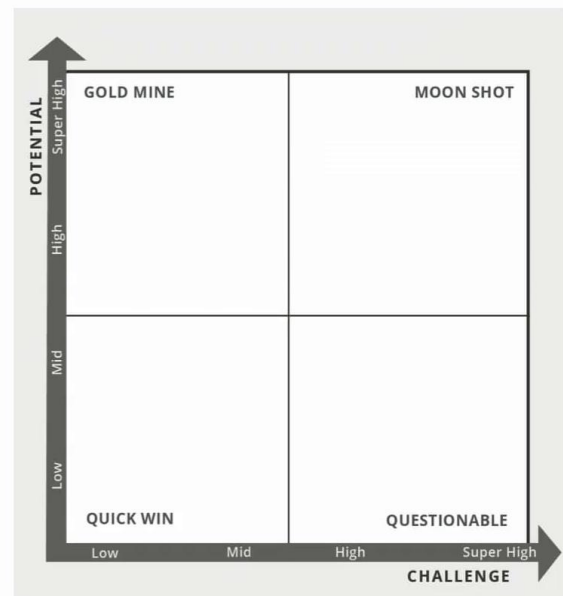


Recap: an attractive Market Opportunity

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 our session on how to evaluate the attractiveness of a market opportunity. In this video, we are going to highlight some key considerations that you should keep in mind as you go through the process of scoring the potential and the challenge of your opportunities. By now, you surely remember that an attractive market opportunity produces significant potential for value creation and poses few challenges in capturing this value. To be able to distinguish between opportunities, we urge you to score each dimension on a scale ranging from low to super high. As we explained in the previous sessions of this week, this scoring will later be used to place your opportunities on the attractiveness map and to compare them with each other.

Notes

Summary



0m 04s

Worksheet 2: Market Opportunity Evaluation

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

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

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Which markets to play in?

Before you score the overall potential and the overall challenge of an opportunity you should also score the different factors that shape them following worksheet 2. So let's focus for a few minutes on the scoring process itself.

Notes

Summary



0m 54s

Scoring is Challenging

Scoring your different market opportunities is both a *learning* and a *validation process*.

Use Worksheet 2 to generate your key assumptions and to set your key action items for validating them.

Even if you feel confident with gathering all possible information, assigning a score to the different factors is not a trivial task!



Which markets to play in?



Scoring your different market opportunities is both a learning process and a validation process. It usually begins with assumptions that you hold about a market and as your knowledge accumulates, your understanding relies on an increasing amount of facts. Worksheet 2 can therefore help you to generate your key assumptions and to set your key action items as you attempt to find out if an opportunity is real. In fact, even if you feel confident with the information that you have gathered about a market opportunity, assigning a score to the different factors and dimensions is often not a trivial task. Here are some important considerations to keep in mind as you perform this task.

Notes

Summary



1m 10s

Key Scoring Considerations



Absolute vs. relative analysis

Which markets to play in?

First let's talk about raising the questions versus finding the answers. Entrepreneurs and innovators often get frustrated when seeking to find satisfying answers to market-related questions. It is a complex process one that does not rely solely on complex data and clear figures but involves common sense, deduction and some intuition. Yet the benefit of this process lies not only in finding the right answers, but also in asking the right questions. So the mere fact that you search for answers and that you take these factors into consideration when choosing a market opportunity is important in its own right. In short, try to strive for finding the right answers, but remember that asking the right questions is just as important. As you approach the scoring task, one question that often comes into mind is should we score a market opportunity in its own right or relative to the other options in our market opportunity set. The answer is actually both. We recommend that you start assessing an opportunity as a standalone option and score it in absolute terms but then also think more widely on how it is rated relative to the other options and if necessary adjust the score accordingly.

Notes

Summary



1m 59s

Key Scoring Considerations



**Qualitative vs.
quantitative scoring**

Which markets to play in?

Another scoring consideration relates to the value of quick and dirty evaluation versus a thorough analysis as we explained before, an evaluation process always begins with assumptions that you have about a market opportunity. You can therefore make a quick and dirty evaluation of your opportunities based on these assumptions. This exercise offers value if you need to dilute your set of opportunities and quickly read out some options, but even more importantly you can use this quick evaluation to find out what is the critical information that you still need to gather so that you can convert your hypothesis and beliefs into knowledge. In any case, make sure to perform a thorough analysis before you take any action and base this far-reaching decision on a solid evaluation. In addition, we are often asked about the quantitative process of averaging the overall scores. The natural tendency of entrepreneurs and innovators especially if they come with an engineering background is to think about the scoring process in a mathematical way they often tend to transform the scale into numbers from 1-4 and to average all the ratings to calculate the overall score.

Notes

Summary



3m 39s

Key Scoring Considerations



Short vs. long term
horizon

Which markets to play in?

While this is a feasible approach, we urge you to think about the assessment in a more qualitative manner through systematic analysis of the different factors. Try to understand the major pros and cons of a market opportunity and rate its value creation potential and value capture challenge accordingly. Lastly, the scores that you assign to different factors may depend on the time horizon that you adopt when doing so. A short-term perspective may result in different ratings than a long-term perspective, especially due to scaling possibilities over time. The appropriate time horizon depends largely on your own goals for growing the firm. Do you strive to build a large organization or do you prefer a quick exit. Whether you adopt a short or a long term horizon, make sure to be consistent in your approach when assessing all the options in your market opportunity set.

Notes

Summary



5m 19s

Summary



This evaluation process enables you to ask the most important questions before making such a critical decision.

Even if you are not completely sure how to score the different factors, you can be assured that you have not missed any important considerations.

Which markets to play in?

Once again, remember that after all this is a learning process it enables you to ask the most important question before making such a critical decision. So even if you are not sure how to score the different factors you can rest assure that you have not missed any important consideration.

Notes

Summary



6m 35s