

## Identifying The Problem.

# A Guide to Understanding and Diagnosing Our Clients' Business – The Fallon Way



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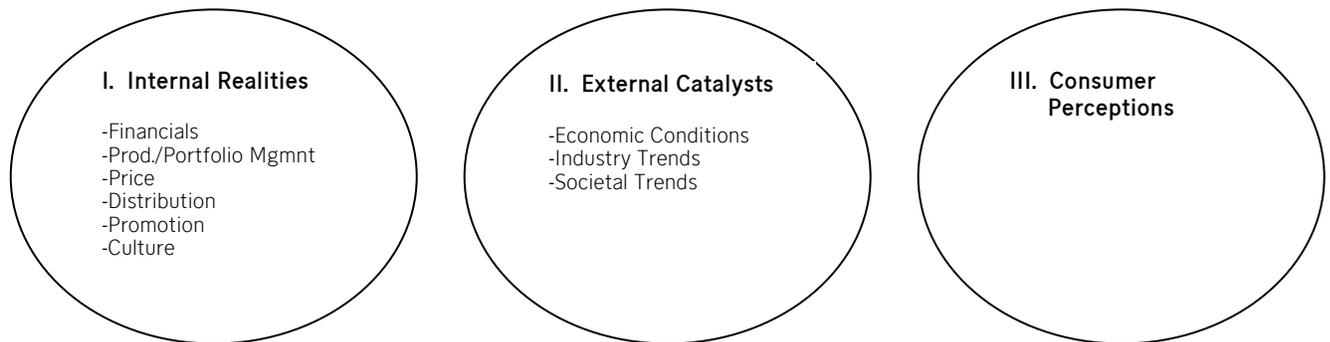
Creatively solving a brand/business problem is a three-step process: identify the problem, identify the solution, execute against the solution. Here is a guide to help you identify the business problem and its possible causes.

Here's a list of thought starters that you can use to interrogate a business—to get to the business issues quickly. Not every single question needs to be answered for every client. The art of this process is to focus on what matters in your particular inquiry, from the wealth of information that's available. It's your personal judgment, interpretation, intuition, and experience that will make the difference. So, once you know the business you are going to investigate, you can quickly scan through the questions and rank their importance to your particular investigation: 0 is unimportant, 5 is very important.

Then note the best resource for the important questions. What's your best resource? Often it's the client or prospect. But a word of caution: it makes sense to do all the homework first. It helps to know a lot about the business situation before you start pressing the client executives with questions.

(You may want to take the electronic version of this document, then copy, paste, and amend the thought starters to build an even more focused guide for your investigation. You can find this document under XXXX on the main server or under xxxx on fallonet.)

#### There are three interrelated areas to investigate:



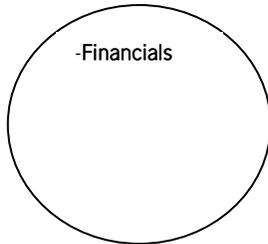
We've arranged the sections in an order that addresses the hard-core business questions first, then graduates to the softer and more elusive consumer questions.

# A Guide to Understanding and Diagnosing Our Clients' Business – The Fallon Way

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## I. INTERNAL REALITIES



### FINANCIALS

Basically we are trying to find out, "how's business?" To find out, you've got to follow the money.

The Question	Importance? (0-5)	Best Source?
Who owns the company? <i>Private, public, syndicate, partnership.</i>		Fallon
Is market share increasing or decreasing?		Fallon
Is category declining or growing?		Fallon
What is the business model?		Client
What percentage of the money is made in the US?		Fallon
What are the company's 5-year trends in revenues and profits?		Fallon
Are there other publicly available financial documents?		Fallon
What is the relative performance of each of the business units?		Client
Are there barriers to entry: Economies of scale? Product differentiation? Capital requirements? Cost disadvantages independent of size? Access to distribution channels? Government policy?		Fallon/Client
What are the keys to future financial success?		Client
What are the key drivers of profitability?		Client
What is the monetary impact of e-commerce on this business?		Client
<b>If the company is publicly traded:</b>		
What do the Annual Report, 10K, and 10Q say?		Fallon
What do the financial analyst reports say about the company		Fallon
What is the media saying about the financials of the company?		Fallon
Do the leaders of the company feel their stock is fairly valued?		Fallon/Client

**PRODUCT (OR SERVICE), PORTFOLIO MANAGEMENT**

<b>The Question</b>	<b>Importance? (0-5)</b>	<b>Best Source?</b>
What is the company's product(s)?		Fallon
Does the product command a premium price or is it commoditized?		Fallon
Which products make the most money?		Client
What products represent the volume? The revenue?		Client
What makes the product different from the competition's?		Fallon/Client
How important are these differences to consumers?		Fallon
Do you have any product technological advantages?		Client
What is the company's product development strategy?		Client
What are its strengths and weaknesses?		Client
What else could the company envision offering in the future?		Client
What is the product portfolio strategy?		Client
How are the products manufactured?		Client
What is the cost of goods, cost of sales?		Client
What is the % cost break out of a typical product in terms of manufacturing, packaging, distribution, etc.?		Client
In terms of innovation, are they a market leader or a market follower?		Fallon/Client
Describe the relevant roles of design and function.		Client
What direction do the product designers have? What would they always do? Never do?		Client
What would the company never offer?		Client
What are the successful new introductions? Failures? Why?		Fallon/Client
How do any of the above answers vary when acting globally?		Fallon/Client



**PRICE**

The Question	Importance? (0-5)	Best Source?
What is the company's pricing strategy?		Client
What kind of price range exists? Relative to the competition?		Fallon
How do the brand's equities affect pricing?		Fallon
How much control does the company have over pricing?		Client
Does price vary by distribution channel?		Client
What are the margins?		Client
How do any of the above answers vary when acting globally?		Fallon/Client



**DISTRIBUTION**

*TIP: Keep in mind all of the different distribution and customer contact channels: retail, sales force, dealers, Internet, 800#, catalog, etc.*

The Question	Importance? (0-5)	Best Source?
How are the products or services brought to market?		Fallon/Client
What distribution strategies are the most/least successful?		Client
What are the relative strengths and weaknesses of each distribution channel?		Client
Are there alternative distribution channels?		Fallon/Client
Who are the key distributors (volume vs. revenue)?		Client
Who can/can't the company afford to lose?		Client
Who has the power in the distribution chain?		Client
What would give the company more power to protect their position?		Client
What is the role of brand in distribution? Does it vary by channel?		Fallon/Client
Does the Internet have a role in distribution now? In the future?		Fallon/Client

## DISTRIBUTION (CONT'D)

The Question	Importance? (0-5)	Best Source?
Is there a distribution technology advantage?		Fallon
What are the dynamics at point-of-sale that we need to be concerned about? At last customer interface or follow-up?		Client
What is the role of customer service in distribution? In customer follow-up?		Fallon
What are the branding implications at point of sale? In customer service?		Fallon
How do any of the above answers vary when acting globally?		Fallon/Client



## PROMOTION

*This is our traditional bread and butter: all the marketing communications activities.*

The Question	Importance? (0-5)	Best Source?
Who is their current customer?		Client
Who is/isn't the target consumer?		Client
Is the current target the right one? What alternative targets should they consider? What criteria should they use to make the best targeting decision?		Fallon
How is the market best segmented to make that choice?		Fallon/Client
What are the underdeveloped and emerging segments?		Client
Which customer group is the most strategically advantageous for the short and long-term?		Client
What makes the brand idea compelling/relevant for consumers?		Fallon/Client
What is the core reason that the brand is differentiated/a better choice for the target than the competitor offerings?		Fallon/Client
What is the current brand image with the target?		Fallon/Client
What defines the ideal brand for the target?		Fallon/Client

**PROMOTION (CONT'D)**

<b>The Question</b>	<b>Importance? (0-5)</b>	<b>Best Source?</b>
How does the consumer go about buying the product—what is the product purchase cycle?		Client
What are the most profitable customer segments?		Client
What is the demographic and psychographic profile of current customer group(s)?		Fallon/Client
How do they promote themselves?		Fallon
What communication channels do they use?		Fallon
How do they consume the information? (Web? TV? Newspaper? Print?)		Fallon
What are their messages?		Fallon
Are they consistent in media and message?		Fallon
What do they see as their brand equities?		Client
What do they do to grow their brand?		Client
What is their "share of voice" in advertising?		Fallon
How does "share of voice" compare to share of market?		Fallon
How do they measure ROI on marketing activities?		Client
Do they have a Customer Relationship Management (CRM) system in place? Or, a customer database? Are there data analyses/info/reports to review? (Typically, these databases are rich sources of underutilized intelligence.)		Client
How do you define loyalty?		Client
Which customers are the most loyal?		Client
What primary or secondary research do you have about your customers? What documents does the company have that talks about your competition and customers?		Client
How good is the company at knowing its customers and tracking their behavior?		Fallon
What consumers represent their volume? Their revenue?		Client
Is there a consumer group that is not being reached?		Client
What is the lifetime value of customer? (Everyone talks about it, few companies know it.)		Client

- Financials
- Prod./Portfolio Management
- Price
- Distribution
- Promotion
- Culture

**CULTURE: VISION/HERITAGE**

The Question	Importance? (0-5)	Best Source?
What is the company's mission statement?		Fallon
What is the vision for the company/brand?		Fallon
Describe the company's culture.		Fallon/Client
What are their core values?		Client
What are the core competencies of the company?		Client
What corporate successes is the company most proud of? What are its failures?		Client
Why was the company started?		Client
How nimble is the company? How change adverse? Entrepreneurial?		Fallon/Client
What is the company's Achilles heel?		Client
What is the company history? Heritage?		Fallon/Client
What is some corporate lore? Who are the keepers of the lore?		Client

**If you get a chance to interview the company leaders, ask them:**

The Question	Importance? (0-5)	Best Source?
What companies do you admire?		Client
What categories do you admire?		Client
What keeps you up at night?		Client
What inspires you to get out of bed in the morning and go to work?		Client
What are the internal barriers to success?		Client
What are your strengths/weaknesses relative to the competition (both direct and indirect)? Are you great at distribution but terrible at new product development, etc.?		Client
How would you like the brand to be perceived?		Client
How do you define success? And get there? (Objectives and strategies?)		Client
What is the company's growth strategy? Acquisition? Retention?		Client
How do you want to be remembered?		Client
What is your leadership style?		Client

**CULTURE: TALENT**

<b>The Question</b>	<b>Importance? (0-5)</b>	<b>Best Source?</b>
What are the employees able to rally around and get excited over vs. what they reject?		Client
Why do people want to work here? What gets them up in the morning?		Client
What is the role of branding in internal communications?		Client
How do employees see the brand?		Fallon/Client
Is this consistent with the marketplace?		Fallon/Client
What are the demographics of the workforce?		Client
Is there anything in the way this company hires, compensates or motivates that is noteworthy (positive or negative)?		Client
Does the company have the talent to get where it wants to go?		Client
What is the annual employee turnover rate?		Client
What benefit(s) is the company most proud of?		Client
What metrics are used to track employee satisfaction?		Client
What would the company cut/not cut if you had to make a 25% reduction?		Client

**CULTURE: ORGANIZATION**

<b>The Question</b>	<b>Importance? (0-5)</b>	<b>Best Source?</b>
What is the company's organizational structure?		Client
What is the approval process?		Client
Who are the key decision makers?		Client
Are there bonafide change agents in key positions?		Client
What are the characteristics of the organization that affect business strategy?		Client
What is the media saying about the company?		Fallon/Client
What documents does the company have that talks about the culture?		Client

### **Tips on Resources for Internal Realities:**

- Secondary research.
- Primary research.
- Go to their Web site; look in the Investor Relations area to view/order annual reports, 10K, 10Q, etc.
- For additional public financial reports and articles, go to Yahoo and look under Finance.
- Although our client marketing counterpart may have a lot of info, you can get some real insights if you talk to company people in other departments like the sales force, retailers, dealers, the phone sales reps, the product developers, and the research department.
- Ask client who else you should speak with to get a better understanding of this area.
- Talk to industry insiders.
- Ask your friends who are brokers and/or financial analysts for the analysts' reports (they are typically subscriber based.)
- Discussions with industry analysts, like Forrester for e-commerce, or JD Power for automotive.
- In addition to speaking with your marketing counterpart, get time with company founders, corporate leaders, the head of HR, and employees.
- Ask to see any videos or presentations that were used at recent company meetings.
- Find out whom else you should talk with to get a broader/deeper understanding of the company.
- Speak to former employees.
- Call the trade book editors and reporters and ask their opinions of the company.
- Consult the Fallon Library on available resources and services.

## II. EXTERNAL CATALYSTS

-Econ. Conditions

### ECONOMIC CONDITIONS

The Question	Importance? (0-5)	Best Source?
What are the business realities/trends that all businesses are facing?		Fallon
What business are they in?		Fallon
What is the status of their business within this environment?		Fallon

-Econ. Conditions  
-Industry Trends

### INDUSTRY TRENDS/COMPETITION

The Question	Importance? (0-5)	Best Source?
What category are they in (broad and narrow)?		Fallon/Client
What are the category alternatives?		Fallon
What are the keys to future success?		Client
What are their competitive advantages/disadvantages?		Client
What is the category, globally?		Fallon/Client
What are the category trends?		Fallon
What is the category momentum?		Fallon
What is the cyclical nature of their business?		Client
What is the regulatory environment in which their business finds itself? How is it changing?		Client
Who is the competitive set?		Fallon
Who are your primary competitors?		Fallon
What are the competitive products?		Fallon
Who is succeeding/failing and why?		Fallon
Where is the competition positioned?		Fallon
What is the degree of rivalry among existing competitors? Tactics used in new products? Price wars? Advertising slugfests?		Client

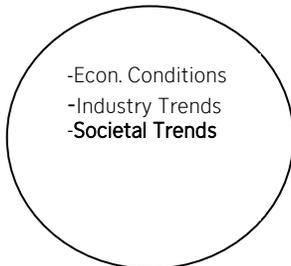
## INDUSTRY TRENDS/COMPETITION (CONT'D)

The Question	Importance? (0-5)	Best Source?
Who is the competitive set, globally?		Fallon/Client
What is the competitors' momentum?		Fallon

**Often, we spend too much time thinking about competitive rivalry and not enough time thinking about the other forces of competition: new entrants, suppliers, buyers, substitute services.**

**Keep in mind the following:**

The Question	Importance? (0-5)	Best Source?
How does the company differentiate itself?		Client
Who/what are the possible substitutes? Broad and/or narrow?		Client
What are the dynamics of brand loyalty and brand switching in this category?		Client
What is the bargaining power of your suppliers (e.g. pricing, quality)?		Client
What is the bargaining power of buyers? What are the buyers demanding in terms of quality? Pricing? Service?		Client



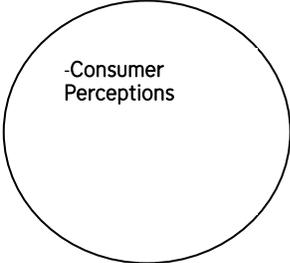
## SOCIETAL TRENDS

The Question	Importance? (0-5)	Best Source?
What major societal trends (cultural, political, socioeconomic) affect this category? Positively? Negatively?		Fallon
What major demographic trends (ethnicity, generational shifts) affect this category?		
What value (religious, patriotism, globalism) shifts affect this company?		
Do (or have) emerging technologies affect this company? How?		

### **Tips on Sources for External Catalysts:**

- Secondary research including Roper reports.
- Primary research including qualitative with hypothesized consumer segments and quantitative segmentation of current users and non-users.
- Although your marketing counterpart may have a lot of info, you can get some real insights if you talk to company employees in other departments like the research department, product development, and customer service.
- Find out who else you should talk to within the organization about the competition and customers.
- Talk to industry insiders and other constituencies.
- Call up the trade book editors and reporters and ask their opinions of the company.
- Implement competitive modeling exercises like axes plotting.
- Do a SWOT analysis.
- Discussions with industry analysts, like Forrester.
- Consult the Fallon Library on available resources and services.

# III. CONSUMER PERCEPTIONS



## CONSUMER PERCEPTIONS

The Question?	Importance? (0-5)	Best Source?
What role does this product or service play in consumers' lives?		Fallon
How is the brand perceived (emotionally, rationally) in the marketplace? By loyal users? By occasional Users? By non-users?		Fallon
What is the "life" stage of the brand? Emerging? Adolescent? Dead?		Fallon
What kind of brand is this? Badge? Challenger? Established? Market leader? One of many?		Fallon
What type of brand is this? Power brand? Sub brand?		Fallon
What is the level of awareness? None? Low? High?		Fallon
What are the demographic segments?		Fallon
What are the attitudinal segments?		Fallon
What are the behavioral segments?		Fallon
To the consumer, is this a high or low interest product? Category?		Fallon
What's the level of product parody in the category?		Fallon
What is the reputation of the industry with consumers at large?		Fallon
What are the current consumer trends and motivations affecting purchase decisions?		Fallon

**Tips on Sources for Consumer Perceptions:**

- Primary and secondary research.

*Tip on Process: Once you're really into it and starting to have some insights, it pays to go back through the list of questions. Some that seemed unimportant earlier may be worth revisiting.*