



## Conjoint-Based Modeling

In a recent conversation, we were discussing the use of conjoint models (including discrete choice analysis). We noted that simulators coming out of such research only model consumer preferences as opposed to predicting actual market shares. The other party kept referring to this as a "defect" of conjoint/ choice research.

Whoa up! It is not a "defect" of snowmobiles that they cannot travel over open water (for long). People try, but disaster often follows. And people may try to foist off conjoint models as share simulators. Neither snowmobiles nor conjoint were designed for such use!

As in all scientific experimentation, conjoint research isolates the effects of certain variables by controlling all others. Distribution and advertising do not normally enter into conjoint experiments though they are crucial in "real life." In conjoint experiments, consumers are given full information about their product choices. That is not the case in real life either.

Real-life shares might be modeled correctly from some combination of preference simulations, detailed data about in-market distribution, advertising spending, promotional activities, and the degree of consumer knowledge about the product attributes—coupled with historical data to weight everything. We have yet to meet a company that had all this data.

Conjoint can help solve one fundamental marketing challenge—making your product as appealing as possible vis a vis the competition. But the right product is only one part of the equation.

## Simalto

We are proud to announce that Action Marketing Research now offers the Simalto procedure for product optimization. This is an acronym for **S**imultaneous **M**ultiple **A**tttribute **T**rade-**O**ff analysis.

Simalto joins our other tools for quantifying the trade-offs that consumers are willing to make between product features, pricing, and brands. One critical advantage of Simalto is that it can readily incorporate 10, 20, or even 30 variables (factors) at once.

As with our other conjoint tools, a preference simulator is part of the deliverables. The model, however, is a rule-based expert system as opposed to a purely statistical one. The Simalto procedure is described in more detail at on our web site at:

<http://www.action-research.com/simalto.htm>

## Working Smarter

For the 11th time in 12 years, your reporter will attend the AMA's Advanced Research Techniques Forum in the summer. This is a unique conference in which academics and practitioners come close to talking to each other. The event features excellent tutorials on advanced subjects and a class of papers not seen at any other conference except the ones sponsored by Sawtooth Software.

The ART Forum (largely the brandchild of Bill Neal) is by and for quantitative researchers. Executives and product managers can benefit from it, but not by giving speeches a research staffer wrote for them. You may not relish so many statistics at once, but we do and will be sharing the insights.

## Questions

There are business questions, and then there are questions you can actually ask people to answer in the course of an interview. They are not the same.

A good indicator of an amateur survey is the presence of items such as "What would it take to get you to buy Acme widgets?" The product manager is probably being quoted directly; some order-taker posing as a researcher faithfully plugged that question into the survey. Another good (bad) example we recently saw was "At a price of \$X, would an Acme widget be a good value or not?"

Composing questions that actually work in a survey involves a great deal of craft. There are some basic rules to be found in textbooks and supplier workshops, but they are only the start. One needs a strong business sense combined with empathy for "real" people and how they think and speak. Dumb questions—such as those shown above—may elicit answers, but that does not mean they will work. Often you have to ask about things indirectly or with creative questioning formats. There may not be a simple way answering the management question at all.

Part of a supplier's professional obligation is to speak up when a particular question is essentially unanswerable. Please respect that standard.

---

## COPPA-Not Kid's Stuff

If you do online research and do not know about the provisions of the Children's Online Privacy Protection Act (COPPA), look out. The Federal Trade Commission has been enforcing this act with significant fines.

Basically, you may not collect personal information (which would include survey questions) from children younger than 13 via the Internet without parental approval. That means making a good faith effort to control their participation in online surveys.

## A Fine Line

There is much talk about how Wall Street stock analysts (those other "market researchers") have lost their credibility with both investors and entrepreneurs. The allegation is that the brick wall that was supposed to separate research from investment banking has turned to powder. When the ratio of "buy" to "sell" recommendations reaches 100:1 you have to wonder. Analysts who downgrade a stock in a company their investment counterparts are hustling for large fees do not win popularity contests. Caveat emptor as Adam Smith might have said.

While these analysts will probably avoid going on foodstamps, we hope there will be consequences for their playing both sides against the middle. Investors large and small were asked to trust the expertise of these supposed wizards, but their humbuggery has become more apparent with the slide in the stock market in recent months.

Why is this relevant? Because we realize that the trust of those with whom we do business is our most important asset. We are not subject to the same conflicts of interest that tear at brokerage firm researchers, but there are plenty of ways that a research supplier can betray that trust.

Never mind blatant actions such as making up data. Does a supplier recommend a data collection method or analysis technique because it is right for the job--or because they have resources invested in those methods? Do they dazzle you with credentials yet turn critical work over to under-supervised junior staff? Do they respect the firewall that should exist between legitimate, ethical survey research and activities such as telemarketing or customer intelligence gathering?

Trust is only gradually earned yet quickly lost. We are committed to staying on the ethical side of that fine line.