER



Very low network effect (none of the four network effect attributes: multiple customer requirement + perceived value increase + cost decrease + customer passion)



Low network effect (one of the four network effect attributes: multiple customer requirement + perceived value increase + cost decrease + customer passion)



Moderate network effect (two of the four network effect attributes: multiple customer requirement + perceived value increase + cost decrease + customer passion)



High network effect (three of the four network effect attributes: multiple customer requirement + perceived value increase + cost decrease + customer passion)



Very high network effect (none of the four network effect attributes: multiple customer requirement + perceived value increase + cost decrease + customer passion)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #555; height: 10px;"></div>		77%
Network Effect	<div style="width: 60%; background-color: #555; height: 10px;"></div>		60%

## KEY PRINCIPLE

What is the amount of market share concentrated among the largest customers in the addressable market?

## DEFINITION

The amount of market share concentrated among the largest customers within the addressable market, which is an indication of the market power of the largest customers.

## WHY THIS MATTERS

The less concentrated the customers in your potential market, the more "competitive" the customers and the better the opportunity. The less concentrated the customers, the easier it will be for you to negotiate favorably with customers that lack concentrated market power.

## ANSWER



Very high degree of customer concentration (top 4 control >80% market share or largest controls >40% market share)



High degree of customer concentration (top 4 control 50 – 80% market share or largest controls 25 - 40%)



Moderate degree of customer concentration (top 4 control 25 - 50% market share or largest controls 15 - 25%)



Low degree of customer concentration (top 4 control 10 - 25% market share or largest controls 5 - 15%)



Very low degree of customer concentration (top 4 are not identifiable or control <10% market share and the largest is not identifiable or controls <5% market share)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 80%; background-color: #333; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #333; height: 10px;"></div>		77%
Customer Concentration	<div style="width: 60%; background-color: #333; height: 10px;"></div>		60%

## KEY PRINCIPLE

How sensitive are customers to the pricing of the offering or its substitutes?

## DEFINITION

The awareness of the customer to what they perceive to be the range of prices within which they will buy a particular product or service.

## WHY THIS MATTERS

The lower the price sensitivity of the customer, the better the opportunity. The lower the price sensitivity of the customer, the higher the price point, the more you can invest in the customer relationship, and the higher the actual unit gross margin.

## ANSWER



Very high degree of price sensitivity (>25% of customers switch or prospects are lost due to a price change of <5%)



High degree of price sensitivity (10% - 25% of customers switch or prospects are lost due to a price change of 5% - 10%)



Moderate degree of price sensitivity (5% - 10% of customers switch or prospects are lost due to a price change of 5% - 10%)



Low degree of price sensitivity (<10% of customers switch or prospects are lost due to a price change of >10%)



Very low degree of price sensitivity (no customers switch or prospects are lost due to a price change of >10%)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #555; height: 10px;"></div>		77%

## KEY PRINCIPLE

What is the average length of time that elapses between the initial contact with a prospect to the closing of the sale?

## DEFINITION

The average length of time of the overall sales process from initially contacting a customer prospect to finally making the sale.

## WHY THIS MATTERS

The shorter the average sales cycle, the better the opportunity. The shorter the average sales cycle, the quicker the business can add customers, the quicker the opportunity can grow, and the less risk of the opportunity.

## ANSWER

-  Very long sales cycle (> six months)
-  Long sales cycle (three to six months)
-  Moderate sales cycle (one to three months)
-  Short sales cycle (one week to one month)
-  Very short sales cycle (< one week)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #333; height: 10px;"></div>		77%
Sales Cycle	<div style="width: 100%; background-color: #333; height: 10px;"></div>		100%

## KEY PRINCIPLE

How much are the total sales and marketing costs to convert a prospect into a new customer?

## DEFINITION

The total sales and marketing costs to convert a prospect into a new customer.

## WHY THIS MATTERS

The lower the customer acquisition cost, the better the opportunity. The lower the customer acquisition cost, the lower the up-front investment risk in each customer prospect and the higher the customer lifetime value.

## ANSWER

-  Very high customer acquisition cost (>50% of the end-customer price of the offering)
-  High product customer acquisition cost (35% - 50% of the end-customer price of the offering)
-  Moderate customer acquisition cost (20% - 35% of the end-customer price of the offering)
-  Low customer acquisition cost (10% - 20% of the end-customer price of the offering)
-  Very low customer acquisition cost (<10% of the end-customer price of the offering)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 10px;"></div>	<div style="width: 70%; background-color: #555; height: 10px;"></div>	70%
Customer	<div style="width: 23%; background-color: #555; height: 10px;"></div>	<div style="width: 77%; background-color: #555; height: 10px;"></div>	77%
Customer Acquisition Cost	<div style="width: 20%; background-color: #555; height: 10px;"></div>	<div style="width: 80%; background-color: #555; height: 10px;"></div>	80%

## KEY PRINCIPLE

What is the length of the average customer relationship?

## DEFINITION

The length of the average customer relationship -- typically associated with recurring revenue or repeat sales business models -- is indicative of the ability to experience repeat sales.

## WHY THIS MATTERS

The longer the customer life, the better the opportunity. The longer the customer life, the more the revenue per customer, the greater the leverage of the cost of acquiring the customer, and the higher the lifetime value of the customer.

## ANSWER

-  Very short customer life (one-time sale)
-  Short customer life (<6 months)
-  Moderate customer life (6 months - 2 years)
-  Long customer life (2 years - 3 years)
-  Very long customer life (>3 years)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 15px;"></div>		70%
Customer	<div style="width: 25%; background-color: #555; height: 15px;"></div>		77%
Customer Life	<div style="width: 20%; background-color: #555; height: 15px;"></div>		80%

## KEY PRINCIPLE

What cost does a customer experience when switching to a competitor or substitute offering?

## DEFINITION

The costs that a customer experiences when they switch to another provider or supplier.

## WHY THIS MATTERS

The higher the customer switching costs, the better the opportunity. The higher the customer switching costs, the lower the customer churn and the higher the customer profitability as customers are more committed to your offering.

## ANSWER

-  Very low customer switching costs (<25% of the total monthly spend)
-  Low customer switching costs (25% - 50% of the total monthly spend)
-  Moderate customer switching costs (50% - 100% of the total monthly spend)
-  High customer switching costs (100% - 200% of the total monthly spend)
-  Very high customer switching costs (>200% of the total monthly spend)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #555; height: 10px;"></div>	<div style="width: 30%; background-color: #555; height: 10px;"></div>	70%
Customer	<div style="width: 77%; background-color: #555; height: 10px;"></div>	<div style="width: 23%; background-color: #555; height: 10px;"></div>	77%
Customer Switching Costs	<div style="width: 100%; background-color: #555; height: 10px;"></div>		100%

## KEY PRINCIPLE

What is the ability to expand the customer relationship from the initial sale to additional offerings?

## DEFINITION

The ability to expand the customer relationship from selling the initial product or service to selling additional products or services; sometimes called expanding the "wallet share" of the customer.

## WHY THIS MATTERS

The higher the likelihood of cross-selling, the better the opportunity. The higher the likelihood of cross-selling, the more leverage you gain from the customer relationship, the higher the customer lifetime value, and the more profitable the relationship.

## ANSWER



Very low ability to cross-sell additional products or services (< 10% of revenue potential from cross-sell activity)



Low ability to cross-sell additional products or services (10% - 20% of revenue potential from cross-sell activity)



Moderate ability to cross-sell additional products or services (20% - 30% of revenue potential from cross-sell activity)



High ability to cross-sell additional products or services (30% - 50% of revenue potential from cross-sell activity)



Very high ability to cross-sell additional products or services (> 50% of revenue potential from cross-sell activity)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #333; height: 10px;"></div>		77%
Cross-Sell	<div style="width: 40%; background-color: #333; height: 10px;"></div>		40%

## KEY PRINCIPLE

How frequently will the average customer purchase an offering?

## DEFINITION

The measure of the time intervals between purchases for repeat or recurring sales.

## WHY THIS MATTERS

This attribute is distinct from customer life in that a customer with a ten year life that buys a product or service every five years is not nearly as valuable as a customer with a ten year life that buys a product or service every month. The higher the sales frequency, the better the opportunity. The higher the sales frequency, the stronger the potential customer relationship, and the higher the probability to leverage the relationship into additional products and services.

## ANSWER

-  Very low sales frequency (one-time sale or less than once every five years)
-  Low sales frequency (every 1 - 5 years)
-  Moderate sales frequency (annually)
-  High sales frequency (monthly)
-  Very high sales frequency (weekly or more)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 30%; background-color: #555; height: 15px;"></div>	<div style="width: 70%; background-color: #555; height: 15px;"></div>	70%
Customer	<div style="width: 23%; background-color: #555; height: 15px;"></div>	<div style="width: 77%; background-color: #555; height: 15px;"></div>	77%
Sales Frequency	<div style="width: 0%; background-color: #555; height: 15px;"></div>	<div style="width: 100%; background-color: #555; height: 15px;"></div>	100%

## KEY PRINCIPLE

How sticky is the relationship with the average customer?

## DEFINITION

The type of customer relationship you are able to develop with your average customer ranging from a casual one-off, non-contractual relationship to a deeper contractual relationship to a committed, partner relationship.

## WHY THIS MATTERS

The deeper the customer relationship, the better the opportunity. The deeper the customer relationship, the more committed the customer, the more stable and predictable your revenue, the higher the customer lifetime value, and the more profitable the relationship.

## ANSWER



Very shallow relationship type (no service contract, no initial investment, and no other commitment)



Shallow relationship type (no service contract, but a moderate initial investment or other moderate commitment)



Moderate relationship type (service contract with the standard “out” language and a moderate initial investment or other moderate commitment)



Deep relationship type (service contract with no “out” language and a significant initial investment or other commitment)



Very deep relationship type (multi-year service contract with no “out” language and a significant initial investment or other commitment)

## HOW YOU ANSWERED

Score By Category	Needs Improvement	Excellent	Percent
Opportunity	<div style="width: 70%; background-color: #333; height: 10px;"></div>		70%
Customer	<div style="width: 77%; background-color: #333; height: 10px;"></div>		77%
Relationship Type	<div style="width: 60%; background-color: #333; height: 10px;"></div>		60%



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