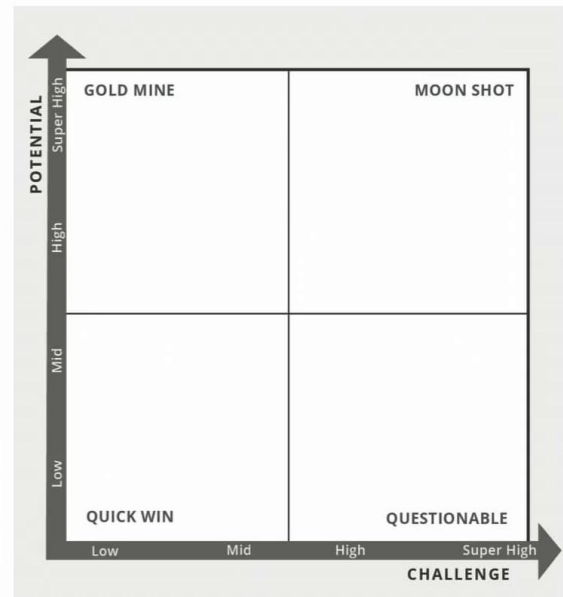


An attractive Market Opportunity

Potential: how BIG is this opportunity? Is it at all worth pursuing? And if so, how much value can we create if we choose this path?

Challenge: which obstacles lie ahead of us if we decide to pursue this opportunity? What are our main challenges and risks? How difficult will it be to overcome them and conquer this opportunity?



Which markets to play in?

Hello and welcome back to the session on market opportunity evaluation. In this video, we will go into the details of how to estimate the value capture challenge of a market opportunity. This is the second part of the evaluation process, and it is necessary for mapping your options on the attractiveness map. I'm sure that you remember by now that an attractive market opportunity is one that will likely produce significant potential for value creation and that poses relatively few challenges in capturing that value. In the previous session, we explained how to estimate the potential dimension, but, of course each market opportunity that you consider is not only associated with its own value creation potential, but also incurs its very own value capture challenge. The challenges are important to understand because they shape how difficult it is for you to succeed in this market. Note that while the potential was assessed by looking at the market opportunity in itself, this dimension examines your own capabilities to succeed in it and the main obstacles that you may face.

Notes

Summary



0m 04s

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?

Once again, we turn to worksheet 2 for structured evaluation process. The left side of this worksheet refers to the potential dimension, but now we will focus on the right side for estimating the challenge. Just like before, the challenge associated with the market opportunity is shaped by three main factors and again the idea is to examine and to rate each factor separately on a scale ranging from low to super high, and then combine these ratings into an overall challenge score.

Notes

Summary



1m 21s

Value Capture Challenge

The challenge associated with a market opportunity is shaped by three primary factors:



Implementation Obstacles

How difficult will it be for you to create and deliver your offer?



Time to Revenues

How long will it take until you can generate cash flow through sales?



External Risk

What obstacles in your business environment can stand in your way?

Which markets to play in?

Let's examine the three factors that shape the overall challenge of a market opportunity. The first factor that we need to examine is the implementation obstacles. On your way to a successful market launch, you will face challenges in creating and in delivering the product. You will need to assess these difficulties. And to estimate the resources and the capabilities that you will need to develop or to acquire in order to succeed with this opportunity. Second factor that shapes the challenge dimension is time to revenue. Positive cash flow is the oxygen of a startup. Your clock is ticking and money is usually burned quickly so the speed with which you can generate cash flow through sales is a major consideration. This factor estimates how long it will take until cash begins to accumulate in your account. The third factor that shapes the challenge dimension is external risk. The success of your business can be put at risk by many companies and players in your environment. This risk is often uncontrollable by you, but it has to be taken into account when assessing how difficult it will be to capture the value of your market opportunity.

Notes

Summary



1m 58s

2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

DATE


ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE

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

Market Opportunity:

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

LOW MID HIGH SUPER HIGH

OVERALL POTENTIAL



CHALLENGE



LOW MID HIGH SUPER HIGH

IMPLEMENTATION OBSTACLES
Product development difficulties
Sales and distribution difficulties
Funding challenges



LOW MID HIGH SUPER HIGH

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



LOW MID HIGH SUPER HIGH

EXTERNAL RISKS
Competitive threat
3rd party dependencies
Barriers to adoption

LOW MID HIGH SUPER HIGH

OVERALL CHALLENGE





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Which markets to play in?

Now, let's look in more details on how to assess each of these three factors that shape the challenge of a market opportunity. First, the implementation obstacles.

Notes

Summary





- ### Which markets to play in?

- Notes

[illegible]

Summary







Implementation Obstacles



Important to Remember



Delivering the offering may sometimes be much more difficult than creating it, so pay careful attention.

Adopt a bottom-up analysis to gauge the financial resources required for creating and delivering the offering.

Which markets to play in?

You know innovators and especially entrepreneurs with a technological background often give much thought to the challenges of creating their offering, but neglect the challenges of bringing it to the market. Delivering the offer may sometimes be much more difficult than creating it. So remember to give it a careful intention. Once you understand the challenges in creating and delivering the offering for a particular market opportunity of course, you can gauge the financial resources that are required to do so. Try to adopt a bottom-up analysis when estimating the required funding. How many sales people will be required, how much do they cost, what type of equipment is required, how much money will you need for marketing and sales activities, etc.

Notes

Summary



4m 53s

2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

DATE



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

Market Opportunity:

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

LOW MID HIGH SUPER HIGH

OVERALL POTENTIAL



CHALLENGE



LOW MID HIGH SUPER HIGH

IMPLEMENTATION OBSTACLES
Product development difficulties
Sales and distribution difficulties
Funding challenges



LOW MID HIGH SUPER HIGH

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



LOW MID HIGH SUPER HIGH

EXTERNAL RISKS
Competitive threat
3rd party dependencies
Barriers to adoption

LOW MID HIGH SUPER HIGH

OVERALL CHALLENGE





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Which markets to play in?

Let's see how to estimate the time to revenue. That is, how long it will take until cash begins to flow back into your account.

Notes

Summary



5m 46s

Week 3 - How to evaluate your market opportunities

8 of 16



Time to Revenues



How to evaluate?

Look deeply into three important questions:

- ? What is the estimated time for development?
- ? Will we need to wait until the market is ready for our offer?
- ? How long is the sale cycle expected to be?



markets to play in?

To estimate the time to revenues for a market opportunity, you need to consider again three main questions. First, what is the estimated time for development. Think about the major milestones that you should accomplish until the product is ready for the market. How long will it take you to accomplish each milestone, and what is the overall estimated time until the product can be ready. Second, consider whether you will need to wait until the market is ready for your offer. After your product is ready, what else should happen until it can be launched. Think about value chain elements, required infrastructure, complementary products, and so on. How much time will this take, and as a result is there a gap in time between product readiness and market readiness? Lastly, you need to estimate how long is the sales cycle expected to be. Of course a complex and long sales cycle is mostly relevant in b to b organizations, so think about how many people you need to meet and convince to make a sale, other possible resistances or gatekeepers, what is the estimated time to make a sale, and also what is the estimated deployment time once the deal is sealed. Based on these answers you will have a better understanding of the time element that is associated with your market opportunity, and you will be able to rate it as low, mid, high, or even super high.

Notes

Summary



5m 56s



Time to Revenues



Important to Remember



Although 'time to revenues' is tightly related to implementation obstacles, they emphasize two different perspectives that are both important when seeking to understand the underlying challenges of a market opportunity.

Which markets to play in?

In essence, time to revenue is tightly related to the implementation obstacles that we assessed before. However, they emphasize two different perspectives that are both important when seeking to understand the underlying challenges of a market opportunity. Also note that revenues are only one key element to measure success in adoption. If your startup has different success metrics such as a certain level of traction for example, you can use it to estimate the required time for adoption.

Notes

Summary



7m 40s

2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

DATE



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

Market Opportunity:

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



CHALLENGE



LOW

MID

HIGH

SUPER HIGH

IMPLEMENTATION OBSTACLES

Product development difficulties

Sales and distribution difficulties

Funding challenges



LOW

MID

HIGH

SUPER HIGH

TIME TO REVENUE

Development time

Time between product and market readiness

Length of sale cycle



LOW

MID

HIGH

SUPER HIGH

EXTERNAL RISKS

Competitive threat

3rd party dependencies

Barriers to adoption

OVERALL CHALLENGE

LOW

MID

HIGH

SUPER HIGH





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Which markets to play in?

The last factor that shapes the challenge dimension is external risk. Because you don't play in a vacuum, the success of your business can be put at risk by many companies and players in your business environment.

Notes

Summary

8m 14s





External Risk



How to evaluate?

Look deeply into three important questions:

- ? How threatened are you by competition?
- ? How dependent are you on other companies or players?
- ? How susceptible are you to adoption barriers?



markets to play in?

In order to understand the level of external risks associated with the market opportunity, look at three important questions. First, how threatened are you by competition, who are your current competitors and who may become your competitors in the future, how strong are they and, most importantly, do you have a sustainable competitive advantage over them. Second, examine how dependent are you on other companies or players. Think about who else needs to innovate for your innovation to be successful, which other ecosystem players could affect the adoption of your offering, and how dependent are you on other third parties like policymakers or regulators. Lastly, estimate how susceptible are you to adoption barriers. Are the customers receptive to innovation? Is your product compatible with existing ways of doing things, existing norms, standards, and infrastructure? In short can it easily be adopted. An objective answer to these questions will help you to get important insights on the external risks that are inherent in your market opportunity and to rate them again from low to super high.

Notes

Summary



8m 29s



External Risk



Important to Remember

When assessing external risks associated with the competition, consider the extent to which you have competitive advantage vis-à-vis competing firms.

The greater that advantage is, the better your competitive situation.

As for adoption barriers, remember that some markets adopt innovations more easily than others, and that some innovations are more easily adopted than others.

Which markets to play in?

Remember that external risk can really be a nerve-wracking element in innovation. In particular, strong competition is often emphasized as a key hazard in the business literature. Yet, while entering the fortified field is definitely dangerous, the lack of competition may be equally worrisome either the market opportunity you are envisioning is not for real, or the lack of competition means that you will carry the burden of educating the market and of supplying the complementary elements. So, when assessing external risks that are associated with the competition, consider the extent to which you have an advantage vis-a-vis the competition. The greater the advantages, the better your competitive situation. As for adoption barriers, remember that some markets adopt innovations more easily than others and that some innovations are more easily adopted than others.

Notes

Summary



9m 55s

2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

DATE

EPFL
ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE

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

Market Opportunity:

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

LOW

MID

HIGH

SUPER HIGH

OVERALL POTENTIAL

LOW

MID

HIGH

SUPER HIGH

OVERALL CHALLENGE

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

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Which markets to play in?

Finally, and just like before, once you have thought through all the factors that shape the value capture challenge you can combine the scores into an overall rating.

Notes

Summary

11m 02s



Challenge- the overall rating

OVERALL CHALLENGE



- ✓ Combine the ratings of the three key factors into an overall score
- ✓ You can assign different weights to different factors, but if you do so - make sure to be consistent across options



markets to play in?

This rating ranges from low to super high according to the results from your analysis. It will later be used to place the market opportunity on the attractiveness map because the challenge is the x-axis of the map. Again, an average score can hide information, key downsides or upsides associated with the market opportunity, yet it provides one clear measure for comparing alternatives. So be aware of the individual analysis of each factor. And to the meaning of a combined score. We recommend that you carefully observe the different factors and decide how critical they may be to your success. If you decide to assign different weights, remember to be consistent throughout and assign the same weights when evaluating other market opportunities.

Notes

Summary



11m 14s

Summary



Assessing the **Challenge** associated with a market opportunity is critical, as it allows you to understand how difficult it will be for you to succeed in this market.

While the average Challenge score enables you to easily distinguish between and compare options, remember that the main goal is to understand the main up- and downsides of your opportunities.

Which markets to play in?



Let's summarize. The challenges are important to understand because they shape how difficult it is for you to succeed in this market. Remember that the important goal here is not scoring itself, but that you have gone through all the major considerations for evaluating the challenges of a market opportunity. By now, you know its main advantages and disadvantages, and can therefore make a more informed decision on how attractive this option is for you.

Notes

Summary



12m 06s