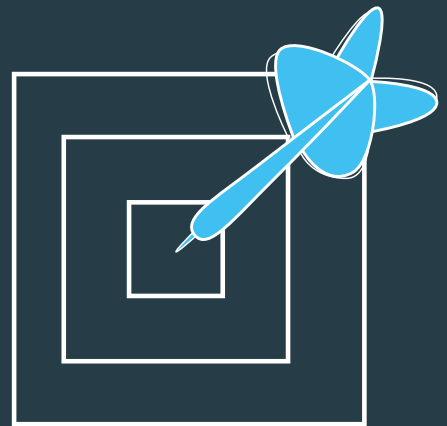
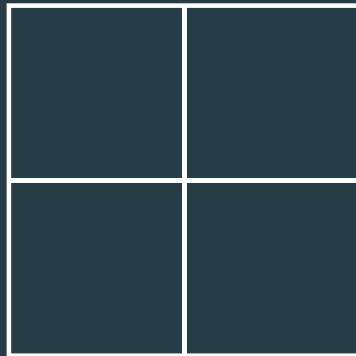


WHERE TO PLAY

**3 STEPS FOR DISCOVERING
YOUR MOST VALUABLE
MARKET OPPORTUNITIES**



Marc Gruber and Sharon Tal

'Enjoy discovering highly practical worksheets, maps and dartboards of tremendous interest to better identify, evaluate and strategise market opportunities.'

Alex Osterwalder and Yves Pigneur, authors of the bestseller *Business Model Generation*

What others say about this book

'Designed to work seamlessly with our Business Model and Value Proposition Canvases, the Market Opportunity Navigator, proposed by Marc and Sharon, will help entrepreneurs and innovators to commercialise technologies. You will enjoy discovering highly practical worksheets, maps and dartboards of tremendous interest if you want to better identify, evaluate and strategise market opportunities. Let yourself be charmed by the toolkit and the case studies, along with the thoughts of Marc and Sharon.'

Alex Osterwalder and Yves Pigneur, authors of the bestseller *Business Model Generation*

'When two internationally-known experts in entrepreneurship write a "how to" book on market opportunities for entrepreneurs, it is bound to be a very valuable book indeed. Marc Gruber and Sharon Tal have created just the right book for first-time and experienced entrepreneurs. It contains both step-by-step plans and very valuable tips on identifying market opportunities – an invaluable complement to both the Lean Start-up Process and the Business Model Canvas!'

Eric von Hippel, T. Wilson Professor of Innovation, MIT Sloan School of Management

'From entrepreneurship thought leaders comes this innovative step-by-step guide to thinking through the market essentials of an opportunity. Rather than relying on generic examples or others' stories, the authors put the reader in the driver's seat by encouraging him or her to generate, evaluate and prepare to act on their own opportunities. I can't think of a more practically useful entrepreneurship book.'

Dean A. Shepherd, Ray and Milann Siegfried Professor of Entrepreneurship, Mendoza College of Business, Notre Dame University

WORKSHEET 2

Evaluating Market Opportunity Attractiveness

Worksheet 2 helps you to evaluate each market opportunity along two primary dimensions: **Potential** and **Challenge**.

Each dimension is comprised of three different factors, which are scored separately, and which are then combined to achieve an overall rating for each market opportunity. You will then use this overall rating to place each market opportunity on your Attractiveness Map.

Worksheet 2: EVALUATE MARKET OPPORTUNITY ATTRACTIVENESS

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

Market Opportunity:

POTENTIAL

LOW MID HIGH SUPER HIGH

COMPPELLING REASON TO BUY
 Lowest cost
 Effective sales
 Better than competitors

LOW MID HIGH SUPER HIGH

MARKET VOLUME
 Current market size
 Expected growth

LOW MID HIGH SUPER HIGH

ECONOMIC VIABILITY
 Margin (return on cost)
 Customer ability to pay
 Customer stickiness

LOW MID HIGH SUPER HIGH

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
 Technology dependence
 Barriers to adoption

LOW MID HIGH SUPER HIGH

OVERALL CHALLENGE
 LOW MID HIGH SUPER HIGH

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

Use a separate worksheet for each market opportunity you evaluate

How to score?

Although it would be easiest if you could derive the overall rating of an opportunity by plugging the scores of each of the six factors into a mathematical formula, such a mechanistic approach would not do justice to the complexities of the underlying decision.

Instead, look at these factors as providing you a comprehensive understanding of the key elements that one should assess when judging the attractiveness of a market opportunity. For each factor that contributes to the Potential or to the Challenge of an opportunity, the following pages give you a list of questions that guide you in this evaluation process. Think thoroughly about these questions and gather all the information that you can, as you score each factor on a scale ranging from 'Low' to 'Super High'. Combine your qualitative and quantitative insights to do that, and strive to be as objective as possible. Team discussions will greatly help here!

Remember that the overall goal is to understand the main upsides and downsides of each option, so don't get too frustrated if you feel that your scoring is not yet 100% accurate! You can also refine your scoring over time, as you learn more about each option separately, and relatively to others.

Overall, scoring the Potential and the Challenge of your opportunities will help you to recognise the patterns and to distinguish between your options . . . so that your most promising strategic path becomes visible!

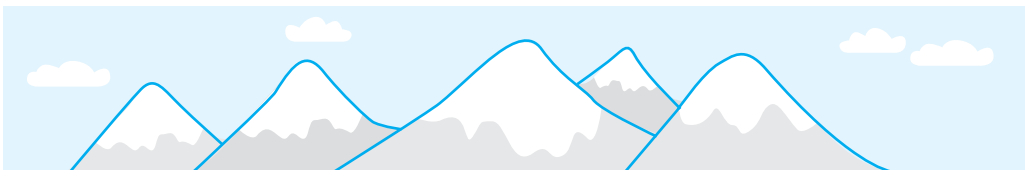




Potential

The assessment of the Potential of a market opportunity is critical to your evaluation, as it allows you to understand the value that could be created by exploiting this opportunity. In short, how valuable will it be to pursue this option?

This evaluation refers to the opportunity in and of itself, regardless of your own capabilities to succeed in it. (Note: your ability to successfully exploit the market opportunity will be evaluated in the Challenge dimension.)



Imagine that the set of possible market opportunities create the landscape in which your venture should travel. If each market opportunity is a mountain on this landscape, this dimension measures the height of the mountain, so that the higher the mountain, the greater the potential value it can offer to you.

The value creation potential of a market opportunity is shaped by three primary factors:



Compelling reason to buy

Will someone really want our offer and be willing to pay for it?



Market volume

How big is this market, now and in the near future?



Economic viability

Is it worthwhile from a business perspective to pursue this market?

We recommend that you evaluate each factor separately and then combine your scores into the rating of the overall Potential.



Compelling reason to buy

What does it mean?

If no one wants to buy it, it isn't worth anything . . . So the first thing you need to learn about a market opportunity is whether someone will really want what you have to offer. If compelling reason to buy is low – it's simply a 'No-Go', as demand will not fly.

How to evaluate?

Look deeply into three important questions:

Is there a real unmet need?

Can we provide an effective solution to this need?

And can we address it (much) better than current solutions?

An honest answer to these questions can lead you into estimating the strength of your potential customer's reason to buy. Here is a non-exhaustive list of questions that can guide you when searching for answers.

A real unmet need?

- ☐ What exactly is the problem/ need/ job to be done? Is it functional, social, emotional or basic need?
- ☐ Who exactly has this need? Try to characterise a common customer. Who will be your economic buyer? Your user?
- ☐ How do they currently solve the problem? Do they make an effort to actually solve the problem?
- ☐ What will change with our offer? What are its main benefits? Are they economic, functional, emotional, self-expressive or social? If economic (e.g., increased productivity on key success factors/ reduced costs) – try to estimate the value and the return on investment in actual numbers.
- ☐ Is it a 'nice to have', 'should have' or a 'must have' offer?
- ☐ Make vs. buy possibility – can customers make it themselves?





Provide an effective solution?

- ☐ Can you fully address the needs of these customers and provide them with a whole solution?⁹
- ☐ Do you create other needs – which you can't address – for the customers that will use your solution?
- ☐ What strengths do you have that allow you to address this need, or do this job well?
- ☐ What weaknesses do you have that hinder you from addressing this need?

Better than current solutions?

- ☐ What other solutions exist for your customers?
- ☐ What are the upsides of your solution relative to others? Why would customers prefer your product?
- ☐ What are the downsides of your solution relative to others? Why would customers not prefer your product?
- ☐ Are the advantages of your solution really meaningful for the customers?

Important to remember

Note that the only way to score this factor is to look through the eyes of your customers. It's not what you think, it's what they think – what they say, or even more importantly, what they do. Validate your beliefs, go out of the building and talk about this market opportunity with as many potential customers as possible. Several books can help you as you design your customers' interviews.¹⁰

Once you have thoroughly gone over these questions, you will be able to score your level of 'compelling reason to buy'. If you find it helpful, you can also score each of the sub-elements separately and then combine their grade into an overall score.



To find out more take a look at:

- Crossing the Chasm/ Geoffrey Moore (1991)
- The Entrepreneur's Guide to Customer Development/ Cooper & Vlaskovits (2010); Running Lean/ Ash Maurya (2010); Talking to Humans/ Giff Constable (2014)

To illustrate the assessment of this factor, let's go back to Augury.

One market opportunity that they thoroughly considered was HVAC systems (heating, ventilation and air conditioning) for commercial buildings. They believed that managers or service providers of large commercial buildings will benefit from predictive maintenance equipment that can monitor all the HVAC systems. Such a product 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.

To assess the compelling reason to buy of this market they talked with many potential customers and carefully examined alternative solutions. They found that implementing current predictive maintenance solutions requires very high investment, which is disproportional to the cost of an HVAC system breakdown. Augury's solution will be able to offer a relatively cheap solution with no upfront investment. The need for predictive maintenance in this market, thus, clearly exists. 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 induce demand.

In terms of effective solution, as HVACs are standardised systems, Augury could develop a product that would address the customer's need in a complete manner, and provide alerts and reports on most types of malfunctions. As no solutions were tailored to this market, their product would also be much better than current predictive maintenance solutions.

Overall, they scored the compelling reason to buy as 'mid-high', especially since customers were not aware of this unmet need.



Market Opportunity: *HVAC for Commercial Buildings*



COMPELLING REASON TO BUY

Unmet need, Effective solution, Better than current solutions

