

## FMEA Interview Documentation – Intuitive Surgical Simulated Case

**Interviewee:** Lesly Gory, Senior VP, Corporate Marketing

**Date/Time:** July 5, 2022, 6-8PM

**Interviewers:** Iridescent Consulting Team

**Risk Category:** Strategic – Competitor

**Risk:** We are operating in a highly competitive industry that is characterized by constant changes and innovations. If we are not responsive to these changes or keep up with innovations, we are at a high risk of not meeting our customers' needs which could result in loss of revenue and inability to meet revenue growth by losing larger sales and gaining new customers. New innovative start-up companies, and larger companies that are making significant investments in R&D and acquisitions may invent similar or superior products and technologies that compete with our products, resulting in losing our competitive advantages and market share.

**Scenario:** 6-A (credible worst-case)

**Scenario Description:** One of our major competitors in U.S. acquired a new innovative startup which has unique niche in Robotic Surgery market. By spotting new trends and making significant investments in new products, enhancements, and functionalities, it successfully expands its market share and convinces our existing and potential customers to use their products and services. Consequently, we lose a larger number of our customers and revenues lasting 5 years.

**Likelihood:** 10% to 15% likelihood

**Impact(s):**

1. Our business experience a downturn lasting 5 years for all business segments (Including both U.S. and Outside U.S.), and then we will recover back to baseline revenue in Y6.
  - a. 8% below baseline in Y1
  - b. 6% below baseline in Y2
  - c. 4% below baseline in Y3
  - d. 2% below baseline in Y4
  - e. 1% below baseline in Y5
2. We will increase Selling, General and Admin expenses for all business segments (Including both U.S. and Outside U.S.), to maintain the brand recognition and strengthen our marketing strategies for both direct sales channels and 3<sup>rd</sup> party sales channels.
  - a. 4% above baseline in Y1
  - b. 4% above baseline in Y2
  - c. 3% above baseline in Y3
  - d. 3% above baseline in Y4
  - e. 2% above baseline in Y5
3. We will increase Research and Development spending for all business segments (Including both U.S. and Outside U.S.) to catch up with newer technology and regain up to date intelligence on our product sectors.
  - a. 5% above baseline in Y1 to Y3
  - b. 4% above baseline in Y4 to Y5

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**Scenario:** 6-B (moderately pessimistic)

**Scenario Description:** Less severe version of Scenario 1. The competitor successfully expands its market share in U.S. only. In addition, we are able to catch up and gain our market share back in 3 years.

**Likelihood:** 15% to 20% likelihood

**Impact(s):**

1. Our business experience a downturn lasting 3 years for all business segments in **U.S.** only, which will recover back to baseline revenue in Y4.
  - a. 4% below baseline in Y1
  - b. 3% below baseline in Y2
  - c. 2% below baseline in Y3
2. We will increase Selling, General and Admin expenses for all business segments (Including both U.S. and Outside U.S.) to maintain the brand recognition and strengthen our marketing strategies for both direct sales channels and 3<sup>rd</sup> party sales channels.
  - a. 3% above baseline in Y1
  - b. 2% above baseline in Y2
  - c. 1% above baseline in Y3
3. We will increase Research and Development spending for all business segments (Including both U.S. and Outside U.S.) to catch up with newer technology and regain up to date intelligence on our product sectors.
  - a. 5% above baseline in Y1
  - b. 4% above baseline in Y2
  - c. 3% above baseline in Y3