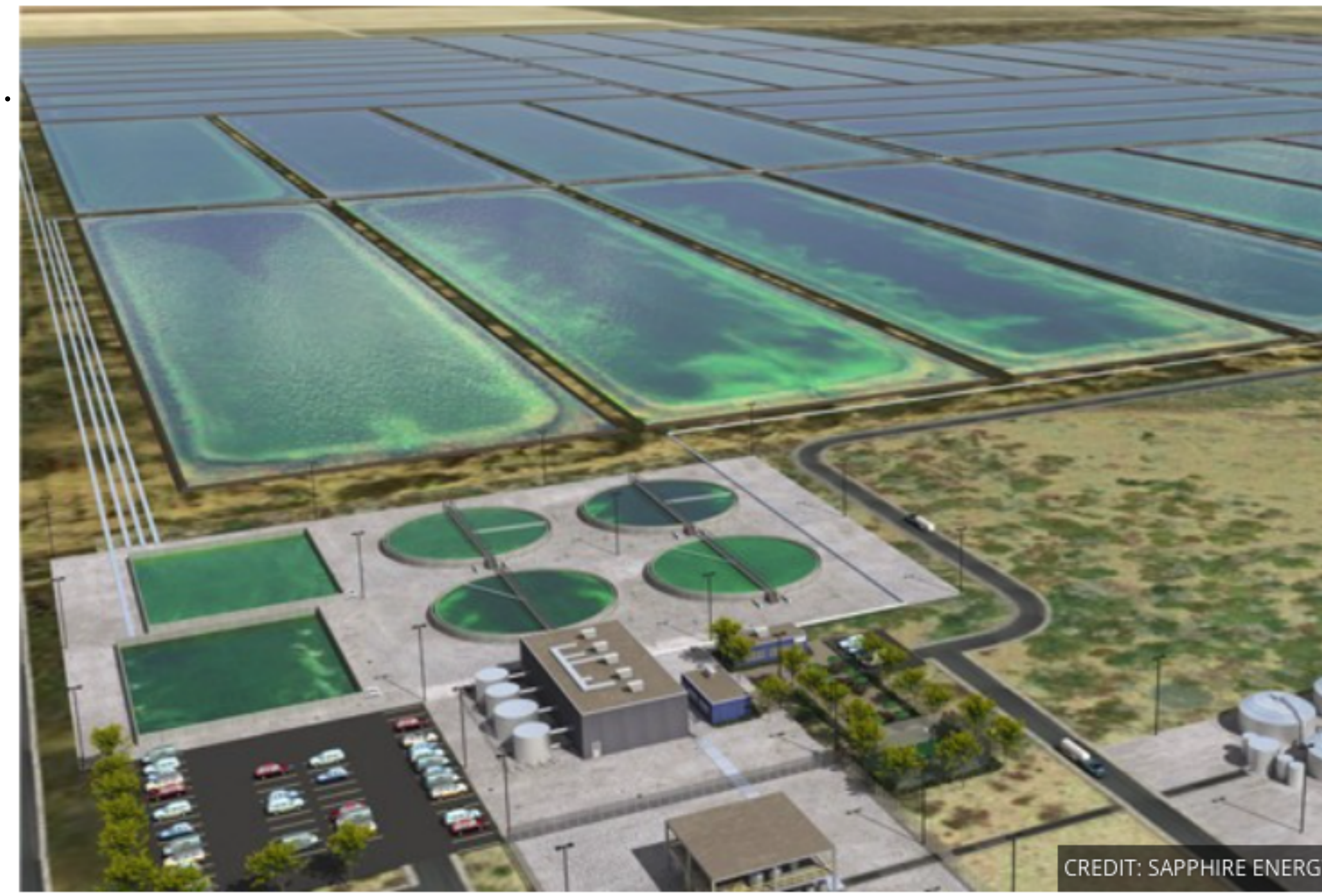
Big Oil: New Product Development

Situation: Big oil was trying to move into sustainable feedstocks for fuel production.

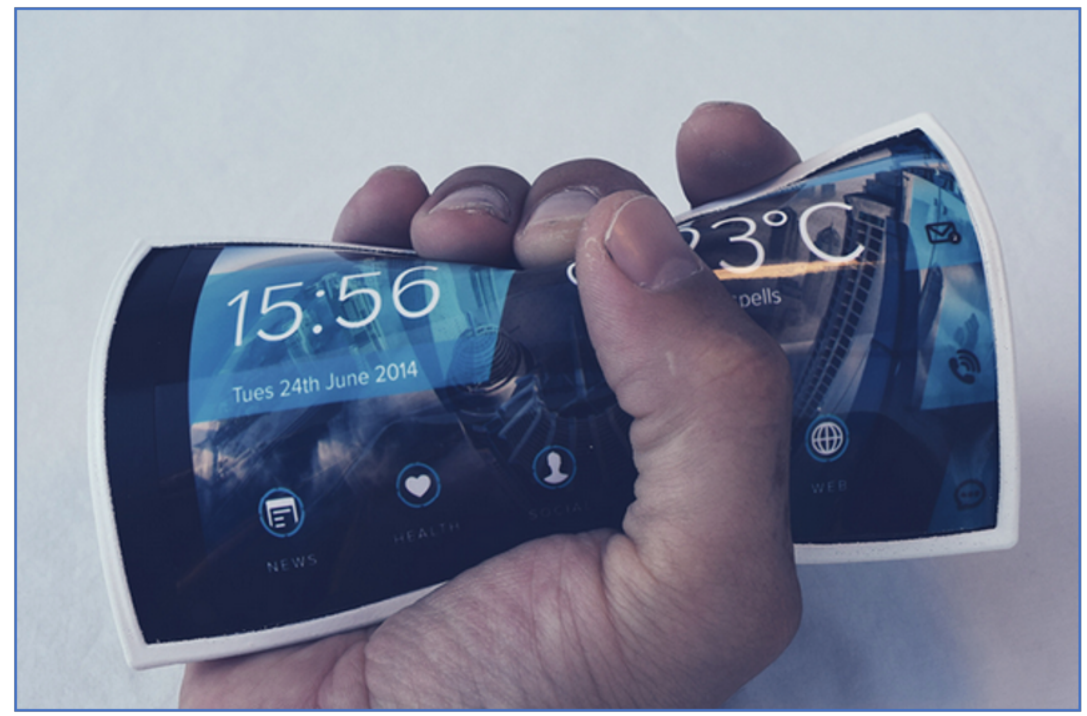
Challenge: When to partner? Big oil lacked the expertise to grow and refine algae at scale, necessitating a partner. But at what stage of development?

Outcome: By using Opportunity Engineering, we successfully plotted the optimal time to partner based on known factors through options analysis and updated valuation.



New Business Development

Situation: The sought-after strategic value for the client was to secure a position in supplying materials to the emerging flexible display market.



Question: How should we move forward? Should we pursue a direct investment in a startup or a joint venture?

Decision analysis indicated that the optimal approach was a joint development agreement to supply all necessary materials for the product.

Acquisition analysis: Our client could not allow the startup to be acquired by a competitor, as this would jeopardize the material supply agreement.

Conclusion: The joint venture was evaluated as though it were an option to acquire the startup. If a non-competitor were to acquire the startup, our client would have the option to either sell its ownership or continue providing materials to the startup.

Business Model Development

Situation: We identified a change in the business model that could open up a $4 billion opportunity previously overlooked by our client, a major player in global logistics.

Challenge: The build-out would require $1 billion in capital, and ingrained management biases prevented a decision to move forward, even with a trial.

Solution: We collaborated with the project team to show management that the uncertainty surrounding this new business model could be significantly reduced with an initial investment of $100,000. This would validate key assumptions through a trial using the new business model in a major retailer's supply chain.

Platform Development Using Options thinking

Situation: We collaborated with a project team at a leading US chemical company proposing a new product platform that was stuck in the upper management decision-making process.

Action: Our analysis revealed that while developing the new platform would require approximately $20 million in capital, the initial investment to reduce much of the uncertainty could be achieved with $250,000 in additional research.

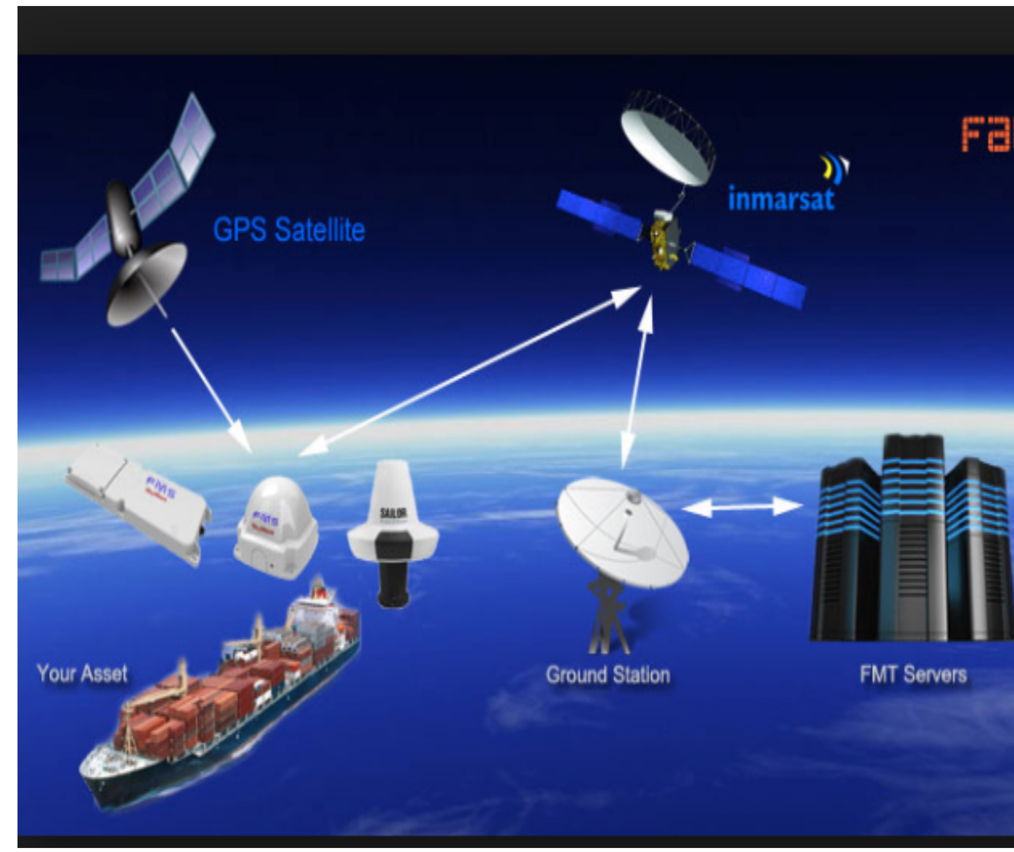
Outcome: Senior management had two options:

A. Do nothing new and invest $20 million in its existing products;

B. Invest $250,000 in this idea to potentially uncover a new product platform.

New Business Evaluation

Situation: We were asked to collaborate with the team that developed a new technology and product that was failing to meet revenue expectations within a global conglomerate. We were required to provide an up-or-out decision within three months.



Challenge: To reach a conclusion, customer interviews and research were conducted, revealing that the market demand for this new technology did not justify its continuation because current solutions were adequate.

Outcome: The conclusion was that there was actually no demand for the technology due to the absence of an anticipated government mandate. While disappointing, the parent company was spared millions of dollars in ongoing losses.