

Worksheet 2: Market Opportunity Evaluation

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

DATE

Use this worksheet for every market opportunity you would like to evaluate.

Market Opportunity:

POTENTIAL

LOWMIDHIGHSUPER HIGH

COMPELLING REASON TO BUY
Unmet need
Effective solution
Better than current solutions

MARKET VOLUME

LOWMIDHIGHSUPER HIGH

MARKET VOLUME
Current market size
Expected growth

ECONOMIC VIABILITY

LOWMIDHIGHSUPER HIGH

ECONOMIC VIABILITY
Margins (value vs. cost)
Customers' ability to pay
Customer stickiness

OVERALL POTENTIAL

LOWMIDHIGHSUPER HIGH

CHALLENGE

LOWMIDHIGHSUPER HIGH

IMPLEMENTATION OBSTACLES
Product development difficulties
Sales and distribution difficulties
Funding challenges

TIME TO REVENUE

LOWMIDHIGHSUPER HIGH

TIME TO REVENUE
Development time
Time between product and market readiness
Length of sale cycle

EXTERNAL RISKS

LOWMIDHIGHSUPER HIGH

EXTERNAL RISKS
Competitive threat
3rd party dependencies
Barriers to adoption

OVERALL CHALLENGE

LOWMIDHIGHSUPER HIGH

Use the overall ratings to situate each market opportunity on the Attractiveness Map.

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Which markets to play in?

Hello and welcome back. In this video, we will show a detailed example on how to evaluate the potential of a market opportunity. Remember that to estimate the potential of each market opportunity, we can use the left part of worksheet. Let's see how this is done in practice.

Notes

Summary



0m 04s

Back to Augury



MACHINES TALK, WE LISTEN.

Again, these are Saar and Gal, Augury's founders. Augury is a startup that can listen to machines and provide preventive maintenance based on the noise that they are making. This equipment offers great value to many types of customers.

Notes

Summary



Augury's Market Opportunity Set



Which markets to play in?

As we've seen in week 2, Augury's team discovered many potential market opportunities. After an initial screening process, they decided to further examine five markets that seemed most interesting- heating, ventilation and air conditioning in commercial buildings, manufacturing lines in factories, cooling containers for shipment companies, car makers, and white appliance manufacturers. But how would they know which markets they should play in. Saar and Gal took the time to study their market opportunities. They really understood the importance of this initial decision and wanted to make sure that they have all the necessary information at hand to make the right choice. They performed interviews, they showed mock-ups, they handed out some surveys, and they visited several conferences to be able to understand the customers' world and the business environment of each of these five market opportunities. So gradually, they got to know the ecosystem and the value chain in each market and to deeply understand the value proposition that they can offer to each actor. This learning process together with a structured set of evaluation criteria enabled them to progress from pure intuition to an informed decision.

Notes

Summary



0m 43s

Use this worksheet for every market opportunity you would like to evaluate.

 Market Opportunity: **HVAC for commercial buildings**

The need for predictive maintenance in this market clearly exists, and current solutions require disproportional investment. Augury's technology can address this need completely, yet they will need to educate the market to create awareness and induce demand

POTENTIAL



LOW	MID	HIGH	SUPER HIGH
-----	-----	------	------------

COMPELLING REASON TO BUY

Unmet need
Effective solution
Better than current solutions



LOW	MID	HIGH	SUPER HIGH
-----	-----	------	------------

MARKET VOLUME

Current market size
Expected growth



LOW	MID	HIGH	SUPER HIGH
-----	-----	------	------------

ECONOMIC VIABILITY

- Margins (value vs. cost)
- Customers' ability to pay
- Customer stickiness

OVERALL POTENTIAL

LOW	MID	HIGH	SUPER HIGH
-----	-----	------	------------



OVERALL CHALLENGE

LOW	MID	HIGH	SUPER HIGH
-----	-----	------	------------



Which markets to play in?

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One market opportunity that they thoroughly considered was the heating ventilation and air conditioning systems in commercial buildings. They believe that managers or service providers of large commercial buildings will greatly benefit from predictive maintenance equipment that can monitor these systems in a building. Such a product will not only help to eliminate failures but will also extend the operational life of the system's components and will reduce the operational expenses and energy consumption of the building. So let's examine how Augury's founders evaluated the potential of this market opportunity step by step. So, to assess the compelling reason to buy of this market opportunity, they talked with many potential customers and carefully examined alternative solutions. It turned out that current predictive maintenance solutions skip this market because the investment required to implement them are extremely high and actually disproportional to the cost of a system breakdown. Augury's solution will be able to remove these entry barriers by offering a relatively cheap solution with no upfront investment. The need for predictive maintenance in this market therefore clearly exists.

- Notes

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ECONOMIC VIABILITY

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- Customers' ability to pay
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OVERALL CHALLENGE

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Which markets to play in?

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However, the customers themselves are not aware of predictive maintenance possibilities, so that Augury will actually need to educate the market in order to create awareness to this unmet need and to induce demand. In terms of effective solution, as heating ventilation and air conditioning are standardized systems, Augury's founders were quite sure that they could develop a product that would address the customers' need in a complete manner and provide alerts on most types of malfunctions. Because no solutions were tailored to this market, their product would also be much better than current possibilities for predictive maintenance. Overall, they scored the compelling reason to buy as mid high, especially since customers were not aware to this unmet need.

- Notes

Summary



2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME Augury

DATE

EPFL
ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE

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LOW MID HIGH SUPER HIGH

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OVERALL POTENTIAL

CHALLENGE

LOW MID HIGH SUPER HIGH

IMPLEMENTATION OBSTACLES

Product development difficulties

Sales and distribution difficulties

Funding challenges

LOW MID HIGH SUPER HIGH

OVERALL CHALLENGE

Studies estimate that a predictive maintenance program can save commercial facilities up to 13% of their operational budget. This high value indicates enough slack between cost and price tag. Furthermore, customers were relatively well-funded to afford the price, and have an incentive to stay loyal, due to Augury's machine learning algorithm.

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Which markets to play in?

This high value indicates that there should be enough slack between the production cost and the price tag. Moreover, although initial costs are expected to be relatively high, due to development hurdles and low economics of scale, these customers were relatively well-funded and could afford a high price tag to cover expenses. Finally, the question of whether customers will stay loyal was difficult to answer because Augury's algorithm is based on machine learning. It provides more accurate diagnostics by listening to the same machine over time. This should be an incentive for customers to stick with Augury's solution. However, once competitive offerings will pop up in the market this switching barrier may not be high enough. Overall, these considerations resulted in scoring the economic viability of this market opportunity as high.

Notes

Summary



5m 52s



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LOW MID HIGH **SUPER HIGH**

IMPLEMENTATION OBSTACLES

Product development difficulties
Sales and distribution difficulties
Funding challengesLOW MID HIGH **SUPER HIGH**

TIME TO REVENUE

Development time
Time between product and market readiness
Length of sale cycleLOW MID HIGH **SUPER HIGH**

EXTERNAL RISKS

Competitive threat
3rd party dependencies
Barriers to adoption

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LOW MID **HIGH** SUPER HIGH

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Which markets to play in?

So once this analysis was done, it was time to consider the overall potential of this opportunity. Augury's founders estimated that this potential is high. Although they had to educate the market, they believed that the effort was worthwhile since the market was big enough and economically promising.

Notes

Summary



6m 53s



Once you estimate the value creation potential of a market opportunity, you can evaluate the challenges in capturing this value.

In the next section, we will show you how to do that.

Which markets to play in?

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Summary



7m 14s