Growth Tests

An article on the Wall Street Journal has this embedded graph. It offers justification for the high valuations for social media companies. The full article is here: [http://on.wsj.com/eOAvDO](http://on.wsj.com/eOAvDO)

![](image)

a. Groupon and Zinga look good, relative to other success stories in the last decade (at least according to this graph). Is there a selection bias here? If so, how would you alter this study to fight this bias?

b. Revenue growth is clearly an important variable. However, a company can grow revenues in two ways – with internal growth or with acquisitions? Does it matter where growth comes from? Why?

c. The underlying issue in this article is whether companies can scale growth up and they get larger. Beyond looking at historical growth rate, what else would you consider in making this judgment?

d. This graph looks at only revenues. If you wanted a more complete picture (for valuation), what other dimensions would you bring into this graph?