Market Entry Risk Assessment

The Core Principle

Market expansion is a major strategic decision that often fails due to inadequate planning. This checklist helps you assess whether you're ready to enter a new market and what risks you need to manage.

Part 1: Market Opportunity Assessment

Is this a real market opportunity?

Market Definition:

- [ ] Geographic market: _____
- [ ] Customer segment: _____
- [ ] Product/service category: _____
- [ ] Use case: _____

Market Size Analysis:

- [ ] Total Addressable Market (TAM): $_____
- [ ] Serviceable Addressable Market (SAM): $_____
- [ ] Serviceable Obtainable Market (SOM): $_____

Market Growth Analysis:

- [ ] Market growth rate: ____% annually
- [ ] Is market growing or declining? [ ] Growing [ ] Flat [ ] Declining
- [ ] What's driving growth/decline? _____

Part 2: Customer Need Validation

Do customers actually want what you're offering?

Customer Research:

- [ ] Have you validated customer need? [ ] Yes, extensively [ ] Yes, somewhat [ ] Limited [ ] No
- [ ] Customer interviews: _____ customers
- [ ] Surveys: _____ responses
- [ ] Pilot/beta: _____ customers

Customer Problem Understanding:

- [ ] What problem are you solving? _____
- [ ] How acute is this problem? [ ] Critical [ ] Important [ ] Nice-to-have
- [ ] How are customers currently solving this? _____
- [ ] Why is your solution better? _____

Customer Validation Results:

- [ ] % who confirmed they have this problem: _____%
- [ ] % who said they would buy: _____%
- [ ] Average price indicated: $_____
- [ ] When would they buy? ____% Immediately | ____% Within 6 months | ____% Within 12 months

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Part 3: Competitive Analysis

Who are the competitors?

- [ ] Competitor 1: _____ (Market share: ____%)
- [ ] Competitor 2: _____ (Market share: ____%)
- [ ] Competitor 3: _____ (Market share: ____%)

Competitive Positioning:

- [ ] What's our competitive advantage? _____
- [ ] How sustainable is our advantage? [ ] Very sustainable [ ] Somewhat [ ] Not sustainable
- [ ] How will competitors respond? _____

Competitive Threats:

- [ ] Are there new competitors emerging? [ ] Yes [ ] No
- [ ] Are there substitute products? [ ] Yes [ ] No
- [ ] What's the competitive threat? _____
- [ ] Risk of competitive retaliation? [ ] Low [ ] Moderate [ ] High

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Part 4: Market Risk Assessment

NEW COMPETITIVE RISK SECTION

Risk of New Competitor Entry

This is a critical risk that many market entrants underestimate. Just because you enter a market doesn't mean you own it. Competitors can follow, and sometimes quickly.

Example: You buy a chicken restaurant in a strip mall. Six months later, someone else opens another chicken restaurant in the same mall. Your market share gets cut in half overnight.

Competitive Entry Risk Assessment:

- [ ] How easy is it for competitors to enter this market? [ ] Very easy [ ] Moderate [ ] Difficult
- [ ] What barriers to entry exist? _____
- [ ] How quickly could a competitor replicate your offering? _____
- [ ] What would it cost a competitor to enter? $_____
- [ ] Are there any competitors positioned to enter? [ ] Yes [ ] No [ ] Maybe

Mitigation Strategies:

- [ ] Build switching costs (customer lock-in): _____
- [ ] Develop proprietary capabilities: _____
- [ ] Establish brand loyalty: _____
- [ ] Create network effects: _____
- [ ] Build scale advantages: _____

Monitoring Plan:

- [ ] How will we monitor for new competitors? _____
- [ ] How often will we check? _____
- [ ] What's our response plan if a competitor enters? _____

NEW GEOGRAPHIC/DEMOGRAPHIC RISK SECTION

Geographic and Demographic Risk

Markets change due to factors completely outside your control. Geographic shifts, demographic changes, or external events can dramatically impact your business.

Examples:

- Local construction stops, eliminating a key customer demographic (e.g., Latino buyers who shopped in the morning)
- A large new retailer moves in and takes over parking, reducing customer access to your location
- Neighborhood demographics shift due to housing development or economic changes
- Transportation patterns change, making your location less accessible

Geographic Risk Assessment:

- [ ] What geographic factors affect our business? _____
- [ ] Are there construction projects nearby? [ ] Yes [ ] No
- [ ] Could construction impact customer access? [ ] Yes [ ] No [ ] Maybe

- [ ] Timeline for construction: _____
- [ ] Potential impact on foot traffic: _____%

Demographic Risk Assessment:

- [ ] What demographic segments are our primary customers? _____
- [ ] What % of revenue comes from each segment?
  - [ ] Segment 1: _____%
  - [ ] Segment 2: _____%
  - [ ] Segment 3: _____%
- [ ] Could demographic shifts impact our business? [ ] Yes [ ] No [ ] Maybe
- [ ] What demographic changes could occur? _____
- [ ] Probability of these changes: [ ] High [ ] Medium [ ] Low
- [ ] Potential impact on revenue: _____%

Retail/Commercial Location Risks:

- [ ] Are there major retailers nearby? [ ] Yes [ ] No
- [ ] Could new retailers impact parking/access? [ ] Yes [ ] No [ ] Maybe
- [ ] What's the lease situation for nearby spaces? _____
- [ ] Risk of disruptive new tenant: [ ] High [ ] Medium [ ] Low

Mitigation Strategies:

- [ ] Diversify customer base beyond geographic concentration: _____
- [ ] Build brand loyalty that transcends location: _____
- [ ] Develop online/delivery channels: _____
- [ ] Establish long-term location security (favorable lease terms): _____
- [ ] Build relationships with local stakeholders: _____

Monitoring Plan:

- [ ] How will we monitor geographic/demographic changes? _____

- [ ] How often will we check? _____
- [ ] What's our response plan if major changes occur? _____
- [ ] What's our contingency if we need to relocate? _____

Part 5: Operational Readiness

Are we ready to execute in this market?

Capabilities Assessment:

- [ ] Do we have required skills? [ ] Yes [ ] No [ ] Partially
- [ ] Do we have required resources? [ ] Yes [ ] No [ ] Partially
- [ ] Do we have required infrastructure? [ ] Yes [ ] No [ ] Partially

Market Entry Strategy:

- [ ] Entry mode: [ ] Organic [ ] Acquisition [ ] Partnership [ ] Joint venture
- [ ] Timeline: _____
- [ ] Budget: $_____
- [ ] Key milestones: _____

Go-to-Market Plan:

- [ ] Target customer segment: _____
- [ ] Pricing strategy: _____
- [ ] Distribution strategy: _____
- [ ] Marketing strategy: _____

Part 6: Financial Viability

Will this market entry be profitable?

Financial Projections:

- [ ] Year 1 revenue: $_____
- [ ] Year 2 revenue: $_____
- [ ] Year 3 revenue: $_____
- [ ] Break-even timeline: _____ months

Financial Metrics:

- [ ] Gross margin: _____%
- [ ] Operating margin (Year 3): _____%
- [ ] Return on investment: _____%
- [ ] Payback period: _____ months

Financial Risks:

- [ ] What if revenue is 50% below forecast? _____
- [ ] What if we take 6 months longer to break even? _____
- [ ] What if a major competitor enters? _____

Part 7: Decision Checkpoint

Should we enter this market?

Overall Assessment:

- [ ] Market opportunity: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Customer validation: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Competitive position: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Operational readiness: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Financial viability: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Competitive risk management: [ ] Strong [ ] Good [ ] Adequate [ ] Weak
- [ ] Geographic/demographic risk management: [ ] Strong [ ] Good [ ] Adequate [ ] Weak

Recommendation:

- [ ] Proceed with market entry
- [ ] Proceed with conditions
- [ ] Pilot first, then decide
- [ ] Do not enter this market

If proceeding, key conditions:

- [ ] Condition 1: _____
- [ ] Condition 2: _____
- [ ] Condition 3: _____
