BRAND PAPERS

Holmes' place

David Cowan reveals why the approach of fiction's greatest sleuth Sherlock Holmes is needed to link marketing to profit and market share

David Cowan is the founder of Forensics, a marketing detective agency.
David@forensics.eu.com

There's an increasing need for marketing to become more effective and also to prove its effectiveness. The external world is becoming more competitive and the internal company environment more harsh, requiring marketers to explain and prove their contribution.

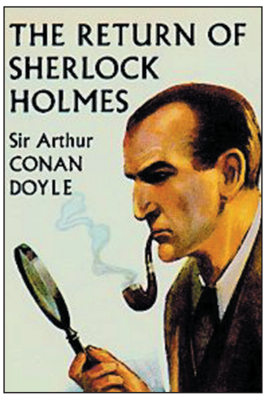
But what has Sherlock Holmes got to do with all of this? The answer is quite a lot. The great sleuth pieced together the causal chain connecting crimes to their perpetrators. Marketing, too, needs to identify the causal chain that links its activities to profit and market share.

Sherlock Holmes is not an entirely fictional character. Conan Doyle modelled his creation on the remarkable powers of observation and inference of his former professor Dr Joseph Bell. But first, a brief description of Holmes' method before discussing why it's relevant to business and marketing.

Holmes insists on the absolute necessity of observable facts. In *A Study In Scarlet*, he states: "It is a capital mistake to theorise in advance of the facts." Holmes was also strongly of the view that at its outset, an investigation should not have a particular theory in view. "The temptation to form premature theories upon insufficient data is the bane of our profession." (*The Valley of Fear*)

Beware superficial theorising

Holmes is often called in by perplexed detectives from Scotland Yard. What seems to lead the police astray is that early on, they adopt a hypothesis that appears to account for a few outstanding facts. Thereafter they refuse to consider data that doesn't support their position. They theorise before they have all the evidence and thus commit Holmes' "capital mistake".



Marketers often theorise without investigating all the facts and reach for solutions that are based on incorrect theories. In our world, the 'crime scene' is the huge amount of market and customer data that companies have – customer records, market research and so on. But, in my experience, this data is subject to very little detective work. Marketers often seize on the obvious points and develop their strategies from there. But, as Holmes says: "There is nothing so deceptive as an obvious fact."

Identifying the right problem

A biscuit brand's share was going down and an own label's going up. It seemed obvious that consumers were switching from the brand to own-label and marketers decided they needed to tell consumers that their biscuits were better. But this was jumping to conclusions, as nobody had determined the underlying consumer behaviour that was causing the sales decline.

We analysed the existing data and showed that consumers weren't buying own label instead of the brand, the brand was losing share because its users were consuming fewer biscuits. Marketers were attacking the wrong problem. Completely different advertising was needed to tackle the real problem, which, when produced, reversed the share decline.

Central to Holmes' method is what he calls "reasoning backwards". In *A Study in Scarlet*, he tells Watson: "Most people, if you describe a train of events to them, will tell you what the result would be. They can put those events together in their minds, and argue from them that something will come to pass. There are few people, however, who, if you told them a result, would be able to evolve from their own inner consciousness what the steps were which led up to that result. This power is what I mean when I talk of reasoning backwards..."

Often there are several, but only a limited number of ways by which an event might have arisen, in which case, as Holmes describes in *The Blanched Soldier*: "One tries test after test until one of them has a convincing amount of support." In analogous fashion, we too can use our data to reason backwards and apply "test after test".

Understanding sponsorship

The global brands director of a major European company wanted to know whether and how his sports sponsorships were working. Reasoning backwards, we argued that there are a limited number of ways that any marketing initiative, including sponsorships, can produce higher sales – reducing customer loss, winning a higher share of switchers from other suppliers and so on. Each of these were enumerated and, using existing tracking data, the relevant target groups examined to see if and how the sponsorships were affecting them.

Our investigation revealed that the sponsorships worked in a tribal fashion. There was an increase in loyalty and propensity to switch to the brand among supporters of the clubs that the company was supporting, but the opposite effect among supporters of rival clubs. The net effect of the sponsorships depended on the sizes of the positive and negative effects, and the relative number of club fans compared with the fans of competing clubs. The net effect varied by country but, overall, the result was that one of the sponsorships was increasing market share, but the other was destroying it.

The Sherlock Holmes stories are the subject of serious academic study. This is because they illustrate a third logical process known to philosophers of science, but not widely known outside academic circles. Most people are familiar with deduction and induction, arguing from the particular to the general. The third logical process is called abduction – a mental leap from data to a provisional conclusion, arising from an interaction of new facts with existing knowledge. It is by this process that

Sleuth sayer: Holmes' methods of 'abduction' can be used to unravel marketing mysteries

scientists, detectives and other knowledge seekers, including marketing investigators, make new discoveries.

Abduction starts from the facts, without having any particular theory in view at the outset, although it knows a theory is needed to explain the facts. In our biscuit example we noted that, in addition to share loss, the market was also in decline. This clue, combined with the knowledge that there are several ways that market share can be lost, led to our abduction that perhaps the brand's problems arose not because its users were switching to own label, but because they were eating fewer biscuits. Our subsequent investigation confirmed that this was indeed the case.

Innovative strategies are rare

Because little detective work is done on the data companies already have, marketers rely heavily on inductive logic to formulate their strategies. Strategies arise from following the footsteps of other successful brands, or following case study-based thinking flowing from management consultants and business schools, or from experience and marketing rules of thumb passed from generation to generation. These have all arisen from specific cases, originally discovered abductively, and inductively generalised into rules or 'best practice'. But adopting these strategies is just a glorified form of copying which won't lead to superior performance.

To win, companies need superior strategies based on superior insight. The problem is that companies have similar internal data and buy the same type of market research from the same repertoire of suppliers. So how can they get the insight advantage?

The answer is through rigorous and time-consuming investigative work on the ocean of existing, but largely uninvestigated, customer and market data. And it won't get done without a dedicated detective, which is why marketing needs Sherlock Holmes.