

INPUT



Worksession

**TARGET IDENTIFICATION CRITERIA**

Prepared for

**GE CAPITAL CREDIT SERVICES**

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Prepared by

**INPUT**

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## OVERALL PROCESS

- Initial worksession: Establish target identification criteria.
- INPUT identifies and profiles potential candidates (First batch: 2-3 weeks)
- Second worksession:
  - Review candidates
  - How well do they meet criteria
  - Decide on approaches
  - Modify criteria, if necessary
- Profile and review stages may be repeated
- Approach: Initial meeting
- Due diligence



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<https://archive.org/details/targetidentificaunse>

## WORKSESSION OBJECTIVES

- To make the target search as efficient as possible
- Understand GECCS' direction better
- To optimize the fit of profiled companies with GECCS' directions and requirements
- Perfect fit is unlikely -- the better we can internalize trade-offs, the better job we will do





## WORKSESSION PROCESS

- Discussion and "fill in the blanks"
- Topic list
  - Next page: Summary
  - Individual pages for each topic
- For each topic, responses generally fit into one or more of the following:
  - "Must Have" attributes (if any)
  - Desirable attributes
  - Marginally acceptable attributes
  - Unacceptable attributes



## TOPIC LIST

- Sector criteria
  - Industries (vertical markets)
  - Business functions within verticals
  - Business functions across industries
  - Size and growth
  - Geography focus
  
- Acquisition Candidate Criteria
  - Size
  - Market share
  - Growth rate
  - Data processing/communications capabilities
  - Quality/customer satisfaction
  - Management capabilities
  
- Other Criteria
  - Financial returns
  - Size of investment
  - Acquisition vs other business relationships
  - Linkages with other GE units
  - Preferred business structure of target
  - Leading edge technology preferences



## WORKSHEET

### Industry Sectors (Verticals)

- Are there industry groups/subgroups which are especially attractive/unattractive as customers?
- Are there industries you don't want to be in?

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Banking (consumer?)				
Utilities				
Telcos				
Insurance (personal)				
Transportation				
Retail				



WORKSHEET

Functions within a Vertical Market

Example: Credit Cards

- The following example takes some of the major functions within credit card support
- Analogous lists could be prepared for other industries

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Remittance processing				
Statement preparation				
Statement mailing				
On-line account verification				
Merchant processing				
Card manufacturing/embossing				
Consumer direct mail preparation and mailing				
Inbound 800-number consumer help desk				
Credit scoring				
Credit risk management				
Private label processing				





WORKSHEET

Business Functions (Vertical)

- List and comment on business functions which are attractive/unattractive as a business focus within vertical industry targets
- Examples: Hospital billing; demand deposit processing
- Are there business areas which you have considered and don't want to be in?

List Functions  
Within Verticals

Unacceptable      Marginally  
Acceptable      Desirable      Must  
Have



WORKSHEET

Range/Depth of Functions

Generic Examples

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Statement preparation/mailing				
Direct mail/lettershop				
Data base supplier (e.g., for direct mail)				
In- and outbound 800 number capabilities (general)				
Help desk (specialized)				
Billing/remittance processing				
Customer data base management (e.g., retail or utility customers)				
Consumer credit supplier				
Outsourcing: processing functions				
Outsourcing: business functions				



WORKSHEET

Business Functions -- Horizontal

<u>Unacceptable</u>	Marginally <u>Acceptable</u>	<u>Desirable</u>	Must <u>Have</u>
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WORKSHEET

Processing/Outsourcing Opportunity Examples

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Reservation systems operation				
Frequent flyer program outsourcing				
Remote airline ticket delivery network				
Bank consumer account processing				
Bank ATM outsourcing				
Bank services kiosk development and operation				
Consumer marketing data base supplier				
Consumer direct mail printing and mailing				
Catalog fulfillment processing				





## WORKSHEET

Target Sector: Size and Growth

<u>Unacceptable</u>	<u>Marginally</u> <u>Acceptable</u>	<u>Desirable</u>	<u>Must</u> <u>Have</u>
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1994 Size

- Revenues
  
- Units/Other

1994 - 1999 Growth

- Revenues
  
- Units/Other
  
- Evenness of Growth  
(What is acceptable  
year to year variation?)



WORKSHEET

Geography

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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U.S. business only

U.S. + Foreign

- Geography Covered
  
- Percent Foreign



WORKSHEET

Size of Target Company

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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Revenues

Units

Other Measures (Note:  
Market share is addressed  
separately)



WORKSHEET

Market Share of Target Company

- How important is market share?
- How important is the target company's ability to improve its position?  
(Note: Primarily a matter of assessment during the due diligence process.)

Unacceptable      Marginally  
Acceptable      Desirable      Must Have

Market Share in Dollars  
(percent)

Market Share in Units  
[if applicable]  
(percent)

Rank (#1, #2, etc.)

Other Leadership Traits  
(e.g., image, technology,  
quality)





WORKSHEET

Target Company: Revenue Growth Rate

<u>Unacceptable</u>	Marginally <u>Acceptable</u>	<u>Desirable</u>	Must <u>Have</u>
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Historic Growth Rate

Evenness of Growth Rate  
(What is acceptable  
year to year variation?)

Future Growth Rate  
(absolute percent or rate  
relative to overall sector  
growth)



## WORKSHEET

### Data Processing/Communications Capabilities

- How important are core competencies in computer operations, software development, communications management?
- These could be additive to those now available to GECCS and/or could be supplementary.

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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WORKSHEET

Quality/Customer Satisfaction

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Quality (General/Abstract)				
Quality (Specific Metrics)				
Customer Satisfaction				



## WORKSHEET

### Management Capabilities

- How important are the capabilities of the current management of the target company?

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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Strong running current  
business

Can grow business

Can enter new areas

Adequate, but needs  
supplementing

Turnaround situation





# WORKSHEET

## Financial Return Requirements

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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### For Target Sector

- ROI
  
- Margins

### Target Company

- ROI
  
- Margins
  
- First 1-2 years vs.  
Steady State



WORKSHEET

Size of GECCS Investment

(\$MM)

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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Minimum

Maximum

Percent Ownership



WORKSHEET

Relationship Preferences

	<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
Acquisition				
Joint Venture (Formal)				
Partnering				



## WORKSHEET

### Relationships with Other GE Units

- Are there strategies, directions, offerings or capabilities of other GE units that should be taken into consideration? E.g., GEIS.
- Considerations include markets, functional or technical issues.
- Could be a mixture of positive and negative factors

Unacceptable      Marginally  
Acceptable      Desirable      Must  
Have





WORKSHEET

Preferred Business Structure of Target

<u>Unacceptable</u>	<u>Marginally Acceptable</u>	<u>Desirable</u>	<u>Must Have</u>
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Public company

Private company

Division (Services  
Provider)

Division (IS Dept.)



WORKSHEET

Leading Edge Technology

(If important specify types, e.g., client/server,  
imaging, telecommunications)

• Do you want to be in a sector and/or company with leading edge  
technology?

Unacceptable      Marginally  
Acceptable      Desirable      Must  
Have



WORKSHEET

<u>Unacceptable</u>	Marginally <u>Acceptable</u>	<u>Desirable</u>	<u>Must</u> <u>Have</u>
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