



The Grid — The master model behind business success

Startup success checklist

WHY YOU'LL LOVE IT:

This checklist covers all the key factors to consider when starting a new venture. What's more, missing just one of them can be the difference between success and failure. Using this checklist from day one will help you quickly and thoroughly evaluate ideas for new businesses, products and services. As plans develop, revisiting it will help you keep the big picture in sight, shifting the odds of success in your favor.

GET ANSWERS TO THESE QUESTIONS AND MORE:

Is my startup, new product, or service idea likely to succeed?
Have we missed anything important?
What must we research before we go any further?
What are the strengths and weaknesses of our idea?
What should we prioritize to maximize our chances of success?

YOU'VE GOT IT RIGHT WHEN:

You've considered your idea from all the perspectives that matter, and have a clear sense of the risks and the opportunities to refine your idea.

TIPS:

- You can work through the checklist individually, or with your team. An interactive version is also available on our website: www.methodical.io
- We've included explanations on the last page in case any of the terms are unfamiliar.
- Each question has space below for to-dos, notes or next steps.
- If you're thinking through your idea for the first time, don't worry if you can't answer everything – that's normal. Just make a note to research those topics when the time is right.
- **The Grid** book will help you work through unknowns, risks or challenges quickly and easily. Page numbers for the relevant sections are noted next to each question.
- Not everything needs to be perfect for your business to succeed – every business has strengths and weaknesses. The checklist just highlights the risks and opportunities to refine your ideas.

Startup success checklist — Desirability

YOUR STARTUP OR PROJECT NAME:

The most common cause of startup failure is poor product-market fit. This checklist guides you through all the factors that matter.

WANTS AND NEEDS



1 CUSTOMER VALUES & BELIEFS 61 - 68

How does your product or service fit with the customer's beliefs and values?

- A perfect fit for their self-image
- It'll take them a while to get used to, but nothing crazy
- A significant clash – like selling meat to vegans
- Too early to say, it's something we'll research

2 CUSTOMER GOALS 68 - 73

Does your product or service satisfy a goal that the customer cares enough about to take action?

- Based on our customer research, we think so
- We've some hypotheses but no evidence yet
- No, it doesn't
- We're not at this stage just yet

3 ADOPTION BARRIERS 73 - 82

Are there potential barriers preventing the customer from adopting your product?

- There are no significant hurdles to worry about
- We haven't really thought about it
- A few spring to mind now you mention it
- Too early to say, it's something we'll research

RIVALRY



4 CATEGORY 87 - 91

Are you entering a clear category with healthy potential for profit?

- It's a clear category with favorable market forces for us
- The category is clear, but we're not sure about the dynamics just yet
- We are inventing a new category, who knows?
- It's too early to say, we need to research this

5 TERRITORY 91 - 92

Is your target territory big enough to sustain the venture?

- Our territory is teeming with potential customers
- We haven't considered this
- Customers are thin on the ground round here
- It's too early to say – we need to research this

6 ALTERNATIVES & SUBSTITUTES 92 - 98

Do you know your competitors, their strengths and weaknesses?

- Yes, we've conducted a thorough competitor analysis
- We haven't considered the competition
- There are no competitors
- It's too early to say, we need to research the alternatives

OFFERINGS



7 PROPOSITION 101 - 108

Are there clear reasons for choosing your proposition over alternatives that customers also find compelling?

- There are good reasons to choose our proposition
- It's kinda hard to explain our concept...
- If we're really honest, there are better alternatives
- We're still working on it

8 BRAND APPEAL 108 - 112

Have you defined a distinctive brand position and appeal?

- Yes, our brand has a distinctive appeal
- Our brand isn't something we've really considered
- We're pretty generic
- It's too early to think about the brand

9 CUSTOMER EXPERIENCE 112 - 120

Have you carefully considered the customer experience you want to create?

- We've made it as effortless and enjoyable as possible
- There are a few wrinkles
- The customer experience sucks
- We're not at that point yet

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Startup success checklist — Profitability

Revenues, costs and bargaining power are important considerations for any new business. This checklist will put you on the path to profitability from day one.

REVENUES



1 REVENUE MODEL 123 - 128

Do you know which revenue model is best for the new venture?

- Yep, all good
- We've not considered different options
- What revenue model?
- It's too early to say – we need to research this

2 PRICE 128 - 136

Have you calculated the optimum price point based on the customer's willingness to pay?

- We've researched this to death and set our prices precisely
- Our prices are based on our positioning among the alternatives
- We worked out prices based on our costs, then added some margin
- We're not at that point just yet

3 VOLUME 136 - 143

Do you have realistic sales targets that can result in a sustainable business?

- Meeting conservative sales targets would cover our costs
- It could go either way
- Our projections are pure fantasy
- We're not at this stage just yet

BARGAINING POWER



4 WITH CUSTOMERS 146 - 165

Do you have sufficient bargaining power with customers to make a viable business?

- We've got a strong, favorable negotiating position
- We haven't considered this
- Our customers wear the trousers in this relationship
- We don't need to think about this just yet

5 WITH SUPPLIERS 146 - 165

Do you have sufficient bargaining power with suppliers to make your costs viable and meet quality requirements?

- We've chosen suppliers who are a good match
- We've never thought about this
- Our suppliers don't really care about us – we're too small
- We aren't at this stage yet, but thanks for the tip

6 RULES & REGULATIONS 151 - 165

Do you understand and comply with the regulations that govern your business idea?

- Yes – we're as clean as a whistle
- That's an interesting point...
- I hope I like my cellmate
- It's too early to say – we need to research this

COSTS



7 FIXED COSTS 169 - 181

Based on your estimated fixed costs, do you think your business is viable?

- Fixed costs are nothing to worry about
- The fixed costs could pose a risk
- High fixed costs make this a challenging prospect
- It's too early to say – we need to research this

8 VARIABLE COSTS 169 - 181

Have you established target variable costs for your product that should result in a viable business?

- We've set target costs and run a break-even analysis – we're good
- We've not calculated variable costs or run a break-even calculation
- The cost of making and selling each product leaves us no margin
- It's too early for that, but it's something we'll research

9 CAPITAL EXPENDITURE 181 - 187

Can you afford to make the necessary capital expenditures to get your business going?

- Capital expenditure is nothing to worry about
- Capital expenditure is a mystery to me
- The upfront investment required is probably ruinous
- It's too early to say but it's something we'll look into

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Startup success checklist — Longevity

A great business can stand the test of time. This checklist guides you through the factors that determine the future prospects of your venture.

CUSTOMER BASE



1 AWARENESS 191 - 197

Do you have a clear plan to raise awareness of your offering?

- We've got this covered
- Raising awareness might be tricky
- We didn't think we'd need to do any marketing...
- All in good time

2 ACQUISITION 197 - 207

Do you know how many customers you need to acquire to succeed, and the cost of doing so?

- We've included sensible acquisition costs in our break-even analysis
- We've not factored this into our calculations
- High acquisition costs mean we're losing money on every sale
- Thanks for the heads-up – we'll research this later

3 RETENTION 198 - 207

Do you have a strategy in place to retain your target customers?

- There will be no escape
- We think they'll stick around
- No, and it would be easy for them to leave
- We're not at this stage just yet

IMITABILITY



4 LEGAL PROTECTION 212 - 219

Do you have intellectual property that can prevent other people from copying your idea?

- Yes, and the resources to fight an infringement
- Hmm, maybe
- No
- It's too early to worry about intellectual property

5 DURABLE ADVANTAGES 219 - 233

Once launched, will your business have any durable advantages over existing or potential rivals?

- We are difficult to imitate
- This isn't something we've considered
- Anyone can copy our idea – some can probably do it better
- We're not at this stage just yet

6 COMPETITOR LAG 224 - 233

Can you move quickly enough that rivals will struggle to catch you?

- Like greased lightning
- There's a risk we may not be fast enough
- We're already behind
- We're not at this stage just yet

ADAPTABILITY



7 CASH POSITION 239 - 244

Do you have enough cash to launch the business, given your costs?

- Based on burn rate and cash flow calculations we're in good shape
- Cash flow could pose a risk to the venture
- Hello, is that the bank manager?
- We don't need to think about this just yet

8 SCALABILITY OR CAPACITY 244 - 246

Do you have a scalable business model and enough capacity to meet demand?

- The sky's the limit
- We'll cross that bridge when we come to it
- Our idea doesn't really scale
- It's a bit early to be worrying about scalability

9 COMPLEXITY & RIGIDITY 247 - 256

Is this business viable, given the level of complexity required to execute the vision?

- Yes – it's either simple enough, or the payoff will be worth it
- We haven't thought about it
- We'll be obsolete before we launch at this rate
- It's too early to say just yet

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The Grid — The master model behind business success

To succeed, every business must pursue three goals: **desirability**, **profitability** and **longevity**. These goals are affected by three forces: the **customer**, the **market**, and the **organization** itself. This reveals a grid of nine factors that together determine the success of every business. Each box contains three essential elements, defined below.

	DESIRABILITY	PROFITABILITY	LONGEVITY
CUSTOMER	<p>WANTS AND NEEDS</p> <p>CUSTOMER VALUES & BELIEFS Customers prefer products and services that reflect their values, beliefs or self-image: like riding a Harley, or believing the more megapixels the better.</p> <p>CUSTOMER GOALS Every product or service is a means for customers to achieve a goal they care about. You bait the hook with what the fish wants to eat!</p> <p>BARRIERS Barriers prevent customers from achieving their goals or adopting your offering. A skill required or incompatible technologies for example.</p>	<p>REVENUES</p> <p>REVENUE MODEL Your revenue model is how you make money: a fixed price, or charging by the hour, for example.</p> <p>PRICE Pricing typically has the most powerful impact on profitability. Undercharge and you leave profit on the table. Set prices too high and volume suffers.</p> <p>VOLUME Sales volumes are determined by the quantities people buy, and the frequency with which they buy them.</p>	<p>CUSTOMER BASE</p> <p>AWARENESS People can't become customers unless they know you exist. Raising and maintaining awareness is vital to building and keeping your customer base.</p> <p>ACQUISITION Awareness should lead to acquisition – new customers joining your business. There's no customer base if people won't buy what you're offering.</p> <p>RETENTION Your customer base won't grow if existing customers leave at the same rate as new ones join. Retention – keeping hold of your customers – is often crucial.</p>
MARKET	<p>RIVALRY</p> <p>CATEGORY Your product or service category determines the intensity of the rivalry. Customers like buying from clear categories where comparison is easier.</p> <p>TERRITORY Where your business is located and the area you cover impact the size of your opportunity, the regulations you must meet, and the rivals you face.</p> <p>ALTERNATIVES & SUBSTITUTES Alternatives are direct rivals, like competing airlines. Substitutes are indirect rivals, like an airline competing with a train.</p>	<p>BARGAINING POWER</p> <p>WITH CUSTOMERS Powerful buyers can drive down your margins, so it's important to consider your bargaining power with customers and how it might be changing.</p> <p>WITH SUPPLIERS Bargaining power with suppliers is equally important. Powerful suppliers can also turn the screw on you – growing their profits at the expense of yours.</p> <p>RULES & REGULATIONS Every business must comply with basic regulations that limit their power – like tax, or health and safety laws – as well as industry specific regulations.</p>	<p>IMITABILITY</p> <p>LEGAL PROTECTION Legal protection – patents, trademarks and copyright – can prevent rivals from copying you.</p> <p>DURABLE ADVANTAGES Durable advantages – such as a unique cost structure, product ecosystem or network effects – can make your business challenging to imitate.</p> <p>COMPETITOR LAG You can make yourself inimitable by moving faster than rivals, or forcing them to make difficult trade-offs that slow them down.</p>
ORGANIZATION	<p>OFFERINGS</p> <p>PROPOSITION The product or service proposition is the concept the customer is buying into. Customers must have clear, obvious reasons to choose it over alternatives.</p> <p>BRAND APPEAL The expectations and associations people have about your business – its brand appeal – affect the desirability of all your products and services.</p> <p>CUSTOMER EXPERIENCE If your website is confusing, staff are impolite or returning damaged goods is difficult, desirability will suffer – no matter how good your product.</p>	<p>COSTS</p> <p>FIXED COSTS Fixed costs, like rent or salaries, stay the same regardless of how much you sell, affecting your break-even point and subsequent profitability.</p> <p>VARIABLE COSTS Variable costs depend on volumes – like the materials needed to make products. Cars have high variable costs compared to software, for example.</p> <p>CAPITAL EXPENDITURE These are longer-term investments, like factories or equipment. Their impact on profits are spread over the useful lifetimes of the assets.</p>	<p>ADAPTABILITY</p> <p>CASH POSITION If you run out of cash, you cannot continue to operate the business. The stronger your cash position, the greater the scope of options you can pursue.</p> <p>SCALABILITY OR CAPACITY Operating at full capacity leaves you unable to plan for the future. If your business cannot scale it cannot grow.</p> <p>COMPLEXITY & RIGIDITY Complexity and rigidity within a business can make getting new ideas off the ground or changing direction agonizingly slow – if not impossible.</p>

WE'RE HERE TO HELP: Visit www.methodical.io to learn more about the grid and how it can help your startup, business or project succeed.