

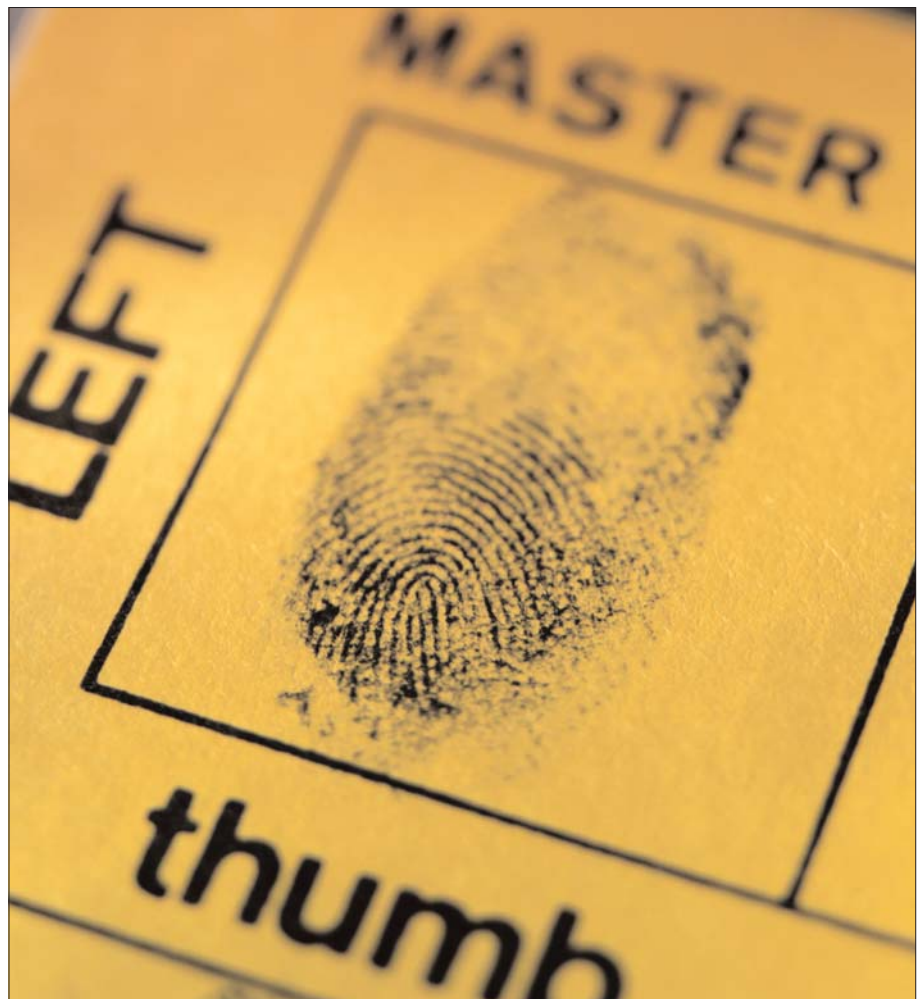
BEST PRACTICE

DAVID COWAN

Detective work caught Saddam Hussein: marketing needs more of it

By **DAVID COWAN**

All marketing problems are particular. Yet marketers often rely on models of consumer behaviour that assume all markets are the same. Although the appeal of such models is understandable, they can be a dangerous fallacy. Understanding exactly how consumers behave in individual markets and knowing how to change that behaviour needs a much more forensic approach. David Cowan explains how strategic insights can often be extracted from existing consumer data



DONALD RUMSFELD WAS openly amazed and becoming increasingly frustrated that after nearly eight months Saddam Hussein was still on the run. And we can see why. There were spy satellites positioned 22,300 miles above the earth to monitor mobile phone calls and instantly compare computerised profiles of the dictator's voice. Drones scanned potential hiding places with thermal probes and beamed back video

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pictures. Apache attack helicopters were configured to monitor fast moving convoys. But still he evaded his pursuers. Why had all this effort failed?

It had failed because all Saddam had to do was not to make himself obvious. In the end it was detective work that fathomed how Saddam was able to avoid capture and this led to his lair.

The investigators started from the simple premise that to remain hidden he must be getting help. The squads of middle-aged men who had

accompanied Saddam before the war provided the clue. They were relatives drawn from his huge extended family and previously overlooked. A long list was drawn up – 9,000 names in all! – and the painstaking work of zeroing in on the inner tribal circles began. One name kept popping up in intelligence reports. This man was targeted and caught and he quickly spilt the beans – High Value Target Number One was in the bag.

Marketing needs the same kind of detective work

Marketing needs detective work in order for companies and their brands to grow. The detectives in Iraq were rigorous. They got under the surface to identify the cause that was producing the undesirable effect – Saddam's continuing ability to remain hidden. The 'effect' businesses are usually trying to bring about is increased sales. And this means, in some shape or form, changed customer behaviour.

It is not that marketing doesn't do any detective work, rather that it is neither broad nor rigorous enough.

Marketing directors should regard their internal client as the CEO and ask helicopter questions about what the company has to do in order to grow its existing business. One of the reasons why companies don't grow is that these helicopter questions are rarely asked and answered with 'joined up' data.

What happens instead is that those in charge of each part of the mix – product, price, distribution, service, communication etc. – work on it separately. They no doubt talk to one another but the issue is not investigated holistically. Marketers need a wider perspective even if it points to things that need doing that are outside their area of control.

EXAMPLE ONE:

Overturing conventional wisdom

Unsubstantiated ideas often take root and inhibit factual investigation. For example, a retailer was concerned about future growth in the UK. Past growth had been extremely strong

because a winning formula had been rolled out across the country and the market sector had been growing rapidly. However the number of shops was thought to be near saturation and the sector was beginning to plateau.

Where was future growth going to come from? The investigation started at the beginning and took a helicopter view enumerating all the ways that large increases in sales might arise – increasing loyalty or greater conversion of visits to sales, etc.. Each of the avenues was systematically investigated and the achievability assessed.

The result was unexpected and different to the conventional wisdom at the time. It turned out that the store group was not easily accessible to 43% of customers and amongst this group the brand had only a 1% share. Amongst the customers for whom the stores were easily accessible its market share was 21%. There was the potential to double turnover because, contrary to the assumption that the number of shops were saturated, there was huge potential for more stores. The objective was clear and it was obvious what to do: a hundred more stores were opened.

EXAMPLE TWO:

Getting the diagnosis wrong.

Objectives (and the strategy to achieve them) rely on a sound diagnosis of the problem.

George C Marshall, the famous World War Two general and architect of the Marshall Plan, was fond of saying that 'if you get the objective right a lieutenant could write the strategy'. Quite often companies diagnose the problem incorrectly, thereby setting wrong objectives which guarantee failure.

Price wasn't the problem after all

A European fixed-line telecommunications company was losing market share to cable companies. The cable companies' telephony prices were lower than those of the fixed-line company. Share loss and lower prices were taken to be sufficient detective work to diagnose a cause – a price

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problem. Price schemes were therefore needed.

The price scheme strategy was reinforced by evidence from the US that apparently showed that this approach had been successful there. This led to very large sums of money being spent on discounts and their promotion, but brand share continued to fall.

Digging turns up gold

Digging into the market research library turned up a long forgotten qualitative research report that clearly indicated that the price diagnosis was wrong. According to this report customers weren't switching to get cheaper telephony, they were switching in order to get more television channels. This would explain why defection continued unabated. But who would believe this especially after so much money had been spent!

Using individual customer records it was possible to create several panels of 10,000 customers who were either on the one or other of the price schemes or not on any price schemes when cable arrived in their area. It was then possible to look at what had happened a year later and this confirmed that the price schemes were having virtually no effect in preventing defection. This understanding was filled in by

analysing existing tracking data in a new way. This showed that satellite ownership, i.e. a household already having extra channels available, massively reduced the switching.

The understanding of what was going on and what to do was now becoming clear. A large percentage of the population switched to cable if they didn't already have satellite because they wanted more channels. The way to inoculate the population against the cable threat was not to price promote – price wasn't the cause of the problem – but to form a joint venture with the providers of satellite to accelerate its penetration, particularly in areas where the cable companies were in the process of laying their cables.

EXAMPLE THREE:

Marketing activity was destroying market share

A newly appointed brands director wanted to know if and how his global sports sponsorship was working. His new company had previously bought a branded market research product – SportZ – a general tool for evaluating sponsorships. The methodology was based on what might be termed a similarity rub-off model. The research measured various consumer attitudes to the sponsorship property – its 'personality and life values' – and compared these to the personality and life values of the brand.

Correlation isn't causation

The assumption behind the model, which its vendors claimed was based on solid evidence, was that if the personality and life values of the sports team and brand were similar then this would benefit the brand and lead to greater sales. In this case both personality and life values were similar, so the recommendation was that the brand should continue the sponsorship.

However, using survey data already available on the brand, it was possible to focus on brand behaviour and understand how the sponsorship was affecting it. The analysis revealed that those brand customers who were also

How well would your marketing plan stand up to a courtroom style cross-examination by a panel of experts?

supporters of the sponsored team, were no more likely to be loyal. And non-brand users who supported the team were only fractionally more likely to switch to the brand that was sponsoring their team.

But the kicker came when looking at existing and potential consumers who supported other teams – they were much less loyal and much less likely to switch to the brand that was supporting a rival team. The problem was made worse because the supporters of other teams greatly outnumbered those of the sponsored team. The millions of pounds spent on the sponsorship were destroying the brand's market share!

EXAMPLE FOUR:

Misleading advice about how to sell more financial products

A bank wanted to sell more financial products to its customer base. A brand tracking survey was available which tracked customer awareness and their attitudes towards the different products. For each of the twelve markets in which the bank operated, (loans, household insurance etc.), there were measures of spontaneous and prompted awareness, a measure of price perception and a measure of credibility i.e. whether potential customers thought the bank competent to supply the financial product. There were also fifteen attitude statements which were correlated with the customer's willingness to consider the bank when buying financial products.

Such studies don't say how attitudes are to be changed and even if it is possible to change them. These are regarded as a tactical matters and the responsibility of the client. However by framing the strategy objectives in awareness and attitude terms there is an inherent bias towards communication – advertising, direct mail, POS – as the marketing tools most likely to bring increases about.

In this case the marketing director was unconvinced and called for a more thorough strategy investigation.

The bank had a huge research library of over 4,000 reports and this was trawled to find data that would give an insight into how market share could be increased. Over the years around twenty qualitative research projects had investigated the different financial markets. These were analysed and a pattern began to emerge. Whenever the reports mentioned a customer who had bought additional products from the bank they had usually done so from a known contact. A relationship had built up with a cashier or an assistant bank manager who had been helpful to them in the past and this made the customer feel valued and a two-way relationship had been established. It was the personal touch that was selling the products! Given the significance of this finding, a more thorough validation was sought and new studies were initiated amongst recent buyers to trace how the sale had come about. These validated the insight.

Zeroing in on behaviour had uncovered the cause-and-effect mechanism for increasing sales. This was the integrated understanding that explained why the bank was able to sell products that were highly profitable, but not good value, in markets with specialist competitors. And it pointed the way towards greater sale.

The standardised model used was misleading and wrong

This example illustrates how misleading standard models can be. Sales weren't occurring because customers

first became aware of the bank, then became convinced of its capability for providing good products at good prices and then were persuaded to see the bank as trustworthy, open, honest, reliable and caring (as the tracker said they should). They were buying because there was someone they knew and despite having little affection, and even hostility towards the bank, they were willing to buy from them.

In this case the understanding was salutary because the bank was in the process of systematically trashing customer relationships by forcing them to deal with anonymous call centres. The organisation took the new understanding onboard and is pursuing a strategy to build relationships and personalise customer contact in an economical manner. And to organise the other marketing elements around the understanding that personal contact is what makes the sale.

Models are general – markets are particular

An important reason for lack of rigor is the excessive reliance on standard, and in some case proprietary market research products that are based on generalised models of how customer behaviour can be changed. Almost all large companies buy these types of research products. One of the most common standard products, available from most market research companies, is the tracking study that reports on measures of awareness and attitudes. Correlations are made between attitudes, consideration and preferred-choice that imply how market shares can be increased.

There is no disputing that these studies have some value. If certain brands in the company's portfolio have low awareness or if customer satisfaction is in decline it is very important to know this. However the ways the tracking studies are reported give an impression of comprehensiveness that is both illusory and dangerous. They appear to have an inescapable logic of how to increase

market share and consequently give the impression that no further investigation is needed – as the bank example illustrates.

Use your existing data to create customised insight

The four case studies illustrate a very important feature of marketing – its particularity. The cases also illustrate a point about company data. In three of the four cases important understanding came from analysing data the company already had. Most companies have huge amounts of quantitative and qualitative data that has value far beyond the reason for creating it. This is not just market research; often the most revealing information comes from analysis of sales data and customer records. The data can often be sifted, analysed and joined up to create a jigsaw of new pieces that fit together into an understanding that wasn't apparent before.

The process is about turning quantitative and qualitative data into information and intelligence. The generalised models need to be parked and focus put on customer behaviour and how to change it. The data needs to be given the third degree. When this is done the result is always a surprise and, as the sponsorship example illustrates, sometimes a shock!

CEOs are crying out for 'real understanding' of customers

Recent research done by McKinsey and the Marketing Society (published in this issue) amongst CEOs pinpointed their current challenges. Achieving top-line organic growth is a key issue. They see customer understanding as central to this. But they are looking for 'real understanding' as opposed to 'the same data we've had for years'. Even those who feel they understand their audiences pretty well, stated they 'could always do better'. CEOs are looking for changes to existing processes, data and methods in search of greater effectiveness.

They felt that marketing people were sometimes too ready to return to existing practices.

Don't underestimate what is needed

Detective work is very intensive and requires the dedication of continuous intellectual and analytical effort. It requires senior people with the necessary skills and depth of experience to lay aside received wisdom and take time-out to really get to the bottom of the key issues.

A courtroom style cross-examination of your marketing plan

The thrust of this article is to encourage marketers to be more inquiring, to ask tougher questions and not to sink into the quagmire of routine market research. Maybe your plan is ambitious, entrepreneurial and you feel it is based on firm evidence. But how well do you think it would stand up to a courtroom style cross-examination by a panel of marketing peers, strategy consultants, industry chief executives and finance directors who will be asking probing and detailed questions about the assumptions made and the evidence on which the marketing plan is based?

Exactly whose behaviour is going to change?

And precisely why?

How rigorously has the evidence been analysed? Is it based on integration of all the customer data available – both market research and internal customer data?

Detective work is the way to gain real understanding and produce greater marketing effectiveness. If companies want to grow faster or stop a decline, rigorous detective work is what they need – it caught Saddam Hussein – it can work for you too. ☺

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