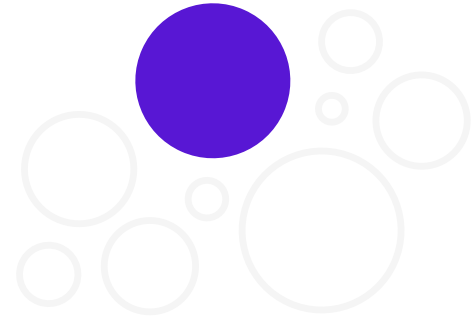




## 60 - second Industry Analysis



At CopperBox, we work with leaders who manage and direct various businesses in a wide array of industries. And many of our clients also interact across industries and therefore, share in the challenge of needing to quickly understand businesses with which they are less familiar and do so effectively. While it is impossible for any individual to be fluent in every industry, it is nonetheless imperative that a most efficient process for industry analysis be in place.

Whether it is getting up to speed on a client's industry, researching investment opportunities, or assessing potential M&A transactions, business leaders must be equipped with the tools necessary to quickly learn the underlying fundamentals of different businesses. They must take a disciplined approach to sourcing and identifying the most critical areas, both internal and external, in order to acquire a sincere, conceptual understanding of a given industry and its competitive position. The risks of not doing so range from loss of client trust to loss of millions of dollars in investment. We have found that understanding a client's business is essential to building a full context for our leadership and strategy work with them.

To further illustrate the importance of having a strong grasp of a business we use the example of a Search Fund. The Entrepreneurs in Residence (EIR's) at these funds are faced with the seemingly insurmountable task of combing through hundreds of industries and their subsectors to ultimately source an attractive business which they intend to acquire and subsequently lead. An expedient industry analysis must be embedded into their process, otherwise they will surely face frustrated investors due to their inefficiency. In short, it is not only possible to have this type of process in place, but the search fund model is also one which has proven very rewarding both to the EIR's themselves and their investors.

LIKE A SEARCH FUND, WE AT COPPERBOX HAVE IMPLEMENTED A 60-SECOND INDUSTRY ANALYSIS PROCESS IN ORDER TO BEST POSITION BUSINESS LEADERS TO PROACTIVELY DRIVE BUSINESS OUTCOMES AND EVENTUALLY FOR SOME, TO BE GREAT CEO'S.

The Copperbox approach to industry analysis first hinges on the identification of those pieces of information critical to answering the following questions:

- What are the primary activities of these businesses?
- Who are the customers?
- What is the economic value?

Once a foundational understanding of the business has been built, it then becomes more intuitive to consider and assess:

- The broader economic conditions and trends which may drive or stall the business
- The existing or potential risk factors pertinent to the industry

## USING THE CPG INDUSTRY AS AN EXAMPLE, HERE WE IDENTIFY THE KEY AREAS OF FOCUS:

- **Who are the major players?**

- In the CPG industry, one could point to Nestle, P&G, and PepsiCo

- **How concentrated or fragmented is the space?**

- Do these 3 companies dominate 99% of the industry or just a specific sector?

- **Is the industry impacted by seasonal effects throughout the business cycle?**

- What percentage of sales come from just the holiday season? Or are sales generally steady throughout the year, moving in line with economic conditions?

- **Is this a high or low barrier to entry industry?**

- How easy is it for new competitors to enter the space, potentially replicate the service, and hurt a company's position?

- **What are the competitive dynamics?**

- How do businesses differentiate themselves most effectively?

- How sticky is the customer base? Are they traditionally loyal to a specific chain of grocery stores and brands, for example?

- What factors do they consider when purchasing?

- **How susceptible are businesses in this industry to exogenous risks and how frequently might they occur?**

- These external risks, or shocks outside of the industry, may come in the form of regulatory changes, large-scale innovation, natural disasters, etc.

- For example, in the CPG industry, new international trade regulations may hurt profit margins.



**By using this compact and disciplined approach you'll be in a position to think more completely about your business.**

Once you have this foundational understanding of your key business drivers you will find that thinking about your company's strategic intent becomes easier. Whether you currently contribute as a strategic leader in your organization or aspire to, this 60-second industry analysis will be an indispensable part of your executive toolkit.