



What Is a Professional?

One of our curmudgeonly laments for years has been the de-professionalization of marketing research. We see this trend most acutely among suppliers, but it also applies to those trying to serve internal marketing clients as well. The reasons are manifold; the manifestations are easier to spot.

At Action Marketing Research, we take professionalism very seriously and do our best to uphold the following standards.

*A real professional draws on a broad body of knowledge to recommend designs to meet the business decision needs. This goes far beyond knowing specific techniques or combining pre-defined "modules." A good researcher can synthesize existing techniques with an eye to consumer psychology, marketing practice, economics, and the organization's style of leadership and decision-making.

*The professional researcher knows and is able to use many solutions to standard marketing issues. There is no one right way to do "driver analysis", or segmentation, or conjoint research. A supplier that only uses its single proprietary system may have an efficient business model, but comes up short on professionalism.

*An ethical professional knows when to refer a client/patient to a specialist. The organization may reward researchers for making their quarterly numbers by taking on projects they have no business doing, but the client loses.

*In initial discussions of a project, a professional will have as many questions as answers. Know-it-alls rarely know it all.

*A professional is willing to question the client's assumptions—courteously but earnestly. We are not just order takers. The marketing manager may have heard that segmentation studies are cool and thinks she needs one, but that may not be the case at all. Or do you really need only brand-users and not category users? It is the professional's responsibility to do all she or he can to be sure that the right research is done.

Predicting Events

A fascinating new field is developing whereby people "make markets" about future events and outcomes. The tool is an online auction in which you buy or sell contracts that pay off if an event happens; if not, you lose it all.

Participants tend to be experts and specialists, and through the "Wisdom of Crowds" (the title of James Surowiecki's important book), errors tend to cancel each other out while leaving the collective knowledge in place.

Most of the events are economic in nature—for instance, whether or not the DJIA will close above 10,700 on August 31st (as we write, the odds are only around 33% that it will). The odds and prices are determined strictly by the market. See intrade.com for a leading example.

This is curious, you may say, but so what? The thing is, these markets have proven to be highly accurate predictors of things such as elections and the direction of commodity prices. So far, few of the "contracts" have to do with marketing as we know it, but that could change. Here is a great business opportunity for someone!

Trading Up

A pair of current and former BCG consultants wrote an interesting book by this title (viz. Michael Silverstein and Neil Fiske). It is the subtitle that will make marketers salivate: *Why Consumers Want New Luxury Goods—and How Companies Create Them*. As business books go, we found it to be well-documented, well-researched, and well-organized.

"New luxury goods" are products that command significant price premiums but are still within reach of the "mass affluent." Their cachet is not exclusiveness but quality—think Rolls Royce versus BMW. Besides BMW, the authors discuss such brands as Calloway golf clubs, Victoria's Secret, uh, things, and Sam Adams beer.

What these new luxury goods have in common is a benefit ladder that begins with objective technical superiority (Calloway clubs were bigger and employed unique metallurgy). That technology created superior functional performance (even duffers could tell they were driving their golf ball farther and more accurately). And in the end, the product engaged consumers emotionally.

The idea of benefit ladders is hardly new, and many of us have worked on projects trying to create break-through premium products. However, the authors are (rightly) critical of much conventional new product research. We will not attempt to summarize their argument or to counter it in this space, so read the book!

We will note that most new product research and modeling are for products that fit nicely into existing categories (hence the famous Burke norms, among others). They work well enough for line extensions. Yet we all know that those models are of little help with truly new and ground-breaking ideas (be they hula hoops or high-tech vacuum cleaners). The right research can still be helpful in advancing "new luxury goods", but it may or may not be "conventional" new product research.

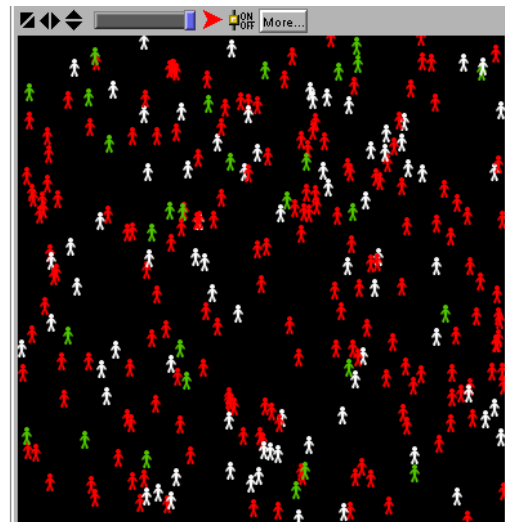
Agent-Based Modeling

This is a very different kind of technique from the statistical modeling many of us know, and marketing applications are, as of yet, scarce. We are starting to experiment with it.

You start with a pool of individual "agents" and follow them through time as they interact with each other and/or the environment. Unlike statistical modeling, agent-based modeling can reveal "emergent effects" that cannot be predicted from simple linear calculations.

Take traffic jams. Please. Agent-based modeling shows how they can develop with no precipitating event (e.g. an accident), but rather, just the random interaction of numerous motorists behaving normally. The relationships of predator-prey populations have been studied in this fashion as well. They can easily be cyclical, as opposed to being in equilibrium. The distribution of—and perpetuation of differences in—wealth may be modeled as the outcome of random effects and other parameters.

Here is a typical plot of humanoids from an epidemic model (the red ones are sick):



The diffusion of new products (via the old Bass model) is one obvious marketing application. We are currently studying the interaction of word-of-mouth "buzz" and population density.

If you have ideas or questions, please get in touch. You can't have too many tools.