khosla ventures

STANDARD OPERATING PROCEDURES

# **Project rifle:** Improving targeting with meaningful quantitative analysis

*"If you don't have any facts, we'll just use my opinion."*

Jim Barksdale

*"If we make the wrong decision,
it's your fault."*

Bill Campbell

# RIFLE is a quantified decision making framework

## Appropriate for major decisions

- Provides a rigorous means of prioritizing among similar options

- Done well, RIFLE leads to improved decisions that are broadly supported

- In general, involves 100+ hours of work and expensive resources per use

# Rifle improves do-or-die market decisions

| | INTUITION | RIFLE ANALYSIS |
|---|---|---|
| **MARKET RIFLE** <br> What market segments should we be in? | Focus on top 2,000 accounts; expand to complementary markets | Narrow focus to 30 of top 200; stay in core market for 2+ years |
| **ACCOUNT RIFLE** <br> Which accounts should we target? | Great financial services targets: [Company 1], [Company 2] | None of the above are appropriate: better are [Company 3], [Company 4] |
| **CHANNEL RIFLE** <br> What channel strategy, what partners? | Leverage large existing sales forces of channel partners to expand sales | Direct sales assisted by partners much more likely to succeed |

# Market strategy analysis

- Establish clear alternatives

- Establish targeting and prioritization framework

- Get buy-in on the framework; know how it will be applied

- Execute the analysis and don't screw it up!

# Targeting the right market segments
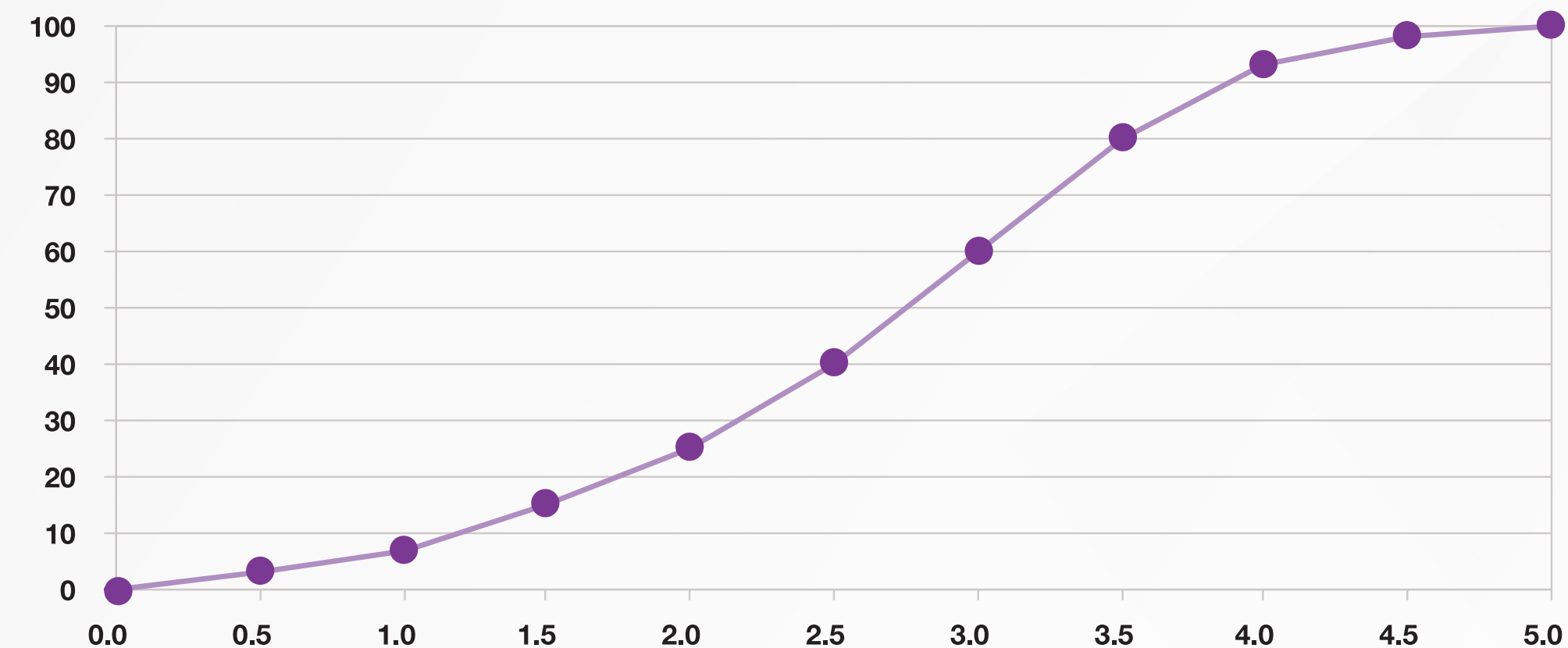
## Market RIFLE methodology summary

- Goal #1: Market leadership

- Goal #2: Expand in a disciplined, highly leveraged way

- Goal #3: Identify and exploit network effects
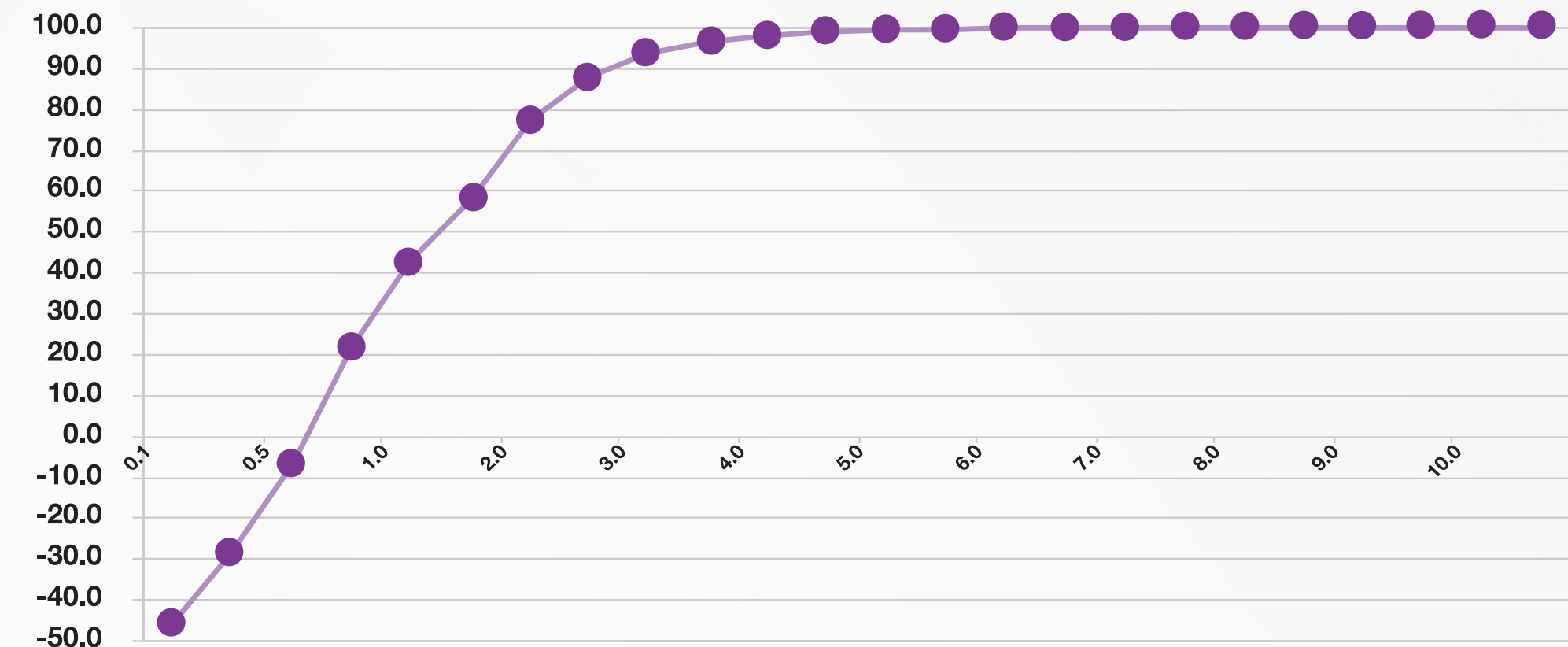
# Quantitative market comparison

## "RIFLE-izing" key characteristics

- Evaluate and score each market on these six characteristics

- Use simple 0-5 scale with typical s-curve value function for all characteristics (except market size, which is in $Bn)

**Sales model, marketing model, decision makers, competition, product requirements**



**Market size**

# Market rifle given current data

**Market attractiveness**

# Establish clear alternatives

- Which verticals (brokerage or credit cards?)

- Which accounts?

# Establish targeting and prioritization framework

- 13 carefully selected criteria based on win-loss analysis, customer interviews

- Thoughtful weighting is as important as the criteria

# Get buy-in on the framework

## Know how it will be applied

- Get buy-in on the framework before doing the analysis

- Application: A strategy presentation or an ongoing process?

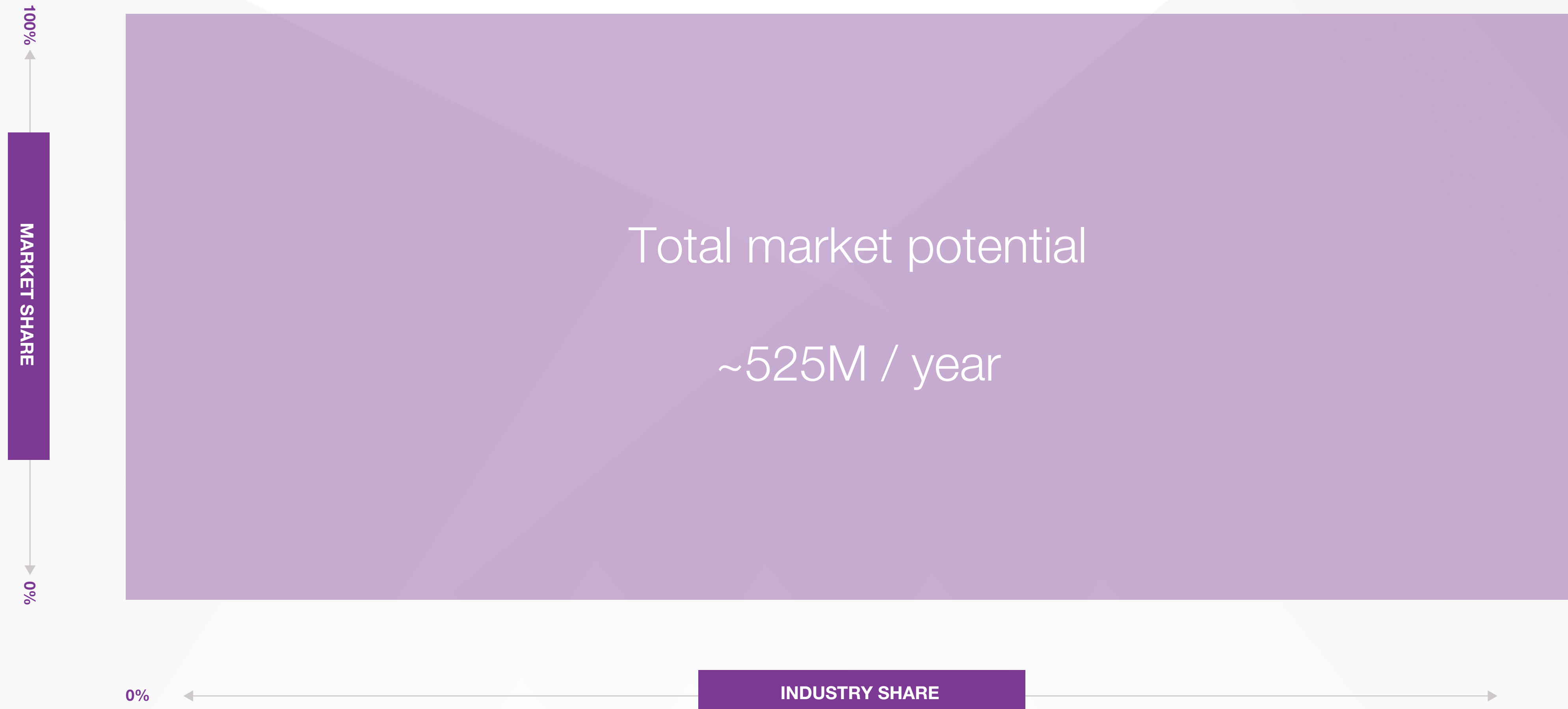# Execute the analysis…

**And don't screw it up!**

- Incorrect or misleading information is worse than nothing

- Getting good data requires creativity

# RIFLE helps focus opportunities

**Financial services market analysis**

Total market potential

~525M / year

MARKET SHARE

100%

0%

INDUSTRY SHARE

0%

# Breakout market potential by vertical

## RIFLE insight: Retail and credit cards surprisingly large

**MARKET SHARE** (100% to 0%)

| Retail banking ~180M / yr | Credit and charge cards ~215M / yr | Mortgage credit ~25M / yr | Retail brokerage ~40M / yr | Investment services ~35M / yr | Life insurance / Diversified financial services ~30M / yr |

34%     41%     5%     7%     7%     6%

0% ← **INDUSTRY SHARE** → 100%
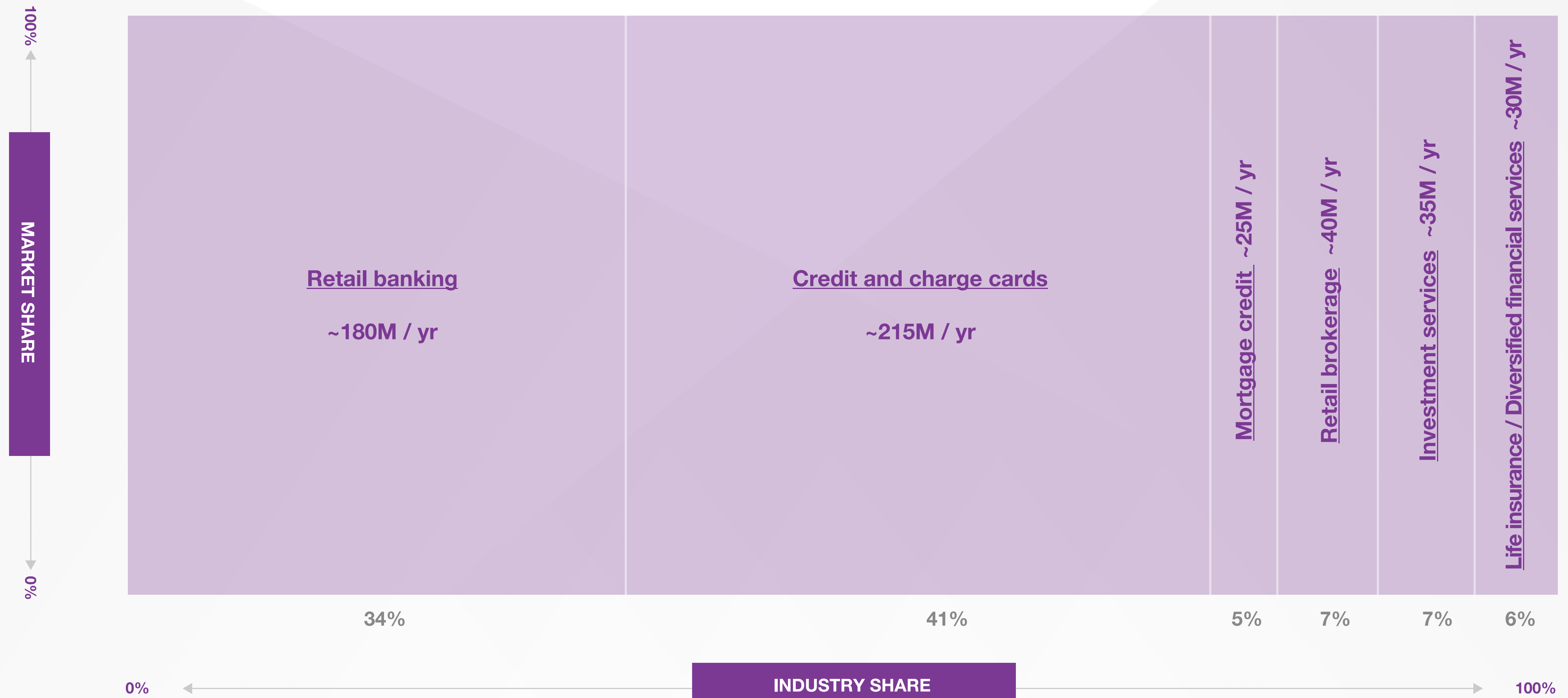
# RIFLE significantly focuses target markets



**MARKET SHARE** (vertical axis, 0% to 100%)

**INDUSTRY SHARE** (horizontal axis, 0% to 100%)

**Retail banking** — 34%
- Too small (3%)
- Recent IVR purchase (39%)
- Other telecom network (42%)
- "Rifle" retail banking (14%)

**Credit and charge cards** — 41%
- Too small (4%)
- Recent IVR purchase (15%)
- Other telecom network (41%)
- "Rifle" credit and charge card (40%)

**Mort. credit** — 5%
- Too small (46%)
- 14%
- OTN (36%)

**Retail brok.** — 7%
- Recent IVR purchase (50%)
- OTN (11%)
- "Rifle" RB (17%)

**Inv. svcs** — 7%
- Other 9%
- Sm 9%
- OTN 9%
- "Rifle" investment services (73%)

**Life Ins./ Div. FS** — 6%
- Sm 9%
- "Rifle" life insurance / Diversified financial services (91%)

# RIFLE prioritizes accounts
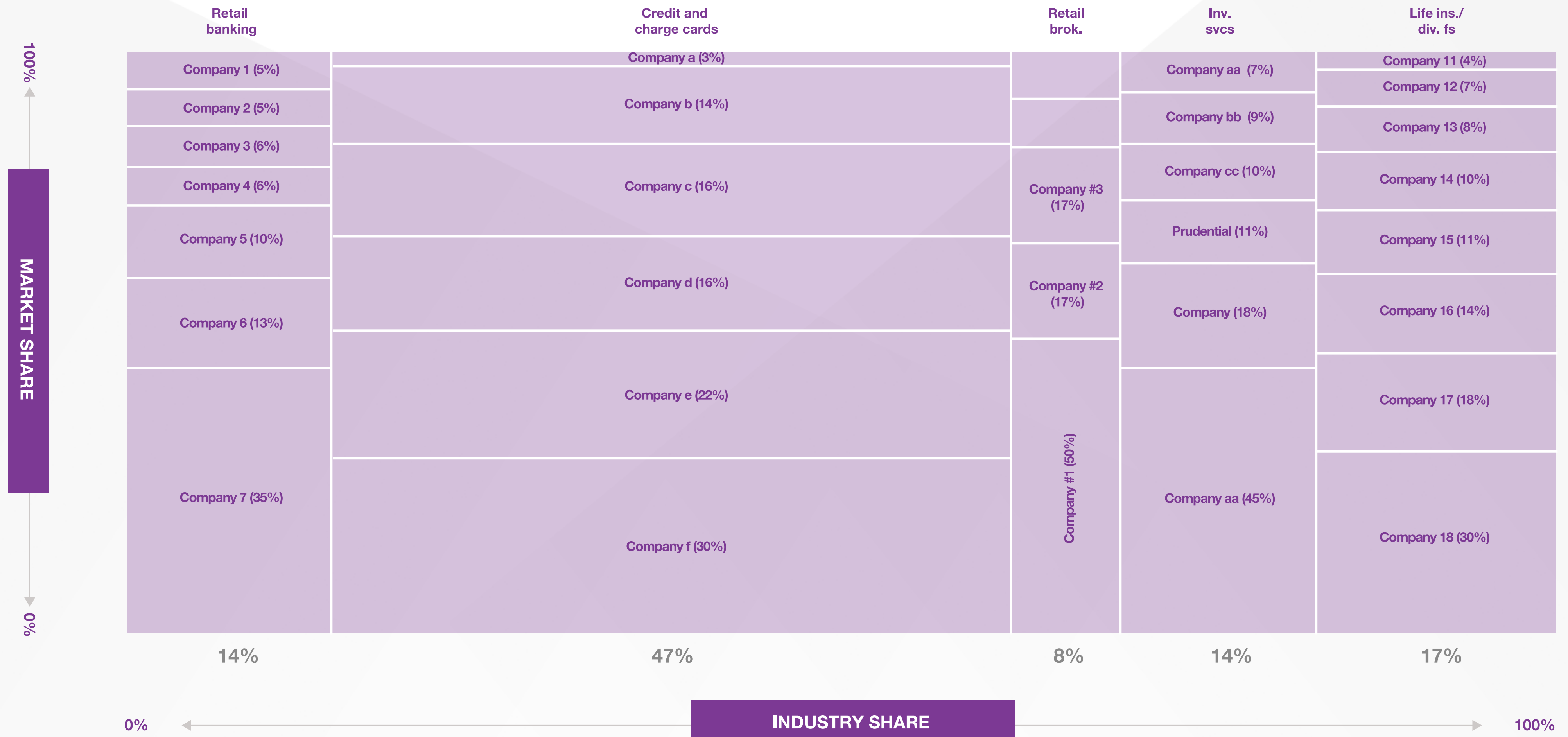
# Incorrect or misleading information is worse than nothing

## Get meaningful data

- Don't trade precision for correctness

- Analyst numbers can be useful but often are wildly off

- Consider weighting data by confidence in source

- Don't be seduced by large sample sizes: 20 random and representative inputs beat 2,000 biased ones

# Getting good data requires creativity and persistence

## Get meaningful data

- Extrapolate from high confidence, easy to find data

  - Example: Revenue opportunity by company

- Be creative on where to get data

  - Customers, potential customers, employees, former employees, advisors, network (remember, sometimes just 20 high quality responses are meaningful)

- Make it as easy as possible to gather clean data

  - Beware of leading questions, decouple weighting from data gathering