



 INNOMOD
SOLUTIONS LLC



 INNOMOD
SOLUTIONS LLC

*The New Standard in Innovative Models of
Industry Structure: Our Products, Services,
and Commitment to Clients*



For sales or other information, please contact one of our product specialists or consultants at:

Email: structureinfo@innomodsol.com

Phone: (888) 954-0077

Fax: (804) 723-3815

For additional information, please visit www.innomodsol.com.



BUSINESS ADDRESS:
Boston Executive Center
One Post Office Square, Suite 3600
Boston MA 02109

Tel: (888) 954-0077

Fax: (804) 723-3815

Web: www.innomodsol.com

E-mail: structureinfo@innomodsol.com

The arrangements of text and pictures in this catalog constitute part of the intellectual property of INNOMOD Solutions LLC
Copyright 2012, Oghenovo Obrimah/INNOMOD Solutions LLC

Cost-Benefit Analyses

We are confident our structural model of your business or industry will



yield significant insights into strategies that will improve your short-run operations and help facilitate significant improvements to your firm's long-run performance or competitive advantage.

Given the costs of our services are directly tied to the explanatory power of our models, the benefits that accrue to your firm from our products and services are contractually

guaranteed to be commensurate to your costs. We look forward to hearing from you.

Our commitment to your firm

If you are interested in our services, please get in touch with one of our consultants for initial consultations. Note that since all of our models are proprietary in nature, we do not discuss the details of our existing structural models with clients until discussions are at an advanced or contractual stage. Our commitment to your firm, however, is that if we are unable to provide support for our claims, any initial or contingent contract (contingent on provision of evidence in support of the explanatory power of our existing models) is rendered null and void. In addition to this contingency, we also commit to tiered contracts within which the contractual value of our services is directly tied to the explanatory power of our structural models.



Models of business and/or industry structure

At INNOMOD Solutions LLC, we believe an understanding of the structure that underlies the industry within which your firm does business can contribute immensely to the success of your business model.

In light of this insight, we have accumulated expertise with respect to the development of innovative and relatively parsimonious models of the structure that underlies different industries. Our structural models are intentionally parsimonious because we build them such that they are directly testable and verifiable, yet accurate descriptions of a particular industry or market.

We are confident our structural models will yield significant long-run benefits for all of your firm's stakeholders.



Our “Base” Model vis-à-vis Porter’s Five Forces Model

While our models of industry structure are not derived directly from “Porter’s Five Forces model” – Porter (2008) * – combined, the models implicitly address the five forces, which according to Porter are: “Existing Competition”, “The threat of new entrants”, “bargaining power of suppliers”, “bargaining power of buyers”, and “the threat of substitute products or services”.

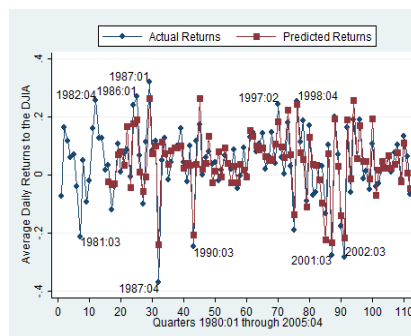
Our “[Blue Model](#)” implicitly addresses the “existing competition”, “bargaining power of suppliers”, & “threat of new entrants” components of Porter’s five forces model.



. * Porter, M.E., 2008, The Five Competitive Forces That Shape Strategy, *Harvard Business Review* January 2008, 79–93.

Add-on Model III: Empirical Structural Model of Market Returns

This empirical structural model implicitly incorporates elements of each of the preceding models and is currently developed for securities markets



We have, however, also successfully applied the model to the private equity and commodities markets

Since the empirical model incorporates elements of each of the preceding models, we are able to develop similar models for different industries by leveraging on the

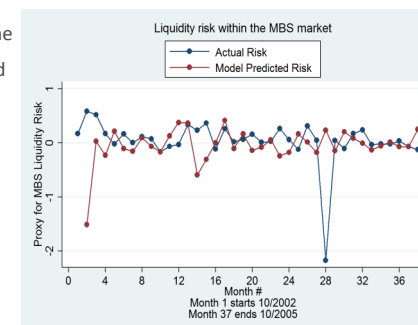
outcomes of similar industry-specific models. The chart above juxtaposes predicted returns to the Dow Jones Industrial Average (DJIA) with actual returns. The explanatory power of the underlying structural model is over 80%

Add-on Model IV: Structural Model of Liquidity Risk

This model develops a variable that enables the determination of the effects of liquidity changes on the price risk of fixed income securities

The model is currently developed within the context of the market for Mortgage Backed Securities (MBS) and explains more than 80% of the time variation in liquidity risk within the secondary market for MBS

The model can easily be customized to other classes of Fixed Income Securities.



The chart above juxtaposes predicted liquidity risk obtained using the structural model with actual liquidity risk. The explanatory power of the underlying structural model is over 90%

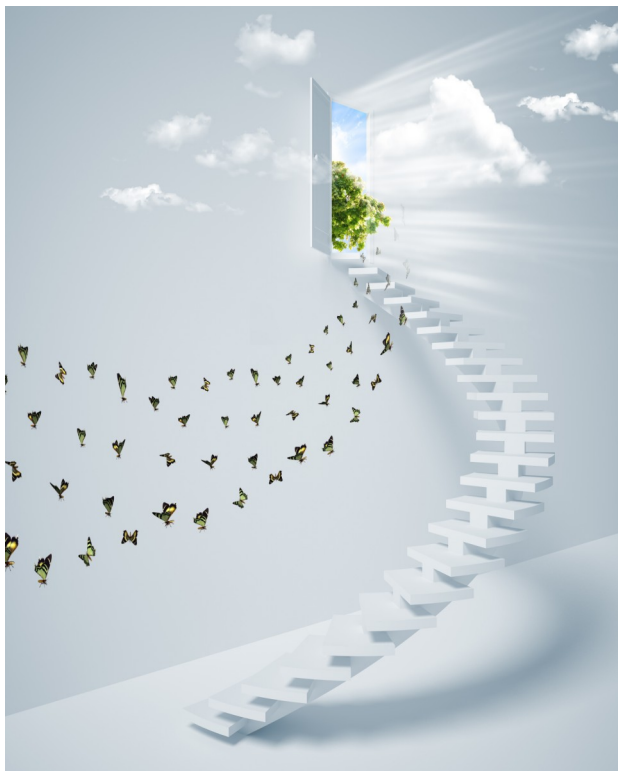
Add-on Model II: Model of Unexpected Ability

In industry-specific roles or positions where employee performance can be assessed on a stand-alone basis

(for instance, securities traders, sales personnel, mutual funds managers etc.), this model enables the disaggregation of aggregate performance into expected and unexpected components. For employees whose performance cannot be directly tied to some measurable financial metric, the model enables the determination of employees' contribution to a firm's

unexpected performance. We believe an understanding of your firm's unexpected performance and the factors that contribute to such unexpected performance will enhance your firm's competitive advantage and yield improvements in the design of employee compensation contracts.

The model is currently developed and applied within the context of the venture capital market



Our “Add-on” Models vis-à-vis Porter’s Five Forces Model

By enabling firms to better identify and reward innovative employees, our [Add-on models](#) enhance a firm's ability to reward its employees appropriately.



Since the likelihood that a firm's most innovative employees will become its competition in the future is relatively high, structural models that enhance a firm's ability to reward innovation appropriately enable the firm to mitigate both the “threat of new entrants” and “the threat of substitute products or services”.

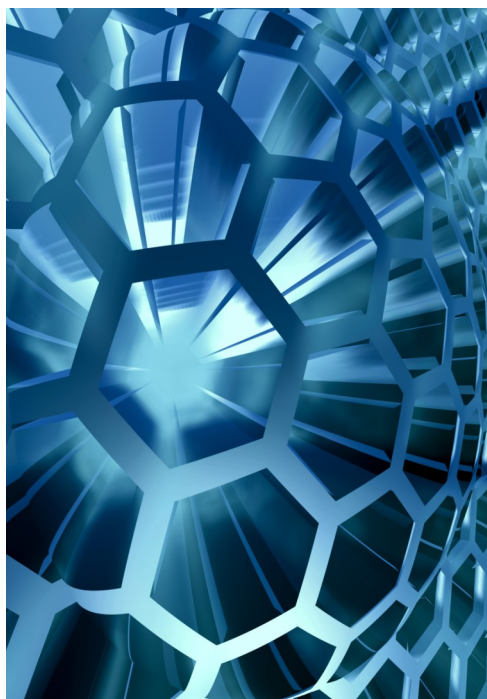
Combined, our model of prices within an industry that consists of “existing” and “new entrant” products and our empirical bargaining power model enhance a firm's ability to respond

proactively to changes in “buyers' bargaining power”.

How good are our models?

In just about every practical application of our structural models within the venture capital, public equity, and fixed income markets, we have been able to explain at least 80% of the cross-sectional and/or time series variability of proxies for industry structure.

Why do our models perform so well? Because we strive to understand the basic structure of each market that we attempt to model. This results in structural models that are directly and empirically testable. We are confident our focus on parsimony and an understanding of industry structure will yield significant insights and value increments as it assists your firm with the achievement of its long-run performance goals.



Base Model: Opportunity Set Risk Model

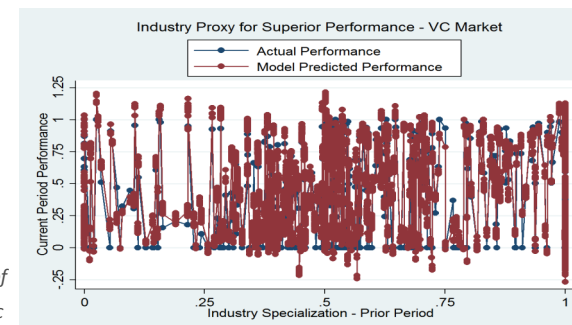
Models a market or industry that is segmented with respect to the risk or quality of its inputs

Segmentation with respect to input quality or risk results in differences in product quality or risk

Model currently developed within the context of the venture capital market

The charts on this page graph predicted values of a venture capital-specific performance proxy

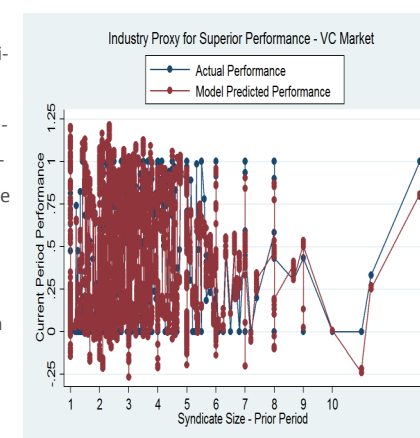
against actual values. The explanatory power of the underlying structural model is over 85%



Add-on Model I: Performance Attribution Model

This model enables a novel ranking of a firm's performance relative to the competition and the disaggregation of a firm's performance into idiosyncratic and systematic components; idiosyncratic and components can be firm or industry-specific, while systematic components can be industry or market-specific

This novel ranking takes into consideration differences in market conditions during periods within which a firm commenced business or introduced a new product



Model currently developed or applied within the context of the venture capital and public equity markets

Modeling approach

While our existing models are developed within the context of a particular industry or market, the frameworks within which the models are developed have broad applications. Specifically, our models are built to capture the evolution of opportunities, returns, and risk within the real economy.

The foundation of each of our industry-specific structural models is a model of an industry or market's opportunity set. We refer to such models as our **"Base" industry models**. Depending on client needs, we next leverage any or all of our existing **"Add-on" models** on the base model.

This modeling approach or philosophy results in interlocking structural models that taken together provide a good description of the ability-risk-return nexus within an industry, or equivalently, forces that shape industry structure. We remain open, however, to developing new structural frameworks that are customized to your firm's specific needs.



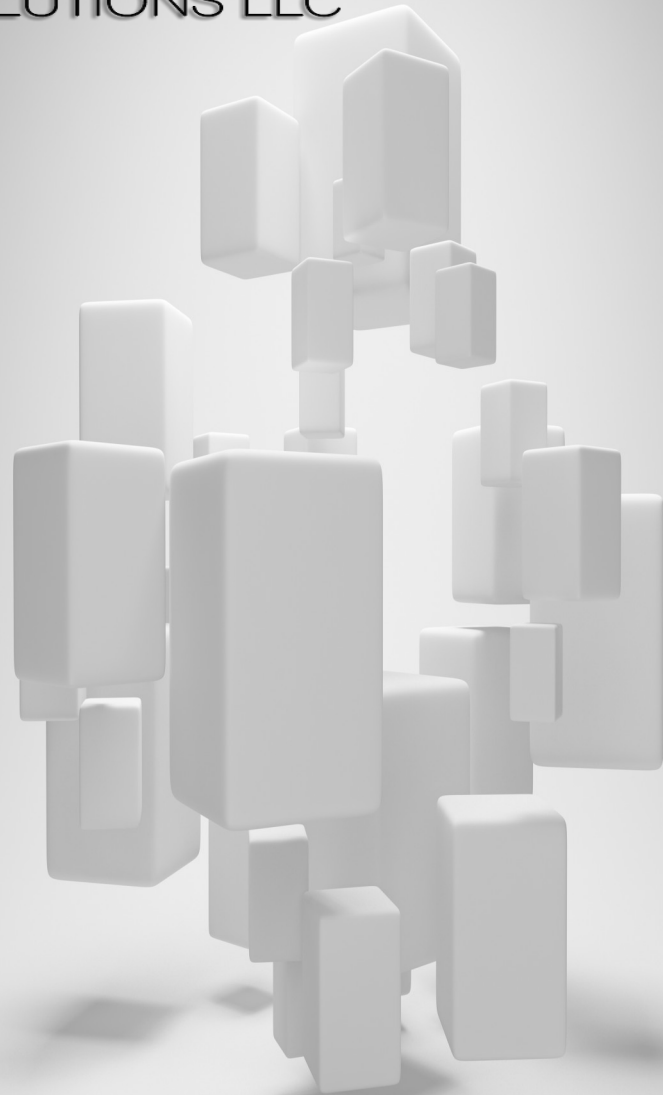
Focus of our Models

Our focus in every model we build is on underlying structure. As a result, our models are not intended to replace detailed quantitative models that likely govern a firm's day-to-day operations.



Rather, by enabling a better understanding of industry or firm fundamentals, our models enable your firm to design and implement long-run strategies that help maintain and/or increase your competitive advantage relative to peer firms. In essence, our models enable a firm to adopt an integrated approach to its *SWOT* (Strengths, Weaknesses, Opportunities, and Threats) Analysis.

While our models are not intended to replace detailed quantitative models of day-to-day operations, we will assist your firm with the process of integrating our structural models with your existing quantitative models in order for short-run operations to be consistent with structural or long-run insights gleaned from our models. This ensures your short-run operations are consistent with changes to your long-run objectives that are the outcomes of insights gained from our models.



*The New Standard in Innovative Models
of Industry Structure*

