

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
Current market size
Expected growth

LOWMIDHIGHSUPER HIGH

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

LOWMIDHIGHSUPER HIGH

OVERALL POTENTIAL

LOWMIDHIGHSUPER HIGH

CHALLENGE

LOWMIDHIGHSUPER HIGH

IMPLEMENTATION OBSTACLES
Product development difficulties
Sales and distribution difficulties
Funding challenges

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

LOWMIDHIGHSUPER HIGH

EXTERNAL RISKS
Competitive threat
3rd party dependencies
Barriers to adoption

LOWMIDHIGHSUPER HIGH

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 challenge that is associated with a market opportunity. Remember that to estimate the challenge of each market opportunity we can use the right part of worksheet 2. Let's see now how this is done in practice.

Notes

Summary

0m 04s

Week 3 - How to evaluate your market opportunities

2 of 9

Back to Augury



MACHINES TALK, WE LISTEN.

Let's go back to Saar and Gal, Augury's founders to understand how they estimated the challenge of a market opportunity. As we explained before, Augury is a startup that can listen to machines and diagnose them based on the noise that they are making. This preventive maintenance equipment offers great value to many types of customers.

Notes

Summary



0m 27s

Augury's Market Opportunity Set



Which markets to play in?

Augury's team discovered many potential market opportunities and decided to further examine five markets that seems 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. The main challenge now was to distinguish between the options and to discover which one is most valuable. Augury's founders took the time to study their market opportunities. They performed interviews, showed mock-ups, handed out some surveys, and visited several conferences to be able to understand the customers' world, the business environment, and the implementation milestones of each option.

Notes

Summary



0m 50s

2

WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME

Augury

 DATE

EPFL

ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE

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

Market Opportunity: HVAC for commercial buildings

POTENTIAL

The advantage of HVAC equipment lies in its standardization. Hence, developing a product that can monitor the sounds and vibrations of such a system is doable. Delivering it to the market, however, will initially require a direct sales force. This was the basis for estimating that the desired seed funding would be around 2 million USD.

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?

One market opportunity that they thoroughly considered was heating, ventilation, and air conditioning systems in commercial buildings. Predictive maintenance equipment for this market will not only help to eliminate failures, but will also extend the operational life of the system and will reduce operational expenses and energy consumption. As we've seen in the previous session, Augury's founders estimated that the overall potential of this market opportunity is relatively high. Although they had to educate the market, they believed that the effort was worthwhile since the market was big enough and economically promising. Let's see now how they estimated the challenge associated with this market opportunity. First, the implementation obstacles. Compared to manufacturing equipment where every machine is unique, the advantage of heating, ventilation, and air conditioning equipment, lies in standardization. Therefore, developing a product that can monitor the sounds and the vibration of such a system is much simpler. Augury's founders estimated that it was doable. Once the product is ready, delivering it to the market will require a direct sales force, at least for the first phase.

Notes

Summary

1m 44s

3.3 - Evaluating the challenge of a market opportunity

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WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME Augury

DATE

EPFL
ÉCOLE POLYTECHNIQUE
FÉDÉRALE DE LAUSANNE

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

Market Opportunity: HVAC for commercial buildings

POTENTIAL

LOW MID **HIGH** SUPER HIGH

COMPPELLING 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

Current diagnostic solutions are too costly and too complex, so Augury has a clear competitive advantage. Their offer is a standalone solution, so they are not dependent on any other players or on regulatory governors.

The product is new and disruptive in a market that is somewhat conservative, so adoption may take a while

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

Which markets to play in?

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This is mainly because the primary role of the distributors would be to create demand rather than to fulfill it. Over time however, there will be adequate sales channels that could be used to access the market. The challenges in creating and in delivering the product provided the basis for estimating that the desired seed funding would be around 2 million US dollars. Overall, the implementation obstacles were therefore classified as mid high. Next, let's look at the time to revenue. Because the development seemed doable and there were no special regulatory requirements. Augury's founders estimated that they could launch a product relatively quickly, especially in comparison with the other market opportunities in their set. The market itself is able to adopt their offering in terms of the required infrastructure, so there is no expected gap between product and market readiness. The sales cycle however is expected to take a while although deployment can be gradual and there is no need for upfront investment. Overall it seemed like this market opportunity offers a short time to revenue scoring well at low-mid. And lastly, let's see how they estimated the external risk.

Notes

Summary

3m 09s

Week 3 - How to evaluate your market opportunities

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WORKSHEET 2

MARKET OPPORTUNITY EVALUATION

NAME Augury

DATE



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Market Opportunity: HVAC for commercial buildings

POTENTIAL

LOW MID **HIGH** SUPER HIGH

COMPELLING REASON TO BUY

Unmet need
Effective solution
Better than current solutionsLOW MID **HIGH** SUPER HIGH

MARKET VOLUME

Current market size
Expected growthLOW MID **HIGH** SUPER HIGH

ECONOMIC VIABILITY

Margins (value vs. cost)
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CHALLENGE

LOW MID **HIGH** SUPER HIGH

IMPLEMENTATION OBSTACLES

Product development difficulties
Sales and distribution difficulties
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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

OVERALL CHALLENGE

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Which markets to play in?

Once this analysis was done, it was time to consider the overall challenge of this opportunity. Augury's founders estimated that this challenge was mid especially noteworthy was the relatively short time to revenue, which was an important factor for the team. They believed that the implementation obstacles are feasible and that the external risks are manageable. By now, they had looked at all the major considerations that need to be taken into account when evaluating a market opportunity.

Notes

Summary



6m 03s



Overall, assigning a score to the different factors and dimensions is not a trivial task!

In the next section, we will present some key considerations for doing so.

Which markets to play in?

As you might have wondered during this session and the previous one, assigning the actual scores to the different factors dimensions is not a trivial task. In the following video we will present some key considerations for doing so.

Notes

Summary



6m 37s