

# Wider market assessments

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## Tools and techniques

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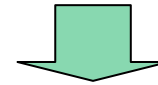
# Objectives of this session

1. To introduce and showcase Partnerships UK's guidance on the assessment of potential for commercial opportunities
2. To present an overview of the commercial and financial models that can be used to assess the suitability and feasibility of potential commercialisation projects
3. To introduce the 'Essential Commercialisation Skills' course

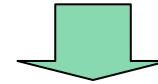
# High level process – ‘the funnel’



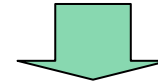
Ideas brainstorming –  
generates ***long list*** of  
opportunities



***Sift 1*** : assess  
market attractiveness



***Sift 2*** : practicality,  
vires, probity



***Short list*** : high level  
business cases

# Creating the long list

- The key brainstorming questions to answer...
- ‘What are we already doing?’ – building on existing commercial activities
- ‘What underutilised assets do we have?’ – building on existing assets
- ‘What opportunities are we best placed to exploit?’ – building on our strengths

- Some tools to help in the process...

Ansoffs Matrix

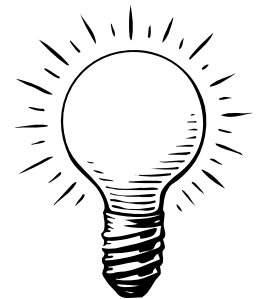
	PRODUCT	
	Current	New
Current	Market Penetration	Product Development
New	Market Development	Diversification



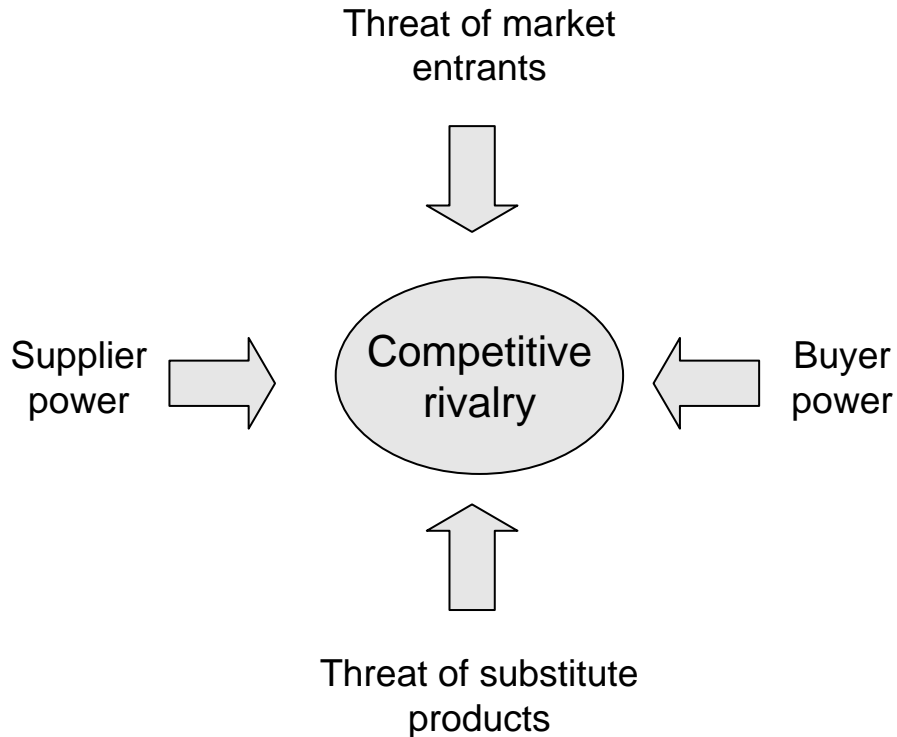
‘asset focus’  
flowchart

SWOT Analysis

Strengths	Weaknesses
INTERNAL FACTORS	
Opportunities	Threats
EXTERNAL FACTORS	



# Sift number 1 : assessing market attractiveness



- 'Five-forces' analysis provides a useful tool for assessing market attractiveness
- Michael Porter stated that there are five competitive forces that act upon your business model or business idea
- The stronger these forces, the more capability they have of reducing levels of return in the market, and the less attractive the market is to enter

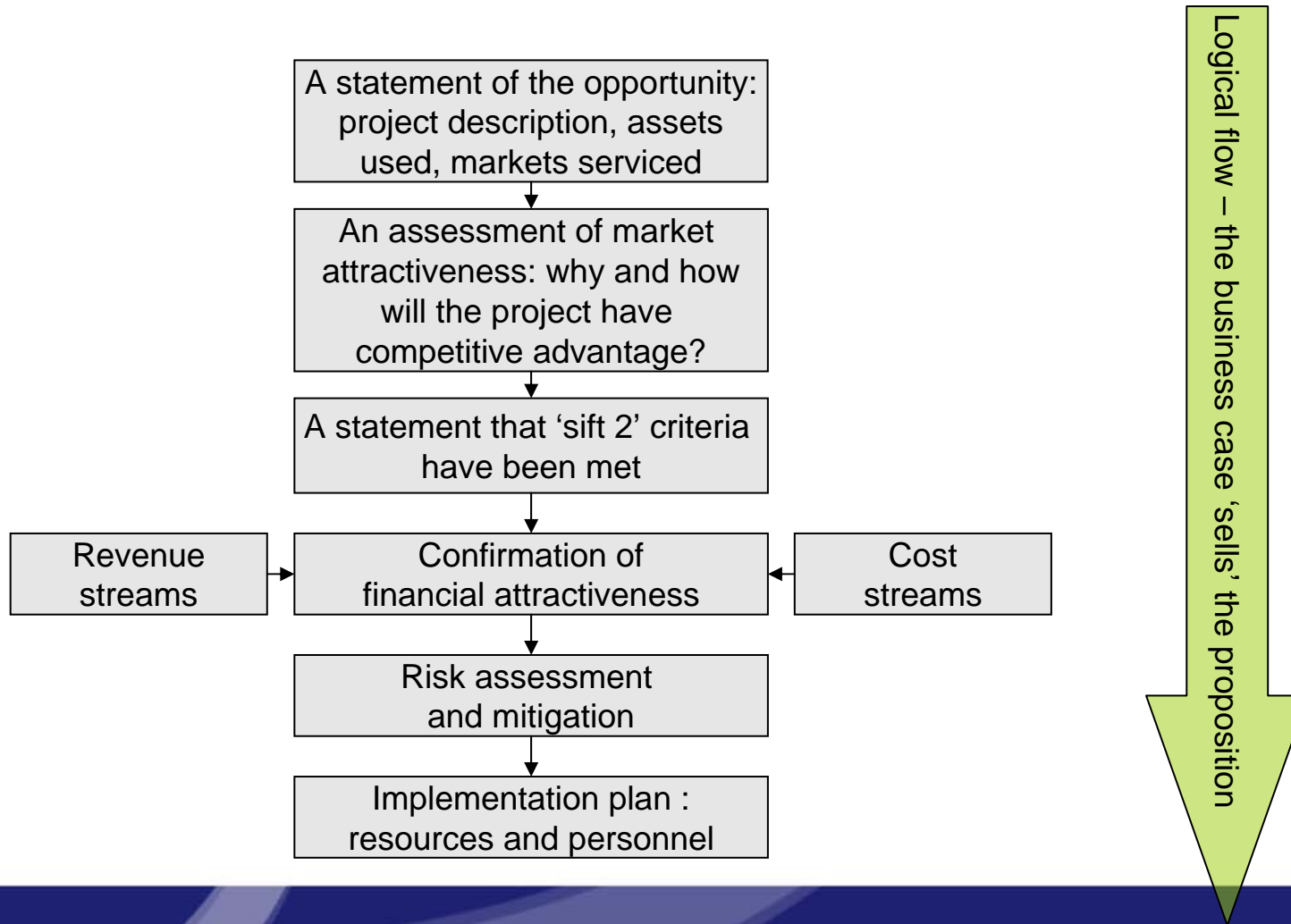
# The relevance of Porter's analysis to the Wider Markets Initiative

- Once potential commercial activities have been identified, five forces analysis can be used to assess their 'likelihood of success' given the competitive position within that market place
- The stronger the competitive forces, the more wary we should be of pursuing the opportunity
- There is no 'formula' as to when a project crosses the line from attractive to unattractive – projects must be assessed relative to each other, and judgement used
- For example, entry into the mobile phone network provider market looks on balance unattractive due to high barriers, strength of incumbents, high buyer power and the growing threat of substitutes

# Sift number 2 : practicality, vires, probity

- Even though a potential commercial opportunity has been identified and has passed the market attractiveness test, it may still not be feasible
- Partnerships UK have provided guideline questions to assess feasibility
  - Can the project be delivered within vires?
  - Does it undermine the public sector mission?
  - Does it undermine probity?
  - Do resources exist within budgets to make it happen?
  - Are any implementation difficulties surmountable?
- If the answer to any of these questions is yes, and the issue cannot be overcome, then the project should be rejected

# The short list – creation of a high level business case



# An example of NPV analysis

- A government department has identified a building which is currently under-utilised but critical for the delivery of the department's objectives
- The under-utilised space can be rented out as office space for five years at a rent (after maintenance costs) of £3 million per year (in arrears). At the end of five years the office will be returned to Government use.
- In order to prepare this space for rental, £14m of refurbishment needs to be carried out immediately

Exercise : from a purely financial perspective, and assuming that the above revenues and costs are the only monetary items involved, is this a good use of the under-utilised asset?

# An example of NPV analysis

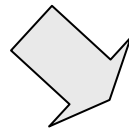
Time	0	1	2	3	4	5
Cash flow (£m)	(14)	3	3	3	3	3
<i>Discount factor</i> (3½%)	1	0.966	0.933	0.901	0.871	0.842
Present value (£m)	(14)	2.90	2.80	2.70	2.61	2.53
<b>Net Present Value (NPV)</b>	<b>£-0.46m</b>					

- From an absolute cash flow perspective, the renting option looks more attractive (£15m cash in versus £14m cash spent)
- Once the 'time value of money' is taken into account utilising the standard HM Treasury cost of capital of 3½%, then the renting option has a negative NPV. The correct financial decision would be to reject the decision
- This is 'Discounted Cash Flow' analysis, and is one of a number of financial decision making tools available to assess projects as part of the business plan

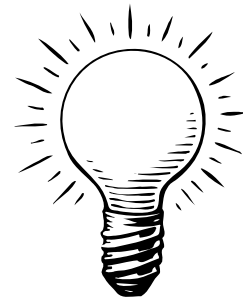
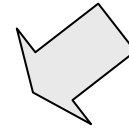
# Essential Commercialisation Skills – the course

## Commercial analysis tools

(Ansoff, SWOT, 5-forces, stakeholder analysis, risk management)

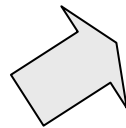


## Best practice business case preparation



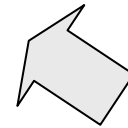
## Financial analysis tools

(Relevant costing, contribution, discounted cash flow)



## Technical experts' input

(Legal profession, Treasury, PUK, Kaplan)



# Essential Commercialisation Skills – the course

- Two-day programme
- Holistic approach to the Wider Markets Initiative (integrating commercial, legal, financial and technical skills)
- Highly practical and interactive
- Master Class style – driven by case study at the heart of the learning
- Practical and useful diagnostic tools to take back into the office
- An opportunity to network with other Wider market / Income generation officers
- Culminating in an opportunity to create a high-level business case
- Running on the 22<sup>nd</sup> -23<sup>rd</sup> April and 3<sup>rd</sup>-4<sup>th</sup> June in London

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