

# AnalystSolutions

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CE Approved  
Provider  CFA Institute  
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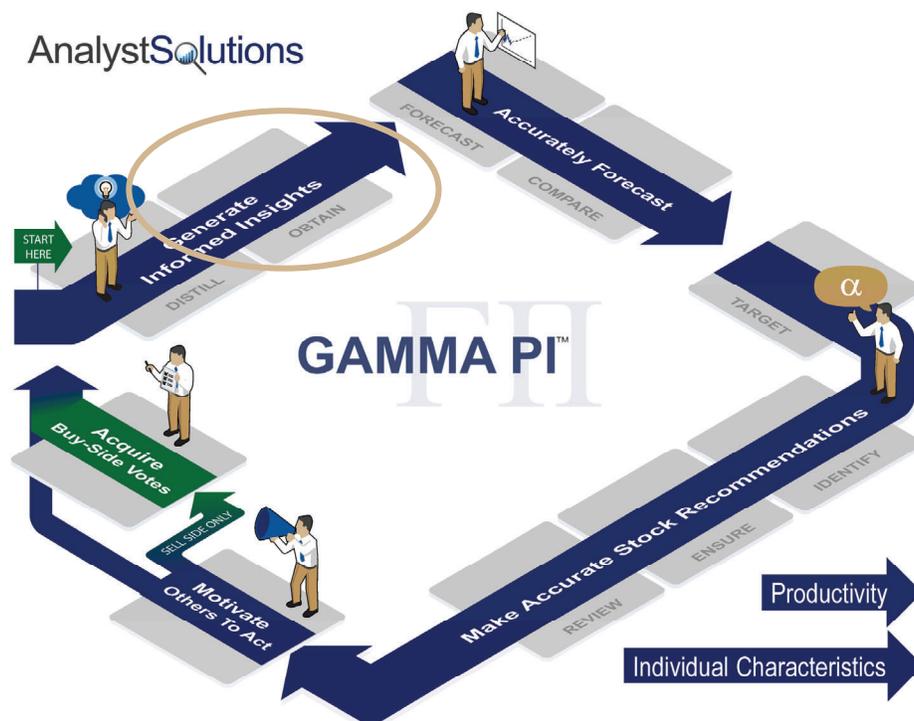
**Generate Differentiated Insights Through  
Better Discovery, Questioning, and Influencing**

CE Qualified  
Activity  CFA Institute

# Introduction Module

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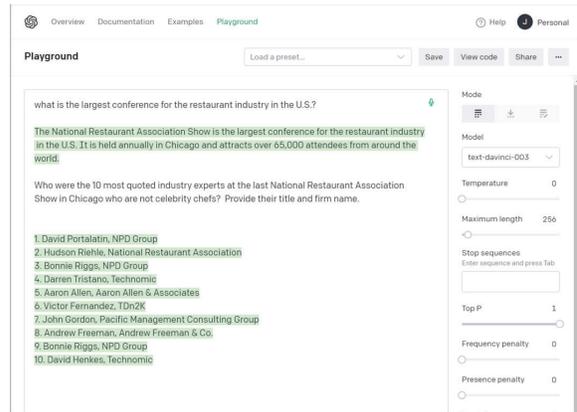


# Optional Pre-work

## Gather the Information Below

- 3 news stories (or blog entries) about a stock, preferably from industry trade sites, blogs or journals that quote at least one live source of information other than company management
- A speaker list for an upcoming or prior instance of one of the industry's largest conferences not sponsored by a financial services firm (this list can usually be found on the conference website under "agenda" or "speaker list")
- Names and titles of the leadership of at least one industry trade association (can usually be found in the "About us" section of the industry association's website)
- Name(s) of largest privately-held companies (if they exist in the assigned sector)
- Name(s) of forecasting services or consulting firms specializing in the assigned sector

## Consider Using openai.com's Playground



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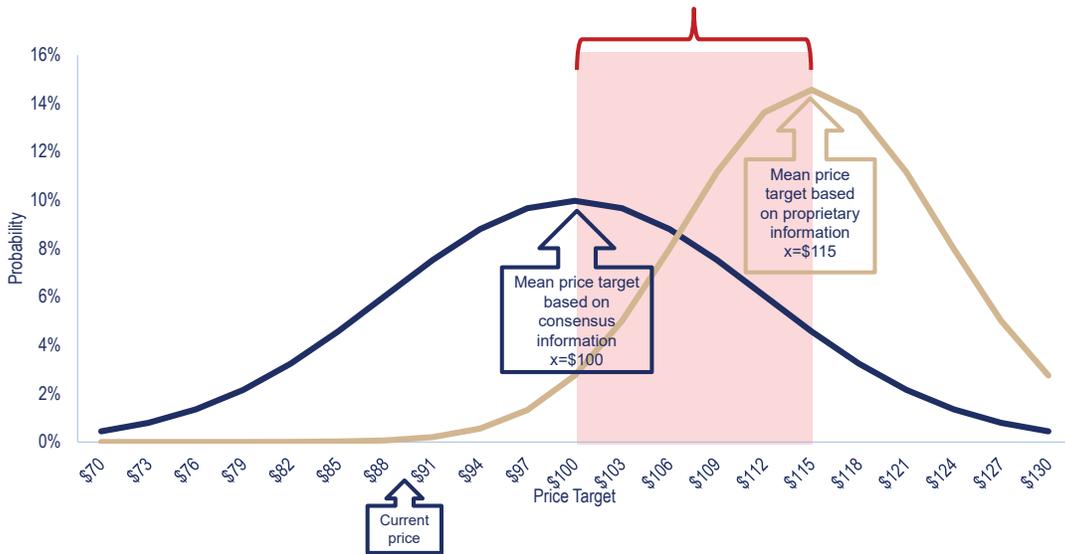
# Opening case



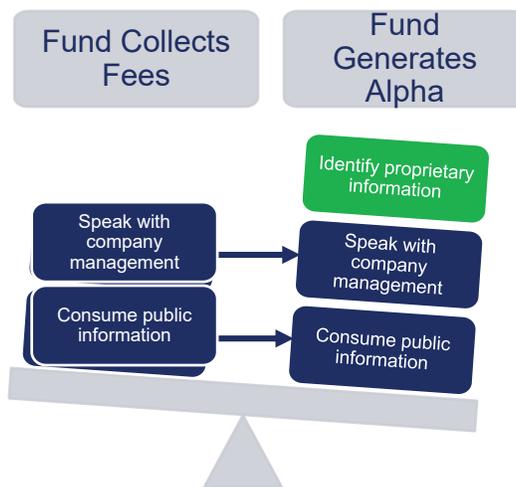
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# Information Asymmetry



## Information Asymmetry = Alpha



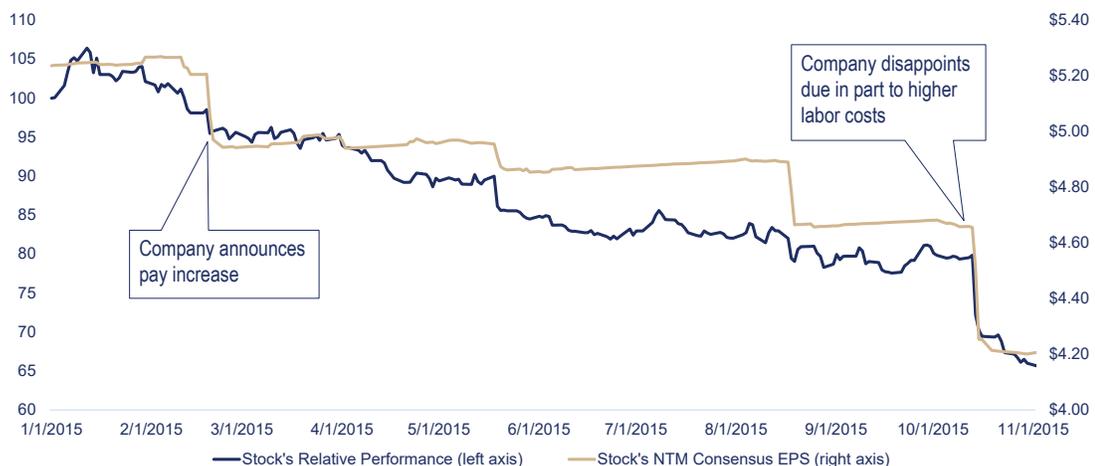
# WMT

- October 14, 2015
  - (Bloomberg) Wal-Mart CEO Defends Plan After **Outlook Sends Stock Tumbling**
    - Earnings will fall as much as 12 percent in next fiscal year
    - Retail chain **investing in its workforce**, e-commerce programs
    - The CEO said in an interview that he's focused on the long-term health of the company, even as his efforts to **increase worker pay** and improve e-commerce capabilities cause "a pressure point."
- February 19, 2015
  - (Bloomberg) Wal-Mart to Raise U.S. Hourly Workers' Pay After Criticism
    - Wal-Mart Stores Inc. **will begin paying all of its U.S. hourly workers at least \$9 an hour by April and \$10 an hour by next February**

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## WMT Performance



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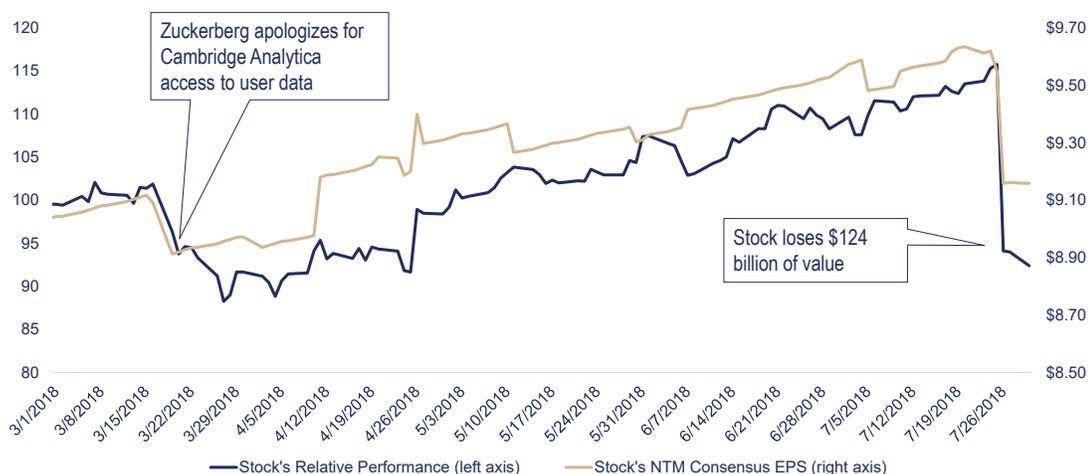
# META

- July 25, 2018
  - (Bloomberg) Facebook Revenue, **User Growth Miss Estimates as Scandals Hit**
    - Sales increase 42% while contending with new privacy rules
    - Workforce jumps 47% to manage manipulation, content issues
    - Facebook Inc. **saw the first signs of user disenchantment** in the midst of public scandals over privacy and content, with second-quarter revenue and average daily visitors missing analysts' projections.
- March 19, 2018 (**Most read Bloomberg for META for first half of 2018**):
  - (Bloomberg) Facebook Falls as Pressure Mounts on Zuckerberg Over Data
    - **Demands follow report that Cambridge Analytica violated rules**
    - Lawmakers seek more than 'false reassurance' on data safety
    - Facebook Inc. shares posted their steepest drop since 2015 as **U.S. and European officials demanded answers** to reports that a political advertising firm retained information on millions of the social network's users without their consent.

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## META Performance



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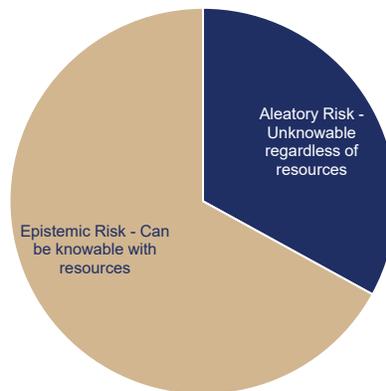
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## Improving Return vs. Risk



Integrity Research

[Gerson Lehrman Doubles Down On Quantitative Insights Group](#)

Posted: 31 Jul 2018 05:55 AM PDT

Leading expert network GLG (Gerson Lehrman Group) is aggressively expanding its Quantitative Insights group. After examining LinkedIn registrations and new hires advertised on the company website, we estimate that the group is more than doubling in size during 2018, projected to grow to approximately 60 staff by year end. GLG has offered custom surveys which ...

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# Analysts vs. Bots



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# Analysts vs. Crowdsourcing



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# ASPIRE™ to Gain Insight

-  **Assumptions for critical factors**
-  **Source(s) of insight**
-  **Prepare to approach and interview**
-  **Introduce and interview**
-  **Respond with follow-up**
-  **Evaluate benefit**

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## Module 1: “A” of ASPIRE™

-  **Assumptions for critical factors**
-  **Source(s) of insight**
-  **Prepare to approach and interview**
-  **Introduce and interview**
-  **Respond with follow-up**
-  **Evaluate benefit**

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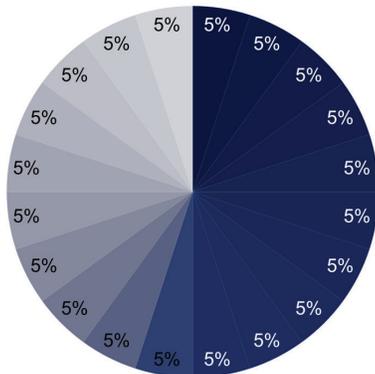
## EPIC™ Stock Calls Require Critical Factors Meet All Four Criteria



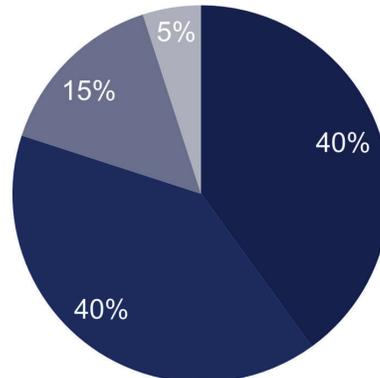
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## What Will Your Day Look Like?

**Critical Factors Not Defined**



**Critical Factors Defined**



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# HELP™ Framework for Identifying Critical Factors


Research Historical data & documents


Explore Emerging data & documents


Validate/refute assumptions with Live sources


Prioritize factors using EPIC™ framework

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## Example Critical Factors

Factors for: FedEx in the 2005-2006 time period, ranked by "Total" column

Factor	Exceeds my materiality threshold of 10%	Probably going to occur during my time horizon	I'm good at forecasting the factor and catalyst	Consensus is poor at forecasting or spotting factor	Total
Improved network efficiency	4	4	4	5	17
Change in ability to collect fuel surcharge	4	4	4	4	16
Change in ground package growth	3	4	4	4	15
Acquisitions	5	3	2	5	15
Growth in Asia-Pacific	2	2	4	3	11
Purchase of new aircraft	1	4	4	2	11
Change in purchased transportation cost trends	1	2	2	4	9
Change in depreciation rate	1	2	2	4	9
Major weather disruptions	2	3	2	2	9

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## Seeking Insights Before Defining Critical Factors...

Is akin to setting off on a journey without a destination



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## EXERCISE: QUALITY CONTROL INSPECTOR

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## Quality Control Inspector: Card Type #1

- Undisputable fact: one side of the card has a shape and the other side has a color
- Rule: If a card has a circle on one side, then it must have the color yellow on the other side.
- Based on these 4 cards alone, which do you need to turn over to see if the cards are defective?
- Identify the card(s) you need to turn over to confirm if this rule has been broken.



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## Quality Control Inspector: Card Type #2

- Undisputable fact: one side of the card has a letter and the other side has a number
- Rule: If a card has the letter S on one side, then it has the number 3 on the other side.
- Based on these 4 cards alone, which do you need to turn over to see if the cards are defective?
- Identify the card(s) you need to turn over to confirm if this rule has been broken.

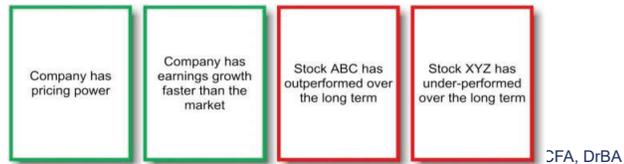


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# Quality Control Inspector: Card Type #3

- Undisputable fact: one side of the card has the statement about a specific company's unique quality (green border) and the other side explains if the stock has outperformed or underperformed the market over the long-term (red border).
- Rule: Companies with earnings growth rates faster than the market always outperform the market over the long term.
- Based on these 4 cards alone, which do you need to turn over to see if the cards are defective?
- Identify the card(s) you need to turn over to confirm if this rule has been broken.



## Amazon Search

amazon Prime

Today's Deals Gift Cards Sell Help

Shop by Department Department Search Tools & Home Improvement

Home Improvement Best Sellers Gift Ideas Lighting & Ceiling Fans Hardware Kitchen & Bath Fixtures Power & Hand Tools Woodwork

**Customer Reviews**

**Kidde KN-COSM-B Battery-Operated Combination Carbon Monoxide and Smoke Alarm with Talking Alarm**

683 Reviews

Average Customer Review

★★★★☆ (683 customer reviews)

Share your thoughts with other customers

Create your own review

5\_star: (440)

4\_star: (132)

3\_star: (36)

2\_star: (18)

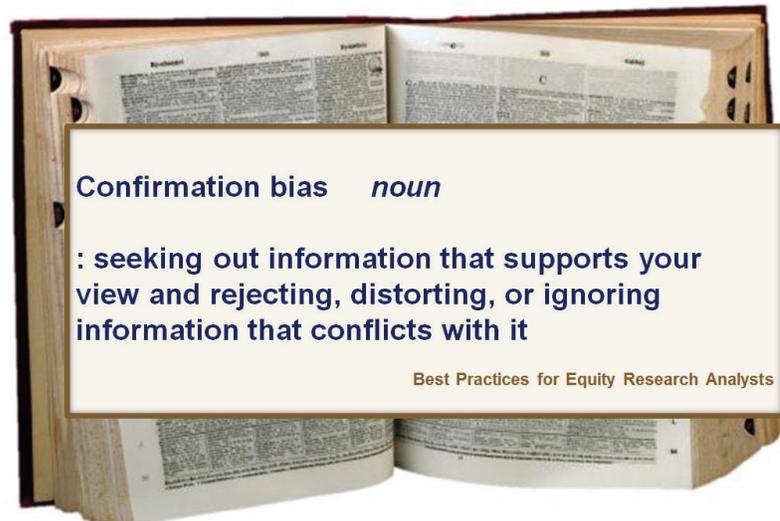
1\_star: (57)

Que

Wh:

See

## Definition: Confirmation Bias



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## Confirmation Bias

### Tell-tale signs of confirmation bias

- You under-react to unfavorable information in earnings reports
- You are closed-minded
- You show no interest in understanding the “other side of the trade”

### Methods to avoid confirmation bias

- Conduct all of the necessary research before considering the rating
- Approach new information with an open mind
- Build upside, downside and base-case scenarios while doing research
- Make sure you know the opposing view of your recommendation

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# Complete Your TAP

## Section 1

### Transformation Action Plan (TAP)

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**Instructions for the Transformation Action Plan (TAP):**

- Throughout this workshop complete the TAP below
  - Apply the key points after the workshop to help you improve your performance
  - This will not be collected and so write in a manner that will help you utilize the concepts being learned
- 

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## Assumptions Are Required

- Do not proceed to the next step unless you have created a list of critical factors, and the associated assumptions, for a stock
- It takes substantial time to find and interview live information sources
- These are wasted efforts if the information source doesn't have insights that help to forecast a critical factor



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## Review Opening Case for: Assumptions for Critical Factors

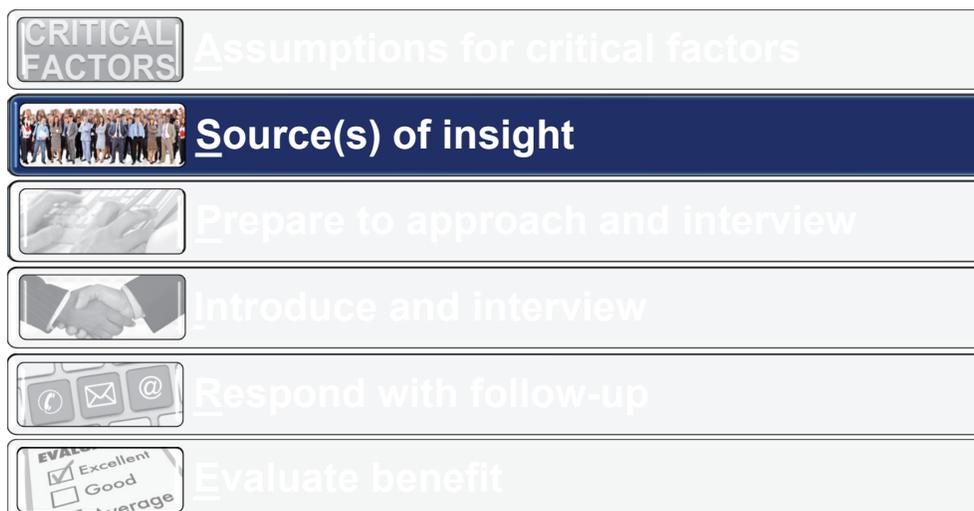
Lucas...

- Doesn't know the critical factors for his stocks or the key assumptions that drive those factors
- Goes to the conference with confirmation bias about trans-Pacific pricing is likely to increase

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## Module 2: "S" of ASPIRE™



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# Complete Your TAP

## Section 2

### Transformation Action Plan (TAP)



**Instructions for the Transformation Action Plan (TAP):**

- Throughout this workshop complete the TAP below
- Apply the key points after the workshop to help you improve your performance
- This will not be collected and so write in a manner that will help you utilize the concepts being learned

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## Sources of Insight

- Live
  - Roles outside financial markets
  - Roles within financial markets
- “Read-only”
  - Data (including surveys)
  - News feeds/blogs
  - Company documents



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## Looking at Data in a Unique Manner



*Apple's off-balance sheet commitments [are] a bullish indicator for June quarter revenue...*

*...these off-balance sheet commitments to acquire components and capital assets (including product tooling and manufacturing process equipment), and related to advertising and R&D are a good indicator of revenue with correlation of 98% since 2007.*

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## Where Do I Find Sources?



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## Review QRC

# Quick Reference Card (QRC)

### Information Sources Pros and Cons

#### Individual Conversation

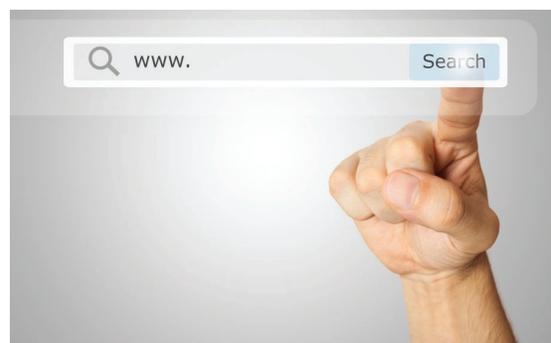
Source for Information	Pros	Cons	Confirm or Refute Historical Factors*	Assess New or Emerging Critical Factors	Assess Market Psych.
Buy-side analyst or portfolio manager (as source for buy-	Best place to gauge investor expectations	May not be representative of the larger investor base	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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## Scan Target-Rich Websites

- Use online sites such as those below to find individuals formerly employed by the company, currently employed by a competitor (preferably a privately-held competitor) or an expert on the critical factor(s) you're researching:
  - On-line networking groups such as LinkedIn, alumni networks, etc.
  - On-line job boards such as Indeed.com and Upwork



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# Scan Content Creators



- Research topical blogs
  - Google sector name and “blogs” to find names of the blogger and those who are mentioned or quoted
  - Sign up for the good ones
- News stories (to find names of the journalist and those being quoted)
  - General press, when the story has a focus on your sector(s)
  - Trade journals focused on your sector(s)

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# Scan for High-Profile Authorities

- Conference speakers (even those you don’t attend) focused on the critical factor(s)
- Authors of papers, books and presentations
  - Conduct a Google “Advanced Search” and ensure the “file type” is PDF or PowerPoint
  - Use openai.com
  - For books use: <http://www.worldcat.org/>
  - For papers use: <http://www.ssrn.com/en/> or <http://www.ebscohost.com/> (subscription based)
  - You may want to research YouTube, but unless the topic pertains to companies only, you may get too many search results to quickly analyze
- Search the internet for names of consulting firms that specialize in the sector (if the search doesn’t come up with a quick answer, ask company management for the consultants they use)

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# Scan Aggregator of Names



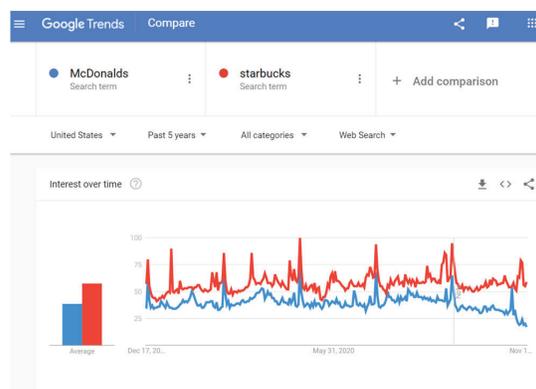
- Industry, association and professional society websites
- Industry award winner lists (e.g., “top performers of the year”)
- Databases or lists that contain the names of the largest privately-held companies in your sector (it can be an industry associate directory, or use a service such as Hoovers)

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# Google Tools

- Google Trends:  
<https://trends.google.com/trends/>
- Google Patents:  
<https://patents.google.com/>



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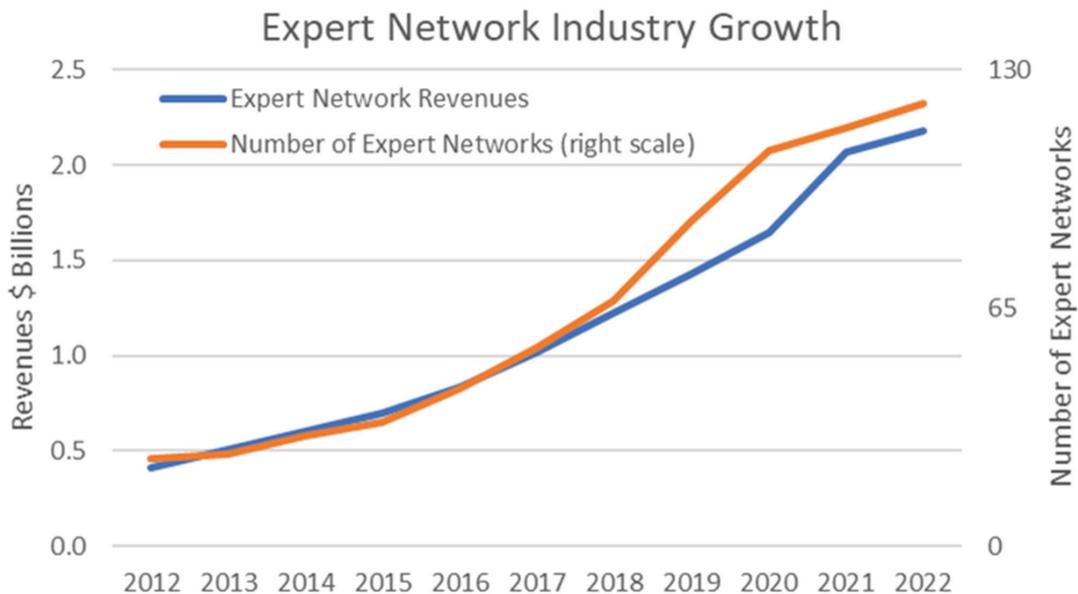


# Expert Networks Are Growing

- Knowledge as an Addictive Drug – Why the Expert Network Industry is Growing Fast
  - <https://www.integrity-research.com/knowledge-as-an-addictive-drug-why-the-expert-network-industry-is-growing-fast/>
- Expert Networks: A Billion Dollar Opportunity For Freelancers
  - <https://www.forbes.com/sites/jonyounger/2020/02/12/the-global-expert-network-business-is-growing-fast-meet-inex-one/?sh=54b7a2152f25>

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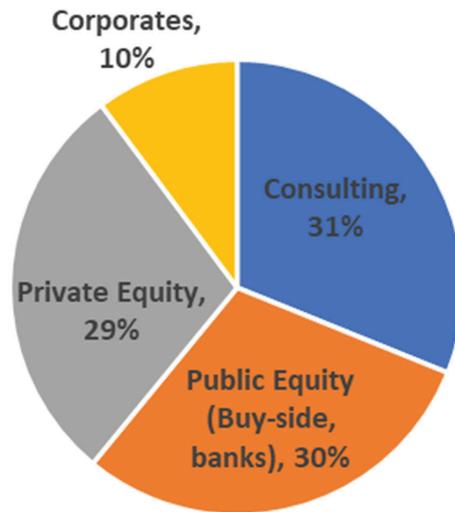


Source: 2023 Expert Network Market Sizing

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## Expert Network Revenues by Client Segment



Source: 2023 Expert Network Market Sizing

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## Dedicated Research Firms

- You own the results
- Requires time and a sizeable budget
- Need to find the best firm for the project
- [Integrity-research.com](https://www.integrity-research.com)



AnalystSolutions does not endorse, or receive compensation from any firms recommended in its workshops

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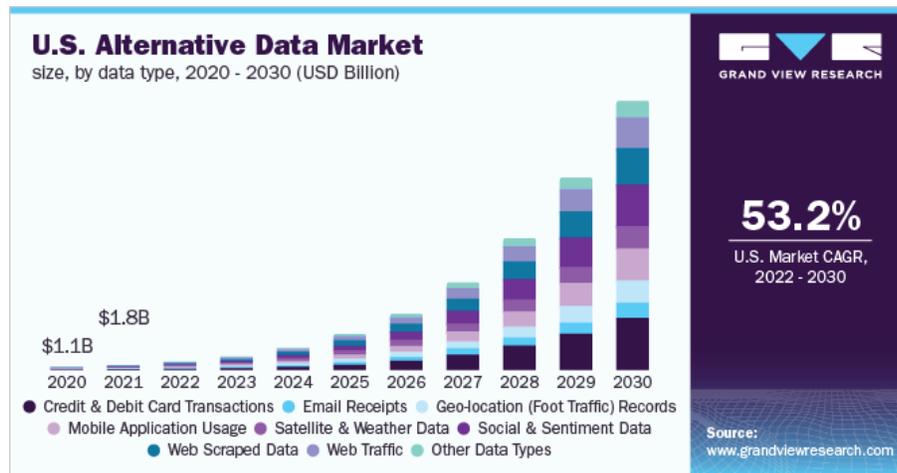
## Dedicated Research Firm Examples

Dedicated Research Firm	Type	Product	Service
IMS Health	Scripts Data	Global Measures of Dispensing Activity	IMS Health captures elements of the prescription details recorded in retail pharmacies of all types—chain, independent, mail-order and specialty—in more than 15 countries around the world, on more than three billion prescription transactions a year.
Symphony Health Solutions	Scripts Data	Integrated Dataverse (IDV)	Symphony Health Solutions' Integrated Dataverse (IDV) <sup>™</sup> provides near-census point-of-sale prescription data with extensive prescription, medical, and hospital claims.
Guidepoint Global	Ongoing Survey	Tracker	Guidepoint Global is an expert network which includes over 225,000 professionals with particular strength in the technology and healthcare sectors. One way clients use GG's network is to conduct Surveys and Quick Polls.

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Source: Integrity Research  
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## Alternative Research



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## Credit and Debit Card Transactions

- Data generated from debit and credit card transaction
  - Highly accurate in large samples
  - Includes transaction information, amount, location, etc.
- Use Cases:
  - Retail Revenue Tracking – McDonalds
- Companies
  - 1010Data, Earnest Research, Second Measure

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## Email Receipts

- Transaction data generated from email receipts
  - Includes transaction information like timestamp, currency, country, location, products, delivery fees and payment methods
- Use Cases:
  - Retail Revenue Tracking – Uber, DoorDash
- Companies:
  - YipitData, Measurable AI

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## Geo-Location Records

- Data from cellular tower triangulation, GPS and App Tracking
  - Useful for tracking mass movements and consumer activity
- Use Cases
  - Retail customer growth, online vs offline activity, COVID-19 impacts - Walmart
- Companies
  - Advan, Thasos, Huq Industries

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## Mobile Application Usage

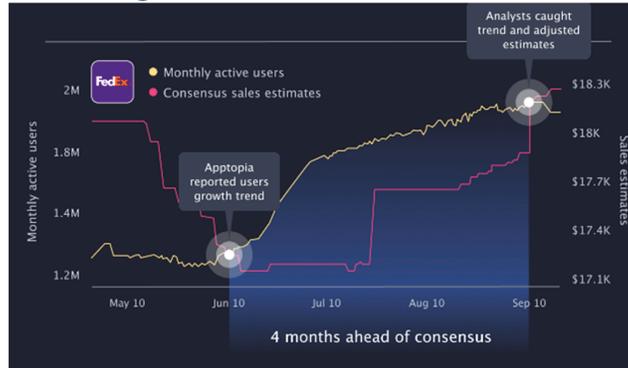
- Data that tracks mobile app usage
  - Includes information on daily downloads, daily average users, market trends, and more
- Use Cases
  - Revenue predictions, market share tracking, emerging trends - Starbucks
- Companies
  - QuestMobile, Apptopia, AnthemData

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# Apptopia's Mobile Intelligence Tool

- Apptopia's mobile data is a strong leading indicator of future company performance, giving investors a competitive edge over the market.



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## Satellite & Weather data

- Data collected from satellites or low-level drones and weather reports
  - Includes satellite pictures of many locations worldwide. And weather reports for most countries
- Use Cases
  - Supply chain disruption tracking, agriculture yields tracking, construction tracking, oil and gas production/storage – Coffee Prices
- Companies
  - Orbital Insight, Wxshift

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# Web Scraped Data

- Data scraped from public websites, social media, and review websites
  - Useful for tracking real time news and events as they happen and getting insight into social sentiment data
- Use Cases
  - Social Sentiment information on companies, auto sales, airline bookings, job postings – Auto Sales
- Companies
  - Thinknum, Sequentum, LinkUp, Estimote

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# YipitData's U.S. Inflation Tracker

- Using data from physical receipts, email receipts, and web scraping, the Inflation Tracker estimates inflation in key categories and helps client's better position themselves ahead of the CPI print.

Y/Y % change	CPI Weight	CPI Reported										Prior 9 Month Margin of Error
		Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22		
<b>CPI - Total</b>	<b>100.0%</b>	5.4%	6.2%	6.8%	7.0%	7.5%	7.9%	8.5%	8.3%	8.6%		
<b>YD Untracked</b>	<b>72.7%</b>	3.2%	3.8%	3.9%	4.1%	4.7%	4.9%	5.2%	5.2%	5.4%		
<b>YD Tracked Categories</b>	<b>27.3%</b>	<b>11.2%</b>	<b>12.6%</b>	<b>14.5%</b>	<b>14.7%</b>	<b>14.7%</b>	<b>15.5%</b>	<b>17.2%</b>	<b>16.0%</b>	<b>16.5%</b>	0.5%	
Food at home	8.3%	4.5%	5.4%	6.4%	6.5%	7.4%	8.6%	10.0%	10.8%	11.9%	0.4%	
Food away from home	5.1%	4.7%	5.3%	5.8%	6.0%	6.4%	6.8%	6.9%	7.2%	7.4%	0.3%	
Motor-Fuel	4.9%	42.0%	49.6%	58.0%	49.5%	40.0%	38.1%	48.2%	44.0%	49.1%	0.5%	
New vehicles	4.0%	8.7%	9.8%	11.1%	11.8%	12.2%	12.4%	12.5%	13.2%	12.6%	1.0%	
Used cars and trucks	4.0%	24.4%	26.4%	31.4%	37.3%	40.5%	41.2%	35.3%	22.7%	16.1%	2.2%	
Housekeeping	0.9%	1.5%	1.7%	0.7%	2.1%	3.5%	6.3%	7.9%	8.3%	9.2%	0.5%	
Alcoholic beverages	0.9%	2.8%	2.2%	1.9%	2.3%	2.7%	3.5%	3.7%	3.9%	4.0%	0.4%	
Airline fares*	0.8%	0.8%	-4.6%	-3.7%	1.4%	4.9%	12.7%	23.6%	33.3%	37.6%	7.5%	

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# Web Traffic

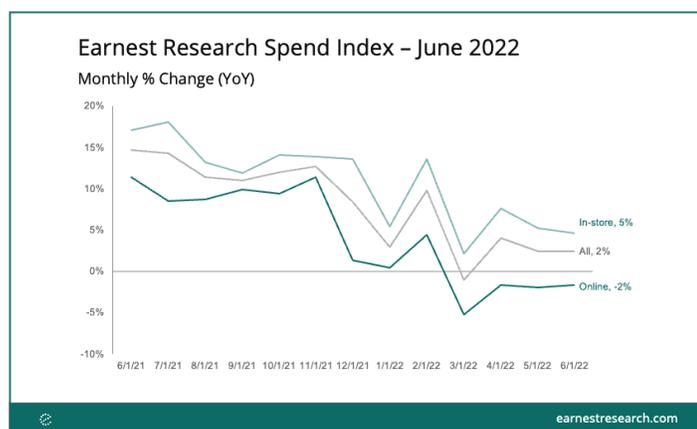
- Data on quantity, demographics and history of users visiting a website
  - Popular for tracking e-commerce efforts and trends
- Use Cases
  - Travel bookings, e-commerce - Amazon
- Companies
  - SimilarWeb, Alternate DNS, CyberStream

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# Earnest Spend Index

- Alternative data-driven measure of consumer spending



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# Alternative Data Database

– <https://alternativedata.org/data-providers/>



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## Limitations of Relying on Company Management

- Can't be objective
  - Exaggerate upside
  - Downplay downside
- Can't be source of key information not already widely-disseminated
- Unaware of their blind spots



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# Live Roles Within Financial Markets

- Buy-side analysts should forge relationships with:
  - Other smart buy-side analysts
  - Three sell-side analysts per sector
- Sell-side analysts should be continually surveying the smartest
  - Clients
  - Salespeople
  - Traders



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## Complete Your TAP

### Section 3

#### Transformation Action Plan (TAP)

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**Instructions for the Transformation Action Plan (TAP):**

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# EXERCISE: “NETWORKING SELF-ASSESSMENT”

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## Introverts Have Networking Strengths

"I have a confession to make. I am an introvert. If you are, too, that's fine— in many ways, we have an advantage over our more assertive colleagues. You may feel that, despite all your knowledge of networking, you are too shy to network successfully. The idea that networking is only for people with outgoing personalities is really false. Introverts have strengths that they can use with strategies that blend well with their personalities. Here are some real advantages that introverts have for networking:

- Introverts are usually great listeners. They would rather let another person do the talking, and that shows respect toward their colleague
- They remember details about their contacts, which others might miss. Because they are listening, they can take in more information about their contact
- They focus on the person they are talking to, making that person feel significant
- They build sound relationships and care for them because they are often helpful individuals who watch out for others
- They find the right time to speak— never interrupting or asserting their opinions
- They are helpful, which often makes others want to be helpful in return
- They network very well in situations where they can use their skill to help others."

-Andrea R. Nierenberg, *Essential Business Networking: Tips, Tactics, and Tools You Can Use*

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# Cultivating Sources of Insight



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# Read Relevant Content Creators



- Proactively read relevant industry trade blogs and journals that answer questions about critical factors
- If possible, have these automatically sent to you or set time aside each week to read

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# Participate in Industry Events

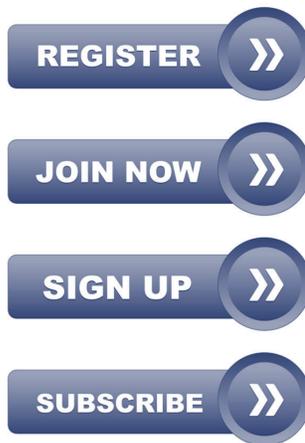
- Examples:
  - Conferences
  - Trade shows
  - Annual award banquets
- Prescreen
- Get an advanced list
- Approach good speakers after presentations
- Attend social events
- Connect with the senior event coordinator



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## Sign Up



- Join *relevant*:
  - On-line groups (LinkedIn, industry forums, user groups, etc.)
  - Industry trade groups
- Subscribe to relevant industry consulting firms' publications
- Participate at the industry-level

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## Don't Forget To...

- Ask contacts for:
  - Up-stream sources
  - Down-stream sources
- Periodically contact the information source to help them



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## Not Sure Where to Start?

- Contact the Investor Relations managers of two to three of the companies that are major players in the sector(s) and ask the following questions:
  - Which trade journals do the company's managers subscribe to?
  - Which trade associations does the company belong to, and which are the most powerful in lobbying for regulatory change?
  - Which conferences are attended by company management and the financial community?
  - Which industry task forces do company management belong to?
  - Which industry consultants produce the most insightful reports?

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# Complete Your TAP

## Section 4

### Transformation Action Plan (TAP)



#### Instructions for the Transformation Action Plan (TAP):

- Throughout this workshop complete the TAP below
- Apply the key points after the workshop to help you improve your performance
- This will not be collected and so write in a manner that will help you utilize the concepts being learned

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## Review Opening Case for: Sources of Insight

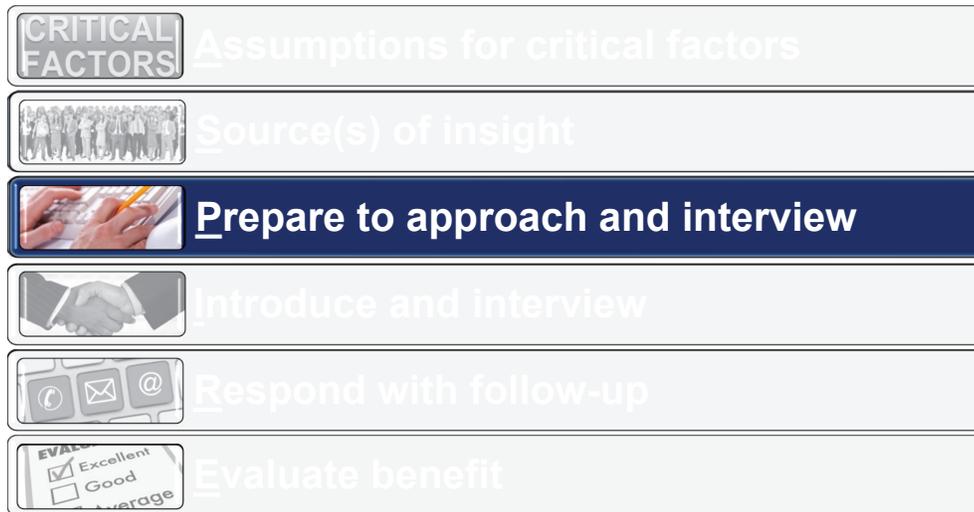
Lucas...

- **Doesn't have proprietary sources** of insight and instead relies too heavily on publically-available information (news stories, sell-side reports and regulatory filings)
- **Doesn't see the value in:**
  - **Going to conferences** because he feels it takes too much time
  - **Knowing the best industry events or groups** that host them
  - Arriving to the conference in time to **participate in the opening social event**
  - **Meeting with Sunil**, because he's not a "top executive" even though Sunil may have insights or other contacts he can provide Lucas
  - Watching the panel of industry journalists/bloggers, to learn insights, and possibly meet the panelists afterwards to make new industry contacts
- **Doesn't review the speaker list** until he's on the plane, which limits his ability to do more research on who will be the best potential contacts to approach
- **Doesn't ask the CEO or Sunil for names of other good industry contacts** to speak with at the conference or afterwards
- **Doesn't know there are consulting firms** that specialize in forecasting critical factors for his sector
- **Doesn't think to ask the conference organizers** for a list of attendees in advance
- **Doesn't ask his friend for names** of individuals in ExpBitz that could help better understand airline pricing
- **Incorrectly asserts Sunil is a valuable source** of insight for trans-Pacific pricing

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## Module 3: “P” of ASPIRE™



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## Why “Waste Time” Preparing?

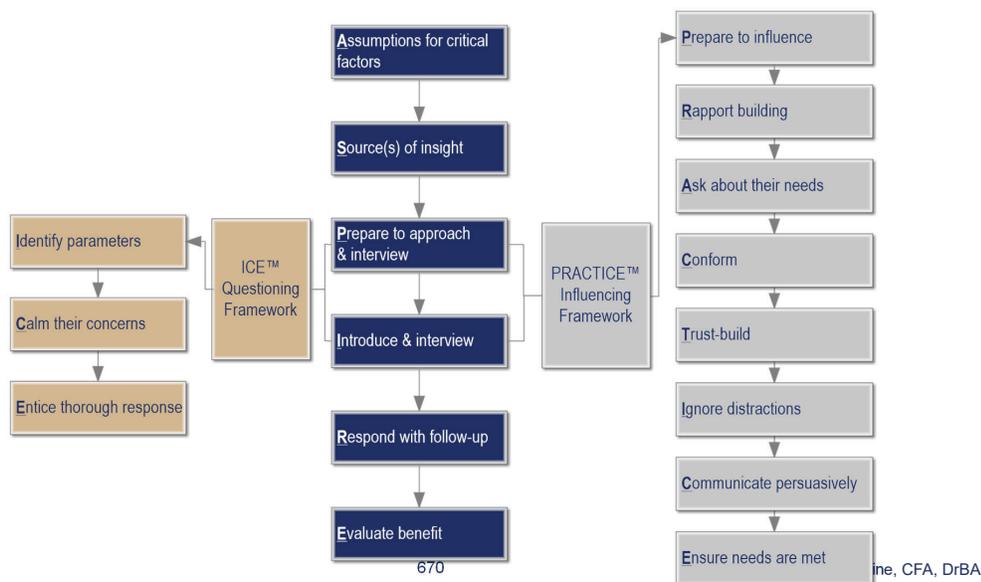
- Maximizes interview time (which often is limited)
- Keeps focus on just critical factors
- Increases odds of getting a useful answer
- Builds your reputation, and avoids damaging it



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# Key Frameworks



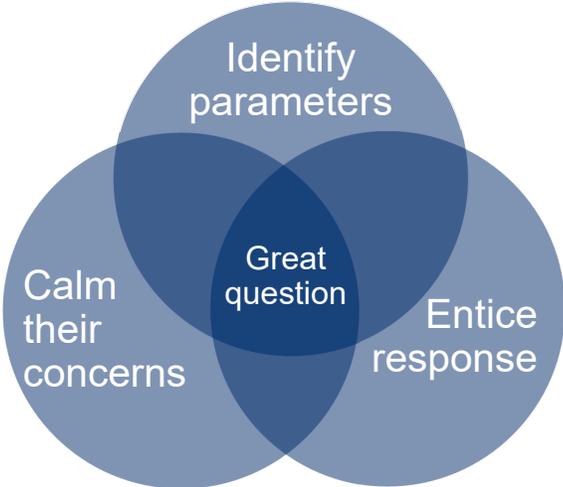
## 3 Most Common Mistakes When Analysts Question Others

### Asking questions...

- Not focused on critical factor assumptions
- That can be answered using public documents
- To interviewees who are not qualified to provide accurate answers about the critical factor assumptions



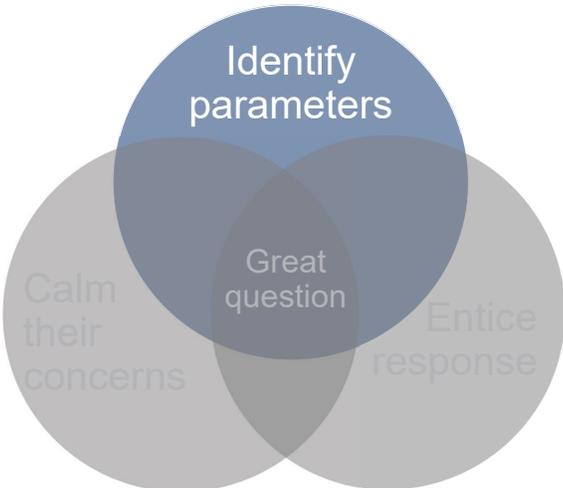
# ICE™ Framework



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# ICE™ Framework



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## Reference Interviewee's Stated Goals

<b>Questioning Type</b>	Reference Interviewee's Stated Goals
<b>Benefit</b>	Ensures response is reconciled with interviewee's goals
<b>Example</b>	"What is being done to achieve management's long-term goal of 1% labor cost inflation, given that it was up almost 3% in the recent quarter?"

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## Reference Credible Third-party Forecast

<b>Questioning Type</b>	Reference Credible Third-party Forecast
<b>Benefit</b>	Keeps interviewee within the parameters of this credible forecast
<b>Example</b>	"Do you believe the Global Aircraft Association's long-term forecast for 6% intra-Asia passenger traffic is realistic?"

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# Reference Continuation of Past Trends

<b>Questioning Type</b>	Reference Past or Continuation of Trends
<b>Benefit</b>	Frames future forecast using past trends which helps to keep interviewee's response more realistic
<b>Example</b>	"Should I assume that the lack of labor productivity improvement in the most recent quarter will continue?"

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# Options or Scaling

<b>Questioning Type</b>	Offer Options or Scaling
<b>Benefit</b>	Keeps interviewee's response within a predefined range
<b>Example</b>	"Over the next 18 months, is it more realistic that labor inflation will return to the highs of 6%-7%, as seen 4-5 years ago, or potentially be flat, similar to a target set by your largest competitor?"

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# Hypothesize (and then pause)

<b>Questioning Type</b>	Hypothesize (and then pause)
<b>Benefit</b>	Challenges interviewees to respond with their own hypothesis
<b>Example</b>	“I forecast the major productivity improvements of the prior year to slow to less than 1%, given the weak numbers in the most recent quarter.”

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# Make Implications

<b>Questioning Type</b>	Make Implications
<b>Benefit</b>	Uses your insights to build a well-constructed implication that will likely elicit a quantifiable response
<b>Example</b>	“Your largest competitor has stated one of its competitors has been dropping pricing, and we see in your most recent quarter, your average selling price was down. Can I assume you are the company they’re referencing?”

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# Triangulate

<b>Questioning Type</b>	Triangulate
<b>Benefit</b>	Uses information from other related areas to narrow possible outcomes
<b>Example</b>	“I’ve heard management state it generates \$60 per unit from product sold in China. If your company sells 50,000 units per day in Shanghai, and we’ve been told Shanghai is over 50% of your China revenue, the math suggests you generate \$1.4 billion per year in China. Are there any elements of my assumptions that appear off?”

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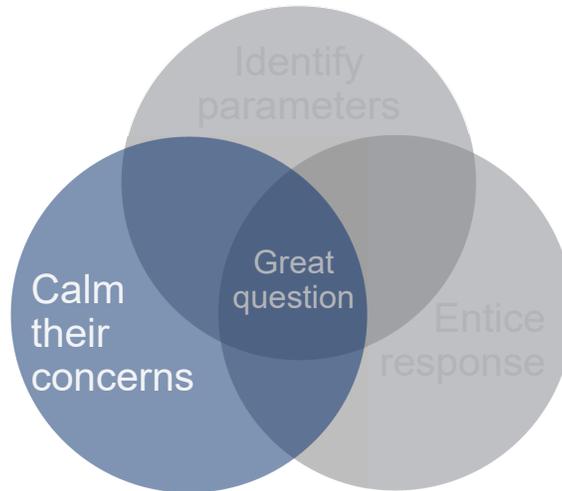
# Ask for Estimates Around Non-Material Topics

<b>Questioning Type</b>	Ask for Estimate Around a Non-Material Topic (that helps to build the mosaic)
<b>Benefit</b>	Keeps the question focused on a quantifiable response for something relatively small, so the interviewee is comfortable answering
<b>Example</b>	“Can you provide an estimate of the number of unionized employees you have in California?”

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# ICE™ Framework



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## Be Positive

- Phrase questions positively; if you're too forceful or negative, it will exert control over the interviewee, who will likely attempt to gain back control by being restrictive with the response
  - Avoid this: “Why has management allowed margins to drop to such disappointing levels?”
  - Instead be more positive: “Can you help me understand why margins are 300-500 basis points lower than your competitors?”



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## “And” Not “But”

~~BUT~~  
AND

### Use "and" rather than "but" to be less confrontational

- Avoid: “As I understand it, the company saw the new expansion wasn't going well, *but* continued to do more marketing.”
- Instead be less confrontational: “As I understand it, the company saw the new expansion wasn't going well *and* continued to do more marketing.”

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## Avoid “You”, “I” and “Me”

- De-personalize sensitive questions, by avoiding the use of “you” and instead use “company” or “management” when referencing the problem
- Use “us” and “we” (instead of “I” or “me”) to show it's not just you that have a concern:
  - Avoid: “Tell me why you had such poor holiday traffic.”
  - Instead be less confrontational: “Why did NewCo (the interviewee's company) experience holiday traffic well below its competitors?”



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# Avoid Sensitive Words

Avoid using words and phrases that will put the interviewee on the defensive

Bad	Better
<ul style="list-style-type: none"><li>• Missed the quarter</li></ul>	<ul style="list-style-type: none"><li>• Fell short of expectations</li></ul>
<ul style="list-style-type: none"><li>• Huge mistake</li></ul>	<ul style="list-style-type: none"><li>• Poor strategic decision</li></ul>
<ul style="list-style-type: none"><li>• Crash</li></ul>	<ul style="list-style-type: none"><li>• Collide/accident</li></ul>
<ul style="list-style-type: none"><li>• Tell me...</li><li>• Give me...</li><li>• What is...</li><li>• How much did you...</li></ul>	<ul style="list-style-type: none"><li>• Can you help us understand...</li><li>• How much would you estimate...</li></ul>

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# Avoid Speaking Over Their Head

- Use terminology and vocabulary level that puts the interviewee at ease
- If you're speaking to the manager of a coal mine, use mining terms that will be understood and avoid financial terms like "ROIC", "EBITDA" or "DCF" which could cause anxiety



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# Past vs. Forecast



- For sensitive topics, refer to the past rather than ask for a forecast:
- Avoid asking for a forecast: "Do you expect pricing to continue to drop?"
- Instead, reference the past: "Has pricing continued to decline?"

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# Passive vs. Active

- Use passive voice (vs. active) to avoid putting the interviewee on the defensive
- With the active voice the interviewee (person, manager, company, etc.) performed the action, whereas passive implies the action was performed on the interviewee

Active (not recommended)	Passive (recommended)
"Did management invest too much into the new model handset?"	"Was too much invested into the new model handset?"
"Will your company likely achieve its growth target?"	"Will management's growth target likely be achieved?"

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## When Probing a Deficit

- Blame criticism as coming from others... "I noticed Golden Bull Securities recently downgraded your stock over concerns your growth rate is slowing. Is their thesis warranted?"
- Focus the criticism on the numbers or performance, not the people:
  - Poor practice: "Why did you so badly disappoint this past quarter?"
  - Best practice: "Why were EPS 10% below consensus this past quarter?"
- When applicable, start the question with a lead-in to show the company is not an outlier. "Many companies didn't think they would be significantly hurt by the recession and yet every stock in the sector is down at least 20%. What are some things that could have been done at your company to soften the impact of this downturn?"

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## Right Question Type and Order

- Start easy
- Don't use too many closed questions
- Avoid:
  - Rhetorical
  - Complex/nested
  - Insulting



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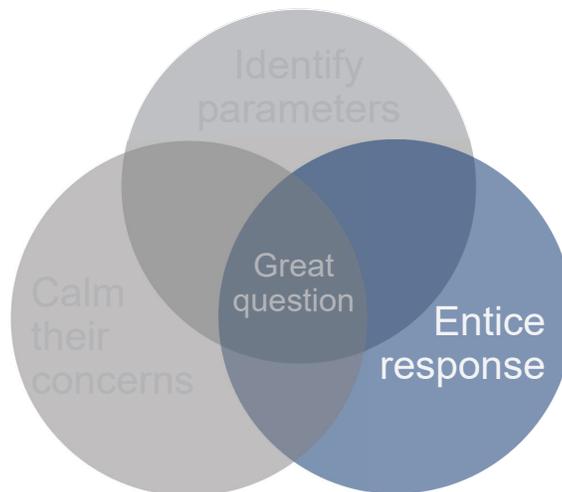
# Ask About Confidence Level

Too Direct	More Likely to Get Answered
Avoid being this direct: “Will you achieve your cost-cutting target this quarter?”	Instead ask for a confidence level: “How confident are you that the company can achieve its cost-cutting target this quarter?”

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## ICE™ Framework



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## Use Names and Adoration

- Use interviewee's name
- Play up interviewee's experience
- Refer to the company name as an industry leader



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## Exploit Cognitive Dissonance



- Humans can't hold two contradictory beliefs
- Get agreement on basic belief
- Probe in an area where the belief appears inconsistent with actions

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## Reference Other Credible Sources of Information

- Competitor's performance
- Competitor's disclosure
- Respected expert
- Consensus
- Your forecast



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## Question View Towards Stock



- “Many of the PMs/clients I speak with have trouble understanding how the company will achieve a double-digit growth rate”
- “I'm not sure we can get more constructive towards your stock unless I can get more comfortable with management succession plans”

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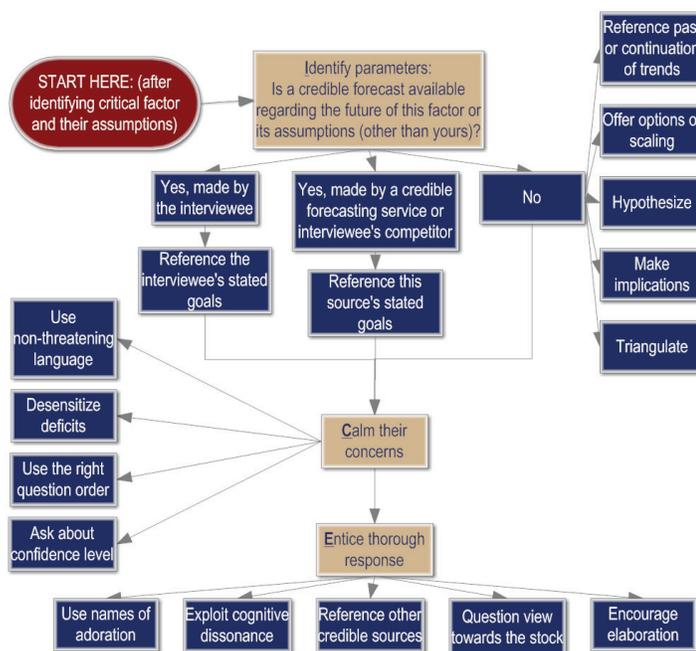
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# Encourage Elaboration

- Use phrases:
  - “I see” or “Interesting...”
  - “Can you elaborate”
- Use silence
- Echoing
- Restate answer to question plausibility

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# Review DRC

## Detailed Reference Card (DRC)

**Questioning Techniques for Obtaining Insights Using the ICE™ Framework**

ICE™ Questioning Framework

The best interviews (or electronic exchange of information), by equity research analysts, journalists,

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# Review QRC

## Quick Reference Card (QRC)

**Potential Questions to Investigate When Researching a Company**

**Potential Questions to Investigate**

As we note in our ICE™ framework for questioning (see *AnalystSolutions' DRC, Questioning Techniques for Obtaining Insights Using the ICE™ Framework*),

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# Complete Your TAP

## Section 5

### Transformation Action Plan (TAP)



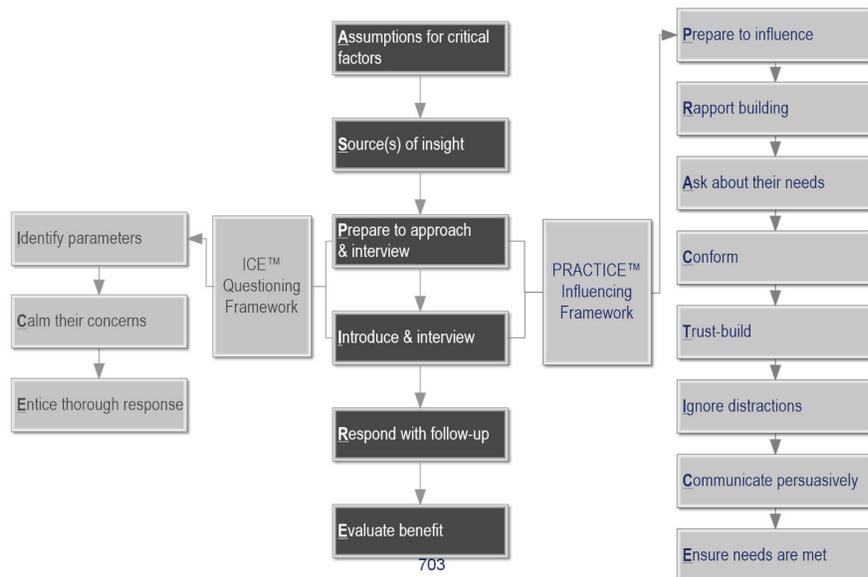
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## Key Frameworks



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## “P” of PRACTICE™ Framework

- Prepare to influence by answering “What’s In it for Them?”
  - Search for the person on Google, LinkedIn, Bloomberg, Facebook, Twitter, etc. to help identify potential needs (notoriety, knowledge, friendship, etc.)
  - If you’ve been provided the contact’s name via a colleague, ask about the contact’s motivations
- Research their background to better conform when meeting



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## Typical “WIIFT”

- Access to insights from senior management of companies within the industry
- Understanding of their company and its stock price
- Understanding of the industry trends or their company’s competitors
- Access to other experts
- To be recognized as an industry thought leader
- Ego boost
- Desire to honor request from colleague or friend who referred you to the information source
- Develop more friendships within the industry

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# WIIFT Example

(from an analyst) I tend to ask something like this:

*Hi Joe, I wanted to reach out to see if I could ask you about the xyz industry given your background. I am currently researching a xyz company and want to understand the type of work you do in the industry. Let me know if you have any time for a call.*

## Improvements

*Hi Joe, I'm a fellow alumni of XYZ and have landed a job in a research role responsible for understanding the XYZ industry. I've been searching for highly knowledgeable experts on [critical factor or a broader area] and noticed in your profile that you have experience in this [topic/area]. Would you have a few minutes to help me understand some of the more complex issues such as [A and B]? I've already done some research on the topic and looking for further insights.*

*Given my current position, I have access to quite a bit of data about [this topic, this industry] and so hopefully, I can return the favor in some way. Any help you can provide is greatly appreciated.*

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## “P” of PRACTICE™ Framework for Influencing Others

- Prepare to influence includes self-assessment
- Honestly answering these questions (resolve deficits where possible):
  - Will you be credible to this person? (Ensure you know the critical factors for a stock)
  - Do you have strong communication skills?
  - Are you a good listener?
  - Are you empathetic?
  - Do you adapt well?
  - Do you have a large network of contacts to potentially share as “currency” with this contact?



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# Review DRC

## Detailed Reference Card (DRC)

Utilize the PRACTICE™ Framework to Influence Others

PRACTICE™ Framework for Influencing Others



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# Complete Your TAP

## Section 6

### Transformation Action Plan (TAP)



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# Live Interview Logistics

- Avoid
  - Noisy restaurants
  - Meeting outdoors
  - Activities that restrict note taking
  - Impersonal spaces (e.g. hotel conference ballroom)
- Eliminate distractions
  - External
  - Internal
- Conference calls
  - Everyone should have details in advance

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## Review Opening Case for Prepare to Approach & Interview

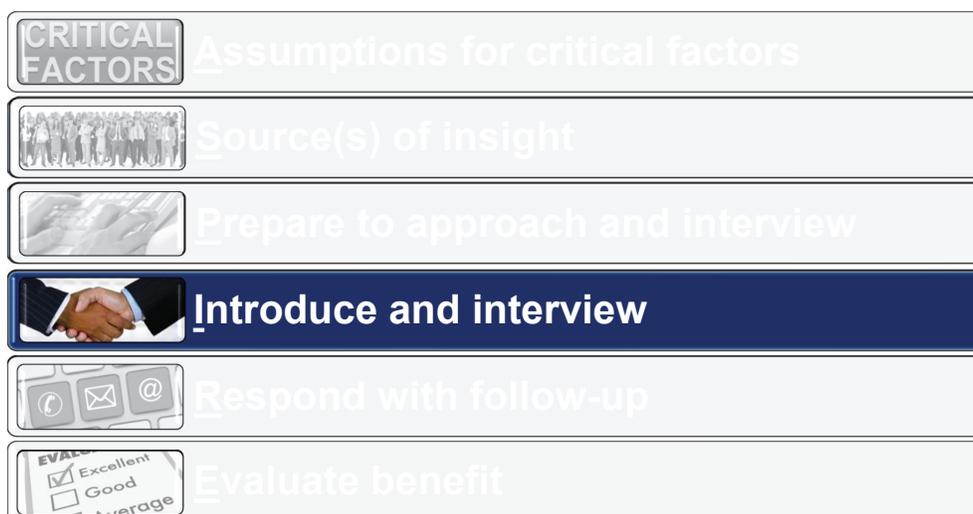
Lucas...

- **Doesn't stay at the conference** hotel which creates more logistical challenges for him to participate, and suggests to attendees he **isn't conforming** to their ways (which hurts his ability to influence)
- In preparing his questions, he asks them:
  - With **too much jargon** that may intimidate the interviewee
  - In a manner that likely put the **interviewees on the defensive** (does not "calm their concerns")
  - That **cannot be legally answered** and thus puts the interviewee on the defensive (does not "calm their concerns")
  - **With no parameters** that can be answered with minimal research
  - About a topic where the **interviewee is not qualified** to provide an accurate answer
- Does not **conform with Sunil's disinterest for alcohol** (which hurts his ability to influence by violating the "conform" principle)
- Fails to "entice thorough response" by **suggesting the CEO's company is too small**
- **Hasn't conducted research on the CEO** he approaches, even though he has been listed as they keynote speaker for over six months
- Plans for the interview to take place in a **noisy bar** (difficult to hear) where there is no place to sit (difficult to take notes)
- **Wastes valuable time in his hotel room** before meeting Sunil that could have been spent researching Sunil and his company in order to develop good questions that had parameters

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## Module 4: “I” of ASPIRE™



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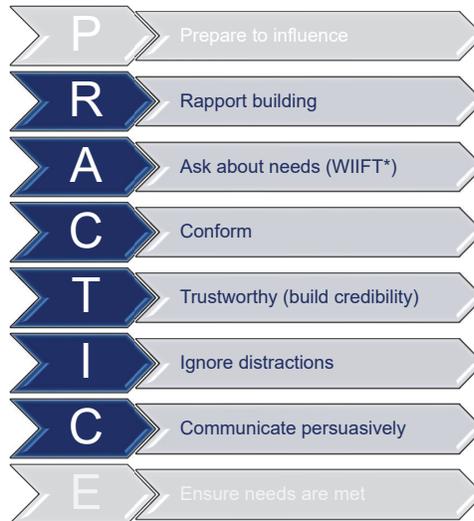
## Key Concepts

- Check ego at the door
- Demonstrate you are knowledgeable
- Explain you will not quote
- Qualify the interviewee
- Focus on one topic at a time
- Don't allow interviewee to take control
- Too much jargon is a red flag

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# PRACTICE™ Framework for Influencing Others



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## “R” of PRACTICE™

### Rapport Building

- Be the first to say “hello”
- Get to know them
- Show reverence
- Reference referral
- Listen attentively
- Establish common ground
- Be confident (but not arrogant)
- Provide something to meet their needs



## “A” of PRACTICE™

### Ask about needs (WIIFT)

- If you haven't already learned the interviewee's "WIIFT" during your research in the "Prepare" step above, start the conversation by getting this answered

WIIFT?

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## First “C” of PRACTICE™



### Conform

- Avoid passing judgment
- Use known jargon and avoid unknown
- Dress to connect with the person
- Embrace “their ways”

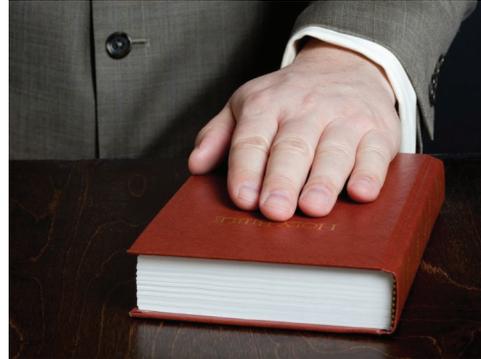
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## “T” of PRACTICE™

### **Trustworthy (build credibility)**

- Show or send your insights
- Be honest about capabilities and deliverables
- Follow through
- Proactively explain confidentiality
- Treat everyone involved with respect



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## “I” of PRACTICE™

### **Ignore distractions (external and internal)**

- Avoid distractions
- Ignore internal distractions such as:
  - Inattention
  - Self-absorption
  - Misinterpretation
- Personal biases



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# Weapons of Influence

Reciprocation	• Offer to do something for the individual in hopes of getting what you need in return
Commitment and consistency	• Asking for a small commitment on their part so they are more open to the next exchange
Social proof	• To get others to act, suggesting it's common practice or in high demand
Liking	• Making an effort to get the person to like you
Authority	• Demonstrating you are the authority on a topic
Scarcity	• Convey that access to you or your information sources may be limited

Source: Robert Cialdini, *Influence: Science and Practice* (2008)  
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## Ending With Purpose

- Explain why it's imperative you exit now, such as "It's been a pleasure meeting with you. I hope you don't mind, but I need to speak to one other individual before they leave this event."
- Ask for a referral: "You are such an expert in this area. Do you know of anyone else [at this event] who holds such expertise?"
- Hand off to another contact: "This has been a great exchange for me. I'd like you to meet another professional who has interest in this same area, who I suspect you'll find quite interesting."
- Explain next steps: "I found your insights to be incredibly helpful. Would it be okay if I reach out to you early next week to get a copy of the slides you mentioned?"

# Non-verbal Communications

- 65%-93% of the message can be nonverbal
- Reading body language to detect deception is VERY difficult
  - Body gestures
  - Manipulation
  - Mouth
  - Face
  - Eyes

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## DRC Covers Non-Verbal Communications

### Detailed Reference Card (DRC)

Generating Sustainable Sources of Insight with ASPIRE™ Framework

#### **Be Mindful of Non-verbal Communications (i.e. Body Language)**

- Research shows 65% to 93% of the message being delivered can be nonverbal, and so for in-person interviews, don't miss these cues (this is another reason why in-person interviews are superior to phone or email exchanges, but they require more time which is why they're aren't always the best option)
- When asking interviewees questions, note their verbal and non-verbal responses. If they quickly and confidently downplay your concerns, you can feel more confident with the answer than if they appear concerned or, worse yet, avoid answering the question.
- There is significant subjectivity involved in reading body language and much practice is required to master these skills. As you'll see below, for every cue there is a qualifier that says you can't rely

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# Review Opening Case for Introduce & Interview

Lucas...

- **Doesn't:**
  - Demonstrate any **level of expertise** in his questioning
  - Explain that he **won't quote Sunil** and he'll keep Sunil's name anonymous
  - **Thank the CEO or Sunil** for agreeing to have a conversation
  - **Try to get to know the CEO or Sunil** or WIIFT
  - **Use any of the "Weapons of Influence"**
  - **Ignore distractions** such as his **phone and the bar TV**
- He's **under-dressed** which suggests he's not attempting to conform to the interviewee's ways
- **Shows up late to meeting** with Sunil which hurts his ability to build trust
- **Interrupts** Sunil which hurts his ability to influence
- **Passes judgement** by suggesting the failed acquisition attempt was a mistake and the A380 aircraft order is a gamble
- His **blunt questions** probably hurt his ability to be trusted (which is key to influencing others)
- His **body language probably suggests to Sunil he isn't interested** in the conversation which hurts his ability to be trusted (which is key to influencing others)

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## Complete Your TAP

### Section 7

#### Transformation Action Plan (TAP)

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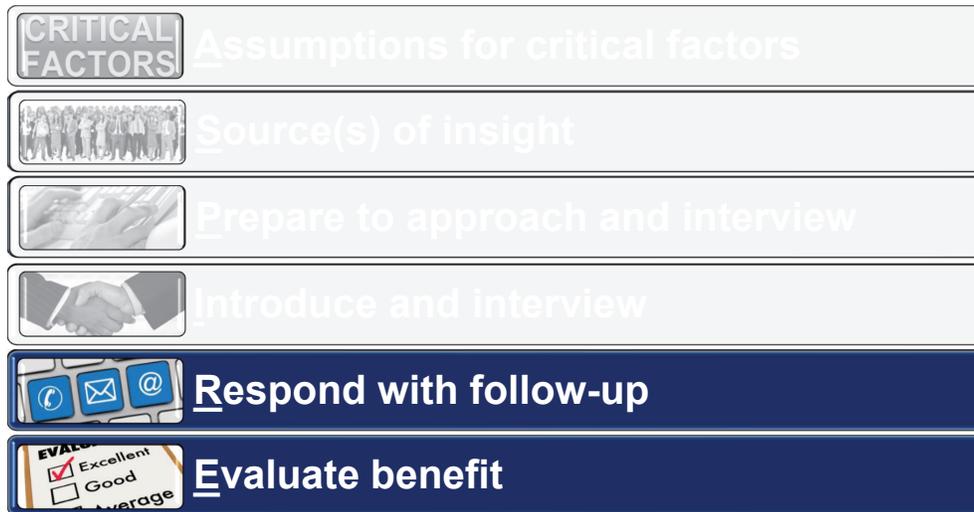
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- 

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## Module 5: “R” & “E” of ASPIRE™



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## “R” of ASPIRE™

### Respond with follow-up

- Post interview follow-up:
  - Add to contact list
  - Create follow-up reminders
- Satisfy WIIFT in a timely manner
  - Send relevant information
  - Connect with another industry contact
  - Invite to proprietary events
  - Send your research
- Periodically contact to offer help, not just when you need information
- Treat them like you would a client



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# “E” of ASPIRE™

## Evaluate Benefits From Interviewee

- Likely to help forecast assumptions driving critical factors?
- If not, thank and ask for other potential leads



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# Complete Your TAP

## Section 8

### Transformation Action Plan (TAP)



#### Instructions for the Transformation Action Plan (TAP):

- Throughout this workshop complete the TAP below
- Apply the key points after the workshop to help you improve your performance
- This will not be collected and so write in a manner that will help you utilize the concepts being learned

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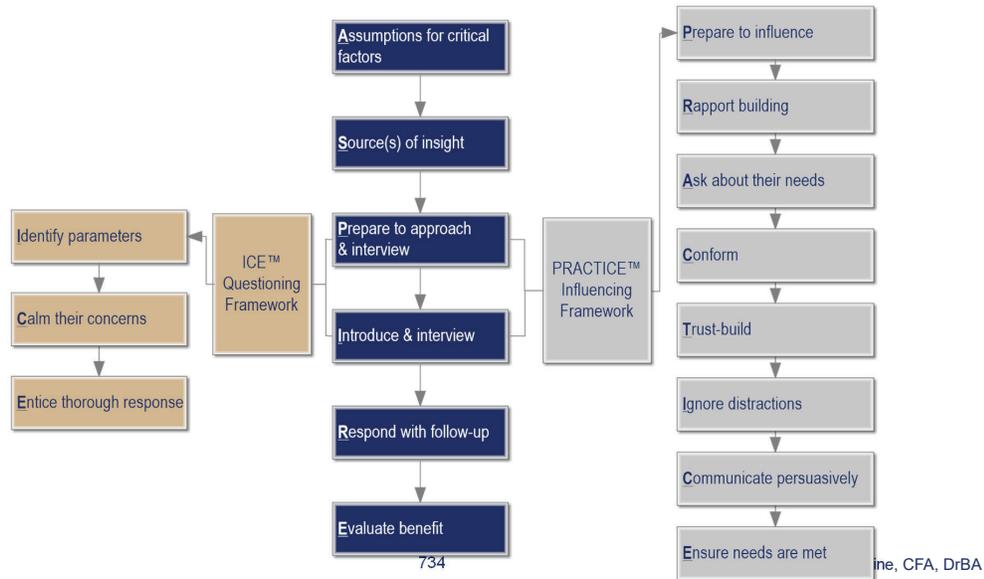
## Review Opening Case for Respond With Follow-up and Evaluate Benefit

Lucas doesn't...

- Appear to add the CEO or Sunil to his contact list
- Attempt to fulfill the “what’s in it for them?” need after the interviews (partly because he didn’t probe for these)
- Follow up with the CEO or Sunil with a “thank you” email
- Evaluate the benefit of speaking with his college friend, which is a waste of time for the purpose of stock picking
- Tell his internal colleague about the issues with the aircraft flaws that could impact the colleague’s stocks

## CONCLUSION

## Key Frameworks for Generating Insights



## Summary of ASPIRE™ Best Practices (1 of 2)

- Identify the **A**ssumptions that need answering for the 1-4 critical factors per stock
- Seek **S**ources of insight such as:
  - Reviewing industry trade journal, website, or blog
  - Interviewing:
    - Consultant, expert, or company retiree who is not in an expert network
    - Management from customer of, or supplier to, or competitor of the stock being researched (can be publically-traded or privately-held company)
    - Government official, staffer, lobbyist or association executive
    - Journalist, blogger or noted book author
    - Industry award-winners (e.g. best salesperson)
    - Consultant, expert, or company retiree who is part of an expert network
  - Analyzing information from private forecasting service in a manner other than for which it was intended
  - Conducting survey, formal or informal
- **P**repare to approach and interview
  - Prepare questions, ensuring they have these elements (from our ICE™ framework):
    - Identifiable parameters
    - Calm their concerns
    - Entice a response
  - Identify “What’s in it for them?” (WIIFT)

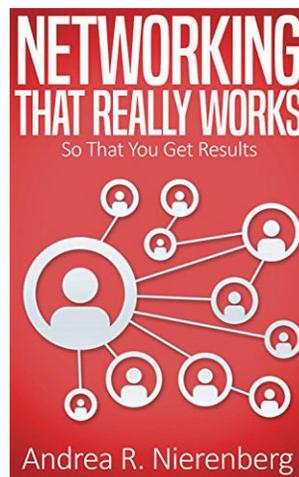
# Summary of ASPIRE™ Best Practices (2 of 2)

- **I**ntroduce and interview
  - Use good influencing skill techniques (explained in our PRACTICE™ framework):
    - Build rapport by showing interest in them
    - Ask about their needs
    - Conform to their style and do not openly reject their view (even if you disagree with it)
    - Use “linking & building” to get from their view to your question
    - Use the rule of reciprocity, social proof, scarcity and authority figure to motivate them to help
  - Explain you won’t quote or attribute their thoughts
  - Start by asking easiest questions first
  - Don’t allow interviewee to take control or use their influencing skills to derail the interview
  - Convey and read body language to be effective
  - End with purpose by asking for commitment to follow-up and referrals to other information sources
- **R**espond quickly with follow-up to build trust and improve ability to influence
- **E**valuate the benefits of spending time cultivating each contact

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## Networking Resource



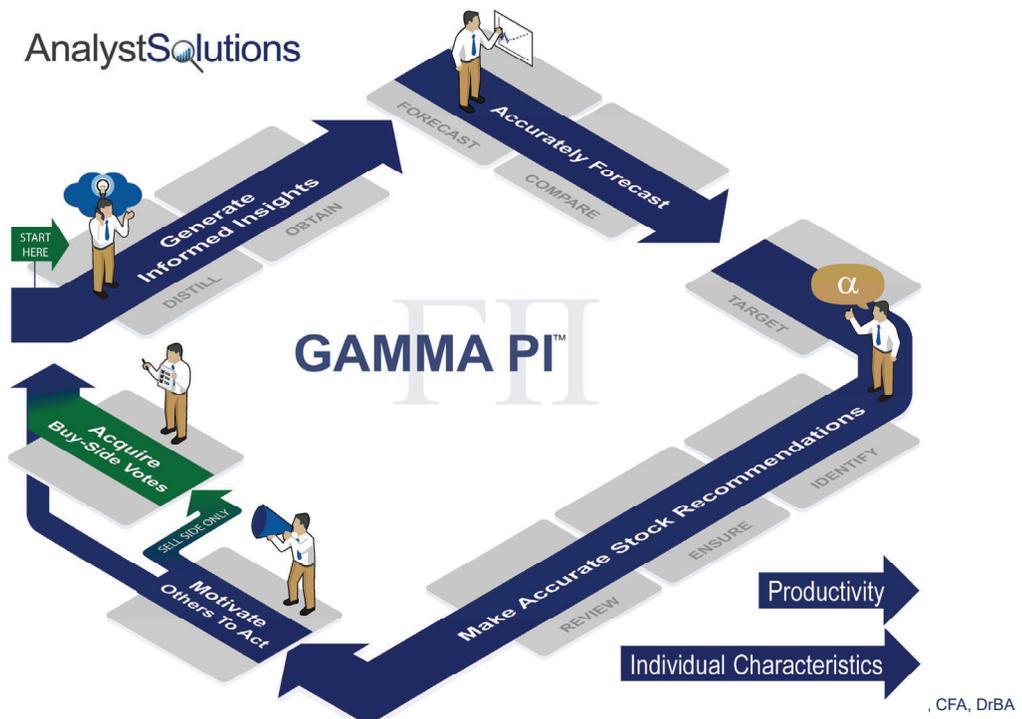
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# ABC's of Networking\*

- |   |  |
|---|--|
| A. Take action with a positive attitude                                 | N. Niceness pays   |
| B. Belong to groups. Build your brand                                   | O. Ask open-ended questions. Take opportunities                        |
| C. Connect with your contacts consistently and cultivate a relationship | P. Professionalism pays. Practice it                                   |
| D. Deliver above expectations   | Q. Set your own quota  |
| E. Engage, evolve, and empathize  | R. Be a resource and do your research                                  |
| F. Take a friendly approach   | S. Be strategic and wear a smile                                       |
| G. Set goals. "Go for it." Show gratitude. Be giving                    | T. Timing is everything. Trust is key                                  |
| H. Humor and help go hand in hand                                       | U. Understand others   |
| I. Be interested and have integrity                                     | V. Be versatile  |
| J. Join and get involved  | W. Write letters and cards   |
| K. Keep in touch and be kind  | X. Do it with love, XOXO (or at least like)                            |
| L. Listen and learn   | Y. Focus on "you"— meaning the other person you are connecting with    |
| M. Motivate yourself  | Z. Have a zeal for the possibilities of new and nurtured relationships |

\* Source: Andrea R. Nierenberg, *Essential Business Networking* James J. Valentine, CFA, DrBA



Follow through by continually practicing these three steps...



## Our Tools



Workshops



One-on-one coaching



Assessments



Consulting



Keynote/offsite presentations

## Workshops that Address Universal Analyst Needs

 <b>CRITICAL FACTORS</b>	Identify & Monitor a Stock's Critical Factors
	Generate Differentiated Insights Through Better Discovery, Questioning and Influencing
	Apply Practical Valuation Techniques For More Accurate Price Targets
	Master the Stock Call Techniques of Highly Experienced Analysts
	Communicate Unique Stock Calls Successfully So Others Take Action
	Maximize Your Time for Alpha Generation
	Develop and Deploy a Marketing Strategy that Maximizes Wallet-Share

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## Best Practices Bulletins

### 10 Steps for Equity Research Analysts to Perform Better



According to Reuters, one of its sister companies, Lipper, finds that roughly 85% of active large-cap stock funds are lagging their benchmarks year-to-date through late November. Investors are voting with their feet as shown by the \$206 billion of inflows into ETFs through the first 10 months of 2014 vs. only \$36 billion for the...

[Read the Entire Bulletin >](#)

### Portfolio Managers' #1 Frustration With Equity Research Analysts



While I was studying the Japanese language during college, I initially didn't take notice that the word "chigau" (ちがう) is used to convey both "different" and "wrong." But after moving to Tokyo and learning the importance of conforming to the group, I developed a newfound appreciation for why these two English words require only one...

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# Thank You for Participating!



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