

# Foresight Associates

## This Month at Foresight!

Welcome to our 4th newsletter 😊

This month we have chosen to spotlight an older project for our case study. It is a project that tackles a very current challenge, one faced by many businesses as they try to prioritize their investments. I liked it because it shows the very essence of our firm: our willingness to explore new approaches and techniques to solve our clients' problems, and to do what it takes to make it work in the end.

Our "In the News" section this month is written by one of our team members, Andrew Glor. In it, he examines yet another example of how our growth levers philosophy is becoming relevant, even for a large and historically "recruitment focused" company such as Facebook.

We hope you enjoy reading this month's issue and, as always, we would love to hear your thoughts!

Vittorio Raimondi,  
Managing Director, Foresight Associates LLC

## **Case Study: How to make business decisions that require comparing apples and oranges**

Often, when setting business priorities, we have to evaluate our options based on conflicting criteria, such as prioritizing profit versus volume growth. Yet for companies who need to make decisions in high stakes situations, figuring out a way to compare the incomparable isn't just a good tactic—it's a requirement of remaining competitive.

Just such a high-stakes situation was faced by our client when they had to prioritize investment across different categories. Though our client was clear on their overall growth targets for the business, this growth could be achieved through several combinations in various categories. The question, then, became: what would be the optimal combination of growth targets most likely to

meet the business's overall revenue and profit objectives? However, to make this larger decision, they needed to select from among different, incomparable criteria, each resulting in a different final decision. For instance, certain categories had a more significant impact on immediate profits, while others played a strategic role despite current low margins, etc. Their final decision would have very tangible consequences on the amount of investment that the company was going to put behind each category for years to come, and therefore had to be vetted carefully.

To aid our client in this effort, we turned to Multiple Criteria Dimensional Analysis (MCDA). MCDA is a sub-discipline of operations research that explicitly enables the evaluation of multiple conflicting criteria. It's an approach used in decision making, not only in business but also in daily life. For instance, when buying a car, a final decision will be driven by cost, safety, comfort, status, etc.—all conflicting criteria that still need to be taken into account to make the best choice.

At its core, MCDA is a little like scoring in figure skating. Judges identify criteria, like technical proficiency and artistry; then assign base value scores to specific elements, like double axels and toe loops; finally, they weigh those scores based on execution and placement in the routine.

In our case, we identified two high level criteria—brand strength and category attractiveness. Measurement of brand strength included elements such as brand equity, share growth, innovation pipeline, global assets; measurement of attractiveness covered things like market saturation, pricing and growth trends, competition, consumer headwinds, profitability.

But MCDA is an art as much as a science—meaning there's a subjective aspect to the sophisticated, scientific technique. For us, the “art” came in how we determined to weigh the importance of these various elements. To do this, we considered the measurements along two axes: the qualitative importance of each based on collaborative feedback from our client, and the degree of differentiation across the criteria's metrics. For example, brand equity is something our client perceived as highly important, and its differentiation across our client's brands in each category was also very high. So it played a bigger role in the outcome. Market saturation, on the other hand, wasn't perceived as significantly important by the client, nor was there much differentiation across criteria. Therefore, it received a lower weight in the final score.

Ultimately, we were able to provide our client with rigorous, collaborative, and transparent scores for each category, allowing us to compare apples and oranges. With additional optimization techniques, we were able to translate the prioritized MCDA scores into actual targets for each category.

The final priorities were eventually presented and widely adopted by the Executive Leadership Team, and became the algorithm for growth that is now driving investment and innovation pipeline decisions.

## **In the News: Insights from an associate**

*Andrew Glor is a project manager at Foresight, based in Washington D.C.*

Last week, Facebook released its third quarter earnings. With it came a new perspective on how to tackle the user growth issues that have plagued its business. To be sure, Facebook is still huge, and growing—but as you will see in the article, a slow-down in new user growth rates has required them to shift strategies for the long-term.

At Foresight, we believe it is crucial to understand the consumer pathways and behaviors that can lead to growth in order to develop coherent strategy. Facebook provides an interesting and high profile example; selling ads, it depends on having engaged users and a lot of them. As such, they have been on a relentless drive to recruit new users. In their quest for new users, Zuckerberg and co. even went so far as to attempt to deploy solar powered drones to provide internet access to the developing world, and, as a result, bring consumers into the Facebook fold—an extreme example of what we would call recruiting users into the category.

But they appear now to be reaching saturation points in developed markets, and new growth pathways become potentially more relevant. Here are a few examples:

- Building loyalty and engagement among existing users, which Facebook is doing through new products like Facebook Watch.
- Moving users into other portfolio products, like Instagram and WhatsApp.
- Perhaps most importantly, Facebook must focus on retaining their existing users by addressing their injured corporate reputation around privacy and political issues.

It will be fascinating to watch this shift in growth strategy play out in real time. I

Enjoy [the article here!](#)

**Have questions you are trying to answer?  
Let us know how we can help you by replying to this email!**



---

*Copyright © Foresight Associates, All rights reserved.*

Want to change how you receive these emails?  
You can [update your preferences](#) or [unsubscribe from this list](#).

