



The Grid — The master model behind business success

Total business health check

WHY YOU'LL LOVE IT:

Discover your shortcut to growth by taking a holistic perspective on your business. You'll pinpoint your most promising growth opportunities and the hidden constraints that are holding you back.

GET ANSWERS TO THESE QUESTIONS AND MORE:

What are the current strengths and weaknesses of my business?

Which areas of our business should we prioritize?

Where are our blind spots?

What constraints are limiting our growth?

YOU'VE GOT IT RIGHT WHEN:

You've worked through all the questions, have a clear idea of the strengths and weaknesses of your business, and which areas to prioritize.

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.
- **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.
- This checklist works best if you consider a specific product or service line and a particular territory (e.g. headphones in Brazil).

Total business health check — Desirability

YOUR BUSINESS, PRODUCT, OR SERVICE:

Looking to grow or improve your business? Use this checklist to pinpoint the strengths, risks and challenges to your desirability.

WANTS AND NEEDS



- 1 CUSTOMER VALUES & BELIEFS** 61 - 68
How well does your business align with your customers' beliefs and values?
- ☐ A strong fit – our customers are happy to be associated with us
 - ☐ We're at risk of drifting apart
 - ☐ There's definitely some friction there...
 - ☐ I'm not sure – we should research this

- 2 CUSTOMER GOALS** 68 - 73
Are you helping customers achieve the goals they really care about?
- ☐ Yes, based on real-world feedback
 - ☐ Ish
 - ☐ We're drifting out of touch with their needs
 - ☐ This is something we should research

- 3 ADOPTION BARRIERS** 73 - 82
Do barriers prevent customers from doing business with you?
- ☐ Adoption barriers are low
 - ☐ We haven't really thought about it
 - ☐ It's tricky to adopt our products and services
 - ☐ This is something we should research

RIVALRY



- 4 CATEGORY** 87 - 91
How healthy is your category?
- ☐ Great – there's potential for profitable growth
 - ☐ The category is becoming more challenging
 - ☐ Not so good – margins / demand are declining
 - ☐ I'm not sure

- 5 TERRITORY** 91 - 92
Is the territory you cover affecting business success?
- ☐ Our territory is teeming with customers or ripe for expansion
 - ☐ We're reaching saturation
 - ☐ Customers are thin on the ground
 - ☐ We've not considered this

- 6 ALTERNATIVES & SUBSTITUTES** 92 - 98
How's the competition looking?
- ☐ We're outperforming our rivals
 - ☐ We're feeling the pressure
 - ☐ We're underperforming against rivals
 - ☐ We're not sure

OFFERINGS



- 7 PROPOSITION** 101 - 108
How strong is your proposition?
- ☐ There are compelling reasons to choose it
 - ☐ Middle-of-the-road
 - ☐ If we're really honest, there are better alternatives
 - ☐ We haven't thought about it

- 8 BRAND APPEAL** 108 - 112
How strong is your brand?
- ☐ Our brand has a strong, distinctive appeal
 - ☐ It could do with some TLC – it's a bit generic
 - ☐ Our brand is suffering
 - ☐ I'm not sure – we should look into this

- 9 CUSTOMER EXPERIENCE** 112 - 120
How is your customer experience?
- ☐ Effortless and enjoyable – our customers are very happy with us
 - ☐ There are a few wrinkles and grumbles here and there
 - ☐ Honestly, the customer experience sucks
 - ☐ We don't know

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Total business health check — Profitability

Want to boost your profitability? This checklist will show you where to focus your attention.

REVENUES



1 REVENUE MODEL 123 - 128

How is your revenue model affecting the business?

- ☐ The current revenue model can support our continued success
- ☐ Rivals using a different revenue model are gaining traction
- ☐ Our revenue model has become a limiting factor
- ☐ We've not considered this

2 PRICE 128 - 136

Do you have a clear pricing strategy?

- ☐ We research and experiment, adjusting our prices precisely
- ☐ We're in the same ballpark as alternatives
- ☐ We make up our prices as we go along
- ☐ We haven't thought much about pricing for a while

3 VOLUME 136 - 143

How are sales performing?

- ☐ We're happy with our current growth / volumes
- ☐ There's room for improvement
- ☐ Sales are worryingly low or declining
- ☐ We don't know

BARGAINING POWER



4 WITH CUSTOMERS 146 - 165

How much bargaining power do you have with customers?

- ☐ We've got a strong, favorable negotiating position
- ☐ There's some tension emerging
- ☐ Our customers can drive a hard bargain with us
- ☐ We haven't considered this

5 WITH SUPPLIERS 146 - 165

How much bargaining power do you have with suppliers?

- ☐ We can negotiate good deals with suppliers
- ☐ There's some tension emerging
- ☐ We're powerless to negotiate
- ☐ We've never thought about this

6 RULES & REGULATIONS 151 - 165

How is the regulatory environment affecting your business?

- ☐ Regulations are changing favorably
- ☐ We're not sure how recent changes will affect us
- ☐ Regulatory issues are a challenge for our business
- ☐ No recent changes that affect us either way

COSTS



7 FIXED COSTS 169 - 181

What's happening with your fixed costs?

- ☐ Nothing to worry about
- ☐ They could probably be reigned in a bit...
- ☐ Too high / out of control
- ☐ We don't know

8 VARIABLE COSTS 169 - 181

How well-managed are variable costs?

- ☐ We have a healthy contribution margin on sales
- ☐ We could manage variable costs more carefully
- ☐ The cost of making and selling each product leaves us no margin
- ☐ I couldn't tell you, actually

9 CAPITAL EXPENDITURE 181 - 187

How are capital expenditures affecting the business?

- ☐ Capital expenditure is nothing to worry about
- ☐ We could probably manage our capital expenditure better
- ☐ Heavy capital expenditure is putting a strain on our resources
- ☐ Capital expenditure is a mystery to me

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Total business health check — Longevity

Use this checklist to determine which factors have the greatest influence on the long-term health of your business.

CUSTOMER BASE



1 AWARENESS 191 - 197

How is awareness affecting your business?

- ☐ We have a strong or growing market presence
- ☐ We're a bit hit-and-miss when it comes to raising awareness
- ☐ Low or declining awareness is holding us back
- ☐ We don't really know

2 ACQUISITION 197 - 207

Are you successfully acquiring new customers?

- ☐ We're happy with our performance
- ☐ Conversion and acquisition could be improved
- ☐ We're struggling to acquire new customers
- ☐ We haven't considered this

3 RETENTION 198 - 207

Are you successfully retaining your customer base?

- ☐ Yes, we're happy with our retention rates
- ☐ There's some churn creeping in...
- ☐ We're all leaks and no ship
- ☐ I don't know

IMITABILITY



4 LEGAL PROTECTION 212 - 219

Does your intellectual property provide an inimitable advantage?

- ☐ Yes, we manage our IP carefully
- ☐ We could do with revisiting our IP strategy
- ☐ Mismanaging our IP has left an open goal for our rivals
- ☐ We don't compete on this basis

5 DURABLE ADVANTAGES 219 - 233

Do you have any durable advantages over existing or potential rivals?

- ☐ We are genuinely difficult to imitate
- ☐ Rivals are chipping away at our advantages
- ☐ We're easy to copy
- ☐ I'm not sure

6 COMPETITOR LAG 224 - 233

Do you out-innovate your rivals?

- ☐ We're ahead of the pack
- ☐ We're about the same
- ☐ We're already playing catch-up
- ☐ We don't compete on this basis

ADAPTABILITY



7 CASH POSITION 239 - 244

How strong is your cash position?

- ☐ We have a healthy cash position
- ☐ Our cash flow / working capital management could be improved
- ☐ We're running out of funds
- ☐ I don't know

8 SCALABILITY OR CAPACITY 244 - 246

How is your current capacity or ability to scale affecting the business?

- ☐ This isn't something we need to worry about
- ☐ We're starting to feel the heat
- ☐ We're maxed out
- ☐ I've no idea

9 COMPLEXITY & RIGIDITY 247 - 256










How complex and rigid are your operations?

- ☐ Our operational agility is a strength
- ☐ We're slower than we once were...
- ☐ We make an oil tanker look nimble
- ☐ I couldn't tell you

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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	WANTS AND NEEDS  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. 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! BARRIERS Barriers prevent customers from achieving their goals or adopting your offering. A skill required or incompatible technologies for example.	REVENUES  REVENUE MODEL Your revenue model is how you make money: a fixed price, or charging by the hour, for example. 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. VOLUME Sales volumes are determined by the quantities people buy, and the frequency with which they buy them.	CUSTOMER BASE  AWARENESS People can't become customers unless they know you exist. Raising and maintaining awareness is vital to building and keeping your customer base. 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. 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.
MARKET	RIVALRY  CATEGORY Your product or service category determines the intensity of the rivalry. Customers like buying from clear categories where comparison is easier. 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. ALTERNATIVES & SUBSTITUTES Alternatives are direct rivals, like competing airlines. Substitutes are indirect rivals, like an airline competing with a train.	BARGAINING POWER  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. 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. 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.	IMITABILITY  LEGAL PROTECTION Legal protection – patents, trademarks and copyright – can prevent rivals from copying you. DURABLE ADVANTAGES Durable advantages – such as a unique cost structure, product ecosystem or network effects – can make your business challenging to imitate. COMPETITOR LAG You can make yourself inimitable by moving faster than rivals, or forcing them to make difficult trade-offs that slow them down.
ORGANIZATION	OFFERINGS  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. BRAND APPEAL The expectations and associations people have about your business – its brand appeal – affect the desirability of all your products and services. 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.	COSTS  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. VARIABLE COSTS Variable costs depend on volumes – like the materials needed to make products. Cars have high variable costs compared to software, for example. CAPITAL EXPENDITURE These are longer-term investments, like factories or equipment. Their impact on profits are spread over the useful lifetimes of the assets.	ADAPTABILITY  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. SCALABILITY OR CAPACITY Operating at full capacity leaves you unable to plan for the future. If your business cannot scale it cannot grow. COMPLEXITY & RIGIDITY Complexity and rigidity within a business can make getting new ideas off the ground or changing direction agonizingly slow – if not impossible.

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.