Opportunities

Key Screening Questions
- How big is the potential market?
- How big a piece of the market can you capture?
- What are the characteristics of the target customer?
- What are competitors doing?

Major Issues
- Industry and Market Issues
- Economics
- Harvesting
- Competitive Advantage
- Management Team
- Fatal flaws
- Strategic differentiation

Industry and Market Issues
- Evidence of Market
  - Are there customers?
- Market Structure
  - Number of sellers, size of sellers, number of buyers, cost structure, price sensitivity
- Market Size
  - $100M - $1000MM is good
- Growth rate
  - 30% and up is good

Industry and Market Issues (cont)
- Market capacity
  - Are there enough suppliers? Output?
- Market share attainable
  - Who will be the leader?
- Cost structure
  - Low cost provider is good

Economics
- Profits after tax
- Time to breakeven
- ROI potential
- Capital Requirements
- IRR
- Gross Margins
Harvesting

- Value-added potential
- Exit mechanism and strategy
- Capital market context
  - Stock market. Availability of cash

Competitive Advantage

- Variable and fixed costs
  - LCP, low cost distribution and marketing
- Degree of control
  - Prices, costs, distribution
- Entry barriers
  - Trade secrets, patents, regulation, technology, resources, people

Management Team

- Entrepreneurial team
  - Experienced team members in terms of market or technology
- Integrity
- Intellectual Honesty
  - Know strengths and limitations

Fatal Flaws

- Don't have any!

Personal Criteria

- Goals and fit
  - Personal congruence
- Upside/downside
  - Is the downside devastating?
- Opportunity cost
  - Is this how you want to spend your time? Your life?
- Desirability
  - Do you really want this?

Personal Criteria (cont)

- Risk/reward tolerance
- Stress tolerance
Strategic Differentiation

• Fit
• Team and Opportunity orientation
• Service management
• Timing
• Technology
• Flexibility
• Pricing
• Distribution channels
• Room for error

Summary

• Your opportunity should score high on these scales.
• Closely examine items that are low. They can sink you!
• Evaluate the total picture

end...