

Critical questions

Value proposition

- What is your unique selling proposition?
- To what degree is the product or service a compelling purchase for the customer? Is it significantly: faster, cheaper, larger/smaller, safer, more user-friendly, more attractive, etc.?
- How will the product be priced?
- What are the economic benefits to the customer?

Market

- Who is the customer?
- How does the customer make decisions?
- To what degree is the product or service a compelling purchase for the customer?
- How much does it cost (time and resources) to acquire a customer?
- What evidence do you have that customers will buy what you propose to offer?
- How does the customer make decisions?
- How large is the segment and how fast is it growing?
- Is the market large enough to allow different competitors to serve different segments without getting in each other's way?
- What are the predictions for your market's short term growth rate?
- What are the predictions for your market's long term growth rate. This will be influenced by market-macro trends: demographic, sociocultural, economic, technological, regulatory and natural
- Other trends that might impact the opportunity?

Industry

- Who are the current competitors?
- What resources do they control? What are their strengths and weaknesses?
- How will they respond to our decision to enter the business?
- Who else might be able to observe and exploit the same opportunity?
- How does the value chain look like? Who are the critical players in the value chain?
- What will be your position in the value chain?

Sustainable advantage

- To what extent is competitive advantage sustainable? Presence of proprietary elements – patents, trade secrets, brands – that other firms are unable to duplicate or imitate
- Superior organizational processes, capabilities or resources that others would have difficulty duplicating or imitating
- How strong is your position in value network?

Economics of the business model

- Do the different elements of the business model fit well with each other? Any discrepancies?

Revenue source(s)

- Is the business model based on a single, a multiple and a loss leader revenue stream?
- Is the company based on a single or hybrid revenue model? Which revenue streams?
- How quickly will the revenues increase?
- How long does it take to collect cash from a sale?
- Are there recurring revenues?

Cost structure

- Is the business model's cost mostly based on fixed, semi-variable, variable costs?
- How much of the volume can be supported with the fixed cost base?
- How likely is a reduction in the fixed cost base?
- Are the primary cost-drivers expected to change over time?
- What are the largest cost-centers for the business model?
- When do you reach a cash flow breakeven point?
- What is your time to cash flow break even?

The team

- Who are the founders? Track record?
- What direct experience do they have for the opportunity you pursue?
- Whom do they know and who knows them?
- What level of aspirations do they have?
- Who else needs to be on the team?
- What are the few critical success factors in your industry?
- Can you demonstrate that your team taken together can execute on each of these CSFs?