Market Size, Growth + Segmentation

How large is the market the product/service/technology is addressing?
What are the trends?
Is the market growing or contracting?
Is the market nascent or mature?

4 – The market is very large and growing very fast
3 – The market is fairly large and growing modestly
2 – The market is modest and not growing
1 – The market is small and shrinking

*Ideas greater than $1B that serve large and growing markets have greatest potential.*
Market Need

How great is the pain that the product/service addresses? Is it something customers need to have?

4 – The customers have a strong need for this solution and there is evidence they will pay for it
3 – The customers explain that there is a pain point/problem and are actively seeking a solution
2 – The customers think this would be nice to have, but no evidence they would pay for a solution
1 – There is no evidence that customers value this solution

The greatest potential lies in ideas with such a compelling value proposition that customers ‘must’ have it.
Market Traction

How much revenue does the company have?

4 – Company has a sizable revenue stream and evidence of a future sales pipeline
3 – Company has some revenue
2 – Company has unpaid beta customers/pilots
1 – Company has no traction in the market
Revenue Model

How does the business make money *(e.g. subscriptions, single sales, volume-based pricing)*? What are the gross margins? Is the model sustainable? Can the business withstand pricing pressure?

4 – Company has recurring revenues and high margins
3 – Company has recurring revenues and modest margins
2 – Company has nonrecurring revenues and modest margins
1 – Company has razor thin margins and no recurring revenue
Competitor Analysis

Are there barriers to competition?
Is the idea protectable? Note, *patent protection is one way, but it requires time, money and has inherent uncertainty.*
If not patentable, what is the strategy for product differentiation?

4 – The company has strong barriers to competition *(i.e., a patent in pharmaceuticals)*
3 – The company could create a strong barrier competition
2 – The company could create a modest barrier to competition
1 – Product seems like a “me too”. No barriers to entry.
Customer + Sales Channel

Describe the target customer(s) and how they are (or how they envision) selling to them (*note, the user may be different than the purchaser and influencer!*).
Does the sales process seem like it will work?

4 – Company clearly understands who their customer is (who is going to pay for the solution), how they make purchase decisions, and has a plan for reaching them (i.e., their price is high enough to support a direct salesforce)
3 – Company understands who their customer is and how they make purchase decisions, but does not have a plan for reaching the customers (i.e., a mismatch between sales model and the price of the product)
2 – Company has little information about the target customer and how to sell to them
1 – Company has no idea of who their customer is or how to reach them

*Keep in mind that products requiring significant changes in customer/user behavior are tougher sells.*
Management Team (Triple Score This)

Does the team have domain expertise in the market?
Do they have prior start-up or venture experience?

4 – Founders have strong functional knowledge in the industry (technical and business), and prior successful startup experience
3 – Founders have strong functional knowledge in the industry or prior successful startup experience
2 – Founders have no functional knowledge or prior startup experience but seem to know something about the market and starting a company
1 – Founders have no functional knowledge or prior startup experience and seem clueless about the business and process of starting a company
Funding

How much funding is needed?
How long will the funding last and how will it be used?
Will it help them accomplish key milestones?

4 – Company does not need much money, has already raised some portion of what it needs, has low burn and a long runway

3 – Company does not need much money, has low burn and a long runway

2 – Company needs to raise a lot of money or has high burn and a short runway, but has made progress to raising what it needs

1 – Company needs a lot of money, has high burn, short runway and has not raised much to date
Slope of Progress

How much have they accomplished since they started?
What is the pace of the effort?

4 – Company started in the past year and is already in the market with a product or if it is subject to regulatory approval has built the prototype

3 – Company started in the past year and has achieved some significant milestones (e.g., built product, had a Kickstarter campaign, raised money)

2 – Company started more than a year ago and has and has achieved some significant milestones (e.g., built product, had a Kickstarter campaign, raised money)

1 – Company started more than a year ago and has not achieved any significant milestones