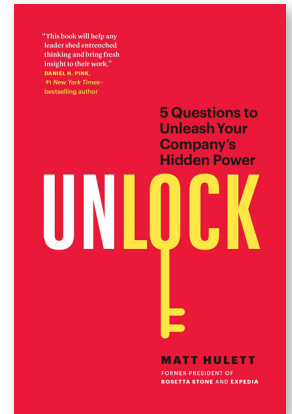


Unlock

5 Questions to Release Your Company's Hidden Power

by **Matt Hulett**



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THE SUMMARY IN BRIEF

Author Matt Hulett's specialty is moving into business situations where something is broken and needs to be fixed. Maybe the company is in the wrong business overall, or the strategy is bad—or really, maybe everything is just bad. Not enough capital, or the CEO and founder is the wrong fit. Whatever it is, something's wrong, and it's Hulett's job to fix it.

In *Unlock*, Matt Hulett walks you (the business leader) through five key questions that will help you determine whether you can unlock value for your company. You can change your market position. You can pivot, turn around, and/or refocus your growth business. You can change your course. You can change your destiny. You can drive a new destiny for your business and for your career.

If you take away one thing from this book, let it be this: You need a plan. That is easy to say, but how do you create it? With this book, you can determine if your business has the potential to change its trajectory, whether you are at the helm of a cash cow or a startup.

IN THIS SUMMARY, YOU WILL LEARN:

- The importance of aligning to your market.
- Timing can make or break an outcome.
- The importance of understanding your company, inside and out.
- That thorough planning yields results.

Alignment To Market Growth Trends

Is the market big and growing? This helps you identify if the total addressable market (TAM) is large enough for your business to grow. A \$1-billion-plus addressable market is important because you need a high enough ceiling in a marketplace to operate. If your market is small and crowded, you're going to have compression. The market may be attractive, but that compression inevitably means that you will have new and existing entrants all competing for your customers, suppliers, leads, etc.

Market Definition

You have to look at the TAM, the SAM (serviceable addressable market) and what percentage of each market you can obtain. Those three numbers mapped over time should give you a strong sense of whether you have found a compelling business proposition with a large enough operating pond.

You might have heard of Rosetta Stone—pioneers who created the world's first digital language-learning software. What does this have to do with the total addressable market? Well, most of the investment in the language business was focused on the enterprise language-learning space. This market is much smaller than the consumer, K to 12, and kids' markets. The company had focused on this segment because they believed that they weren't going to be successful in the direct-to-consumer space.

The way we approached it was to not just look at the TAM and SAM. We also wanted to identify any competitive advantage—and the main one was our brand. We looked at the North America language SAM and then did some deep customer research that showed there was a subset of this market that was perfect for our offering. The point is to identify how you're targeting the market—not just the whole addressable market but the part of the market that is serviceable. That enables you to delineate between features pricing and packaging and identify the right customer wants and needs for the market you're going after.

Timing

Are the dynamics of the market favorable to you? This is about timing of market entry and whether the right conditions exist for you to win. Timing is the hardest question to answer, especially if you're an early-stage company. You are often too early or too late if you're a newer player.

Timing is Everything

It takes both intuition and data to determine if you can time a market just right. Solving this Goldilocks problem of not being too late or too early to a market is going to take a keen perspective on the market that will be counter-intuitive to what everyone else is doing—and it will be scary for you as the leader, executive, and entrepreneur. If you're an early-stage business or a big business that's looking to pivot into an early-stage capital investment, you must be aware of being too early.

Think of any mobile company that you use today. I remember 1999, the year I started using a service called Kozmo. I could buy a can of Coke at one in the morning, and it would be delivered to my door for a miniscule service fee. The unit economics didn't make sense at the time. Fast-forward to today with Uber Eats or Postmates. Same idea. Different form factor and different economics.

Your Track Record

Do you have a good track record in this space? You'll know if you have product/market fit. You'll have a good sense of your momentum getting customers, working with suppliers, beating the competition, etc.

Supply Chain Position

You can unlock value by controlling supply, extracting more margin from supply, and offering a diversity of supply. This is critical as you assess whether you like your position. Supply dynamics typically do not get enough discussion. They are critical when you are looking for ways to unlock value in your business.

The Epic Games versus Apple lawsuit of August 2020 is a perfect example of a developer versus aggregator battle. Epic Games, which makes the epically popular game Fortnite, felt they could afford to bypass Apple's ecosystem. Apple has an offensive strategy (since they covet the 30 percent fee on their platform) and removed Fortnite from their platform. Many times, you see this develop when you have a strong brand bypassing a supply chain, feeling like it can pull margin back into the business because it's a branded experience that's unique. Epic thought they could bully Apple. At the time of this writing, the case is not yet settled. Although the winds of US antitrust law are blowing very strongly against Big Tech, my guess is that Apple will have to acquiesce; the legal arguments on developer commission will be strong enough to sway the courts.

Customer Value Analysis

You must be clear on what value you are delivering to your customers. And be clear how your customer value proposition maps to your strategy.

Rosetta Stone was focused on a geography strategy (most of our sales were in the US) because our brand had the largest market share in terms of brand awareness. Our focus was to lean into the premium differentiated strategy since that reflected our brand promise. We decided to also price and package our product as a lifetime unlimited bundle. We did lots of testing on pricing and packaging options and decided to load more and more value at the highest LTV (lifetime value) at scale, which worked. When you lean into your strategy, everything makes more sense, from your product to your pricing.

The Competition: You versus Them

Make competitive analysis a team sport. Get your team involved, make it part of your strategic planning, and have fun with it. Know your competitors like you know your favorite sports team. Collect and retain a library of competitive data so that you can start to build out a view as to your competitors' business moves. Capital structure, key hires, etc., are important signals for you to track. At some point, you will more than likely need to raise capital. Understanding your competitors' strengths and weaknesses can provide clues as to when you need to do this. Understand the chinks in the armor. Make sure to understand what your competitors are good at by assessing their relative performance as well as how you are advantaged (or not).

When you can get more detailed data, you really start to understand everything about a competitor. It becomes visceral, and it becomes personal. Here is a vivid example. If you have never watched the movie *Hoosiers*, starring Gene Hackman, I would highly recommend it. There's a pivotal scene during a playoff game where the coach (played by Hackman) tells one of the players, Buddy, to stick "like gum" to his man on defense. The exchange is wonderful. He advises Buddy, "By the end of the game, I want to know what flavor he is." When Buddy later fouls out of the game, he tells the coach, "He was Dentyne."

Planning

Do you have an executable plan? If you are in the right place at the right time and have an offering that is working in the marketplace, that's more than half the battle—but

you need a strategic plan. In turnaround situations, there's a strategy issue—for example, a company is working on too many businesses or has too many priorities.

Identify Your Strategic Options

There are four operating dials that can really help you focus your plan. They are not mutually exclusive. Sell more to the same customer. The best way to both expand your sales and crowd out the competition is to sell more products and services to the same customer. The three approaches are to bundle, upsell, and cross-sell. You do not have to rely solely on building a new product, either. Third-party partnerships are a completely viable way to generate net incremental sales without having to build your own product for cross-selling.

Sell to new customers—this is always a viable approach. Three options to look at are geography, segment, and channel. Geographic expansion is the most difficult approach because it usually requires extensive local market support as well as a lot of capital. Increase demand—if your business is working, then put some more gas on it! Just be mindful of your customer acquisition costs and have a firm handle on your customer lifetime value.

Just buy it (inorganic)—if you have a business that can be bolstered by another business (and you can finance it), buying another business makes a ton of sense. It can also help you strategically.

Improving Your Customer Value Proposition

Being thoughtful about a customer-centric value proposition combines inspiration with tons of planning. With the proper application, you will be able to naturally build epic products and services to unlock new or existing value in your business. You have now built a compelling north star. You have integrated your product vision with the business vision. You have thought about the measures (key outcomes) you will hold yourself and your teams accountable to show progress toward delighting your customers. You have built out some form of customer-centric prioritization process, one that is appropriate for ingesting feedback from customers, internal stakeholders, and your own inspired vision. You should regularly review your plan. Things change. You are enabling the team to present their own ideas and are making sure that the plan makes sense and is aligned with your business goals.

Communicating Your Plan

Being able to set and articulate a long-term vision and goal

enables you and your team to do the seemingly impossible. If you have a high-functioning, talented team, they will take care of your customers and generate long-term value for your company. You need to be listening to your teams as much as you listen to your customers.

Momentum And Your Key Insight

How confident are you that you can attract the talent and resources needed to pull this off? Sometimes, you're in a business that may not be attractive for new capital. Typically, if you have good talent and resources, you have a business that investors should be interested in, and it will be easier to attract and retain talent.

Using Your Team to Create/Build Momentum

Your team is the most important asset in your business. If you're large enough to hire a human resources professional, you should be treating that person as one of your most important right-hand leaders. Over time, as you and your leaders deal with constant growth, you will need to focus more on your team. Making sure that you have a smart, talented, and culturally aligned group is very important for the long haul.

Using Capital to Increase Your Momentum

Raise the most money to be the market leader where you have an advantage in business. Allocate capital appropriately based on expected future returns. And always have enough capital to live through a downturn or catastrophe to fund your growth when you need it.

If you have the willingness to act, you can accomplish amazing things. Momentum is really the "ability to act." It enables you to chart a course forward. To charge the hill. To mount a push toward your biggest, hairiest, most audacious goals. At the end of the day as a leader, your true power is to make sure that you don't run out of money in your business and that you can acquire more capital to grow it.



Matt Hulett has driven more than \$2 billion in value creation as a four-time public company CEO and president and a two-time private company CEO. He is a seasoned technology executive with more than 30 years of experience building and leading world-class SaaS and consumer companies. He has had multiple turnaround successes in the public and private sectors, including Rosetta Stone, RealNetworks, and Expedia. He is regularly featured in technology and business podcasts and media outlets, such as Recode, Forbes, and Entrepreneur.

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