



ADIGO™

WEBINAR
**ASSESSING DEPARTMENTAL AND NEW
BUSINESS OPPORTUNITIES**

DIAL: 844 WEB ADIGO (844-932-2344)
(NO ID NEEDED)
START TIME: 5 MINUTES AFTER THE HOUR
WE'LL GO FOR 20 MINUTES UNTIL 25 PAST

Brad Volin
1/13/15



ADIGO™

AGENDA

- Intro's
- Criteria
- Forecasting
- TAM,SAM,SOM
- Key assumptions
- Risks
- Opportunity Costs
- Questions

confidential





INTRODUCTIONS

- President, Adigo
- Director Products, Voyant Technologies 2001
Charged with cut, cut, cut!
- Started 3 businesses
Lots of Business Plans and financing ☺

confidential



WHY ASSESS – JUST GO FOR IT!

- Apple – 60% of revenue from products that did not exist 3 years ago (2010)
- 3M (post it) – gold standard for systematized consistent new products



- Every startup experiences phenomenal success

confidential



WHY ASSESS – LATEST & GREATEST!

- IT – new tools
- Engineering – development software
- Marketing – social media changing faster and faster


confidential



SCENARIO


- New opportunity
 - Awesome cool idea!
 - Next >> How do we build it?
 - Skunk worx engineering
 - Get me a prototype pronto
- New tool / application
 - Can't live without it
 - > How fast can we start using it


confidential

 ADIGO™


PROBLEM

- Will anyone buy it?
- How much \$\$ will we make?
- Will it be worth it?







confidential

 ADIGO™

RESULT

- Inertia
 - Pet projects
 - 6-12 months before questions
 - Emotional, gut feel
- Never enough time to do the detailed analysis up front





confidential



ASSESS! #1 CRITERIA

- VC Backed: revenue
 - Twitter, Groupon, etc:
- Fortune 500: strategic (i.e. learning, so why not go to college?)
- Most companies: **Margin/profit**
- Ultimately: ROI because there is always an investment



Personally, what return do you expect when financing:

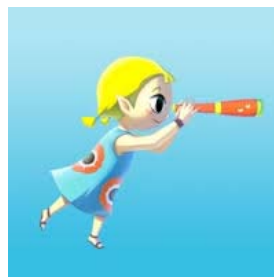
1. 5%
2. 8%
3. 12%
4. 25%

confidential



STEP #1: FORECAST

Not
estimating!



Not % growth per
year CAGR!



*chat in what
CAGR stands for*

confidential



FORMULAIC MODEL — OLD FASHIONED WAY

- Classic case: Boston Market. To hit projections they had to have over 12 registers! Impossible!
- Revenue = ASP * Qty * # Customers

$$\text{Rev} = (\text{price1} * \text{qty1} * \# \text{cust1}) + (\text{price2} * \text{qty2} * \# \text{cust2}) + \dots$$

confidential



DETAILS

- Price 1 =
 - Competitive benchmark or comparable
 - Apples and oranges. 'totally different', yet both fruit
 - >> 15% premium
- Qty 1
 - Single or multiple item purchase
 - One time, recurring, consumable (razor blades)
- Customer 1
 - Channel: direct, dealer, rep

confidential



OF CUSTOMERS – *MOST IMPORTANT*

- TAM – total addressable market
- SAM – segmented/served market
- SOM – share of market

Example: concierge service

- TAM – 12,000 out of 150,000
- SAM – 2400 organic focus
- SOM – 3 staff so 1200
(10% of TAM)



<http://www.liveplan.com/blog/2012/06/the-importance-of-tam-sam-and-som-in-your-plan/> Caroline Cummings

confidential



CUSTOMER REACH

- This is the variable that changes over time!! Spend most of your time here identifying what activities you will do to make this change.
- Nothing sells itself. Relevant Activities are Sales Oriented.
- How will you contact more prospects.
- START at the bottom with the assumptions, and find out what the end result is

confidential



KEY ASSUMPTIONS

- Identify 2-5 variables that you control have the biggest impact (bellwether or leading indicator)
 - # Salespeople
 - # Resellers carrying line
 - # Product placements
 - # Testimonials from influencers
 - # Samples distributed
 - # Beta customers
 - # Blog articles
- **Not**
 - # visitors
 - # downloads
 - buzz


confidential



SENSITIVITY ANALYSIS

- See what happens when you plug in Best Case & Worst Case numbers for Key Variables
- Some won't matter much
- Some will matter a lot
 - **Focus here!**

confidential



PROJECTIONS – 24 MONTHS BY 3’S

	Mo3	Mo 6	Mo 9	Mo 12	Mo 15	Mo 18	Mo 21	Mo 24
Revenue								
ASP 1								
Qty1								
# Cust 1								
Key Assumpt 1								
Key Assumpt 2								
Key Assumpt 3								

Goal in beta period: prove out Key Assumptions

confidential



DEPARTMENTAL – REVENUE EQUIVALENT

- Expense reduction
- Productivity improvement
- New capability

- Identify Key Assumptions
- Determine Sensitivity Analysis
- Calculate it!

confidential



RESOURCES

- Risks
 - Cash flow
 - Technology
 - Supplier
- Timing (the following *always* happens)
 - What effect will a 3-6 month delay have?
 - What if staffing takes longer
 - Implementation delay

confidential



OPPORTUNITY COSTS

- Determine what this means you can't do
- Will it distract?
- This may be the only 'at-bat' of the year
- Wait for a good pitch. It might be 'just around the corner'



confidential



CULTURE, BUY-IN, CHAMPION

- Don't underestimate the importance of 'soft' issues
- Departmental initiatives – whose R&R does it change?
- Is there a power shift?
- Who takes the fall?

confidential



MOST IMPORTANT

- “Rack and Stack” the opportunities to decide what to go after
- Nothing in isolation
- Have options



confidential



Take-aways

5. Base decision on profit!
4. Forecast based on formulas of Key Assumptions
3. Project 24 months
2. Be realistic on opportunity costs
1. Rack and stack the opportunities. It's OK to pass



QUESTIONS?

Brad Volin

888-552-3446

bvolin@adigo.com

www.linkedin.com/pub/brad-volin/0/622/284/

How helpful was this? 1 (not much) – 5 (super)

For links, details and references, see our Thursday
blog post: <http://blog.adigo.com/>

confidential