



action line

occasional news and notes from action marketing research

November 2001

Good Theory

Back in school, theory was a subject for people who didn't like to study research, and vice versa. We researchers would rather operate with "facts" than with "hunches."

Nevertheless, we suggest that greater use of theory would make marketing research significantly more useful.

"Theory" is not just the turgid prose of a few academics, nor need it be expressed as a bunch of abstract, formal propositions. For our purposes, a theory can be a model of how consumers (or markets more broadly) think and act. What are the major factors that lead up to, say, the purchase of one brand versus another? Do we have a sense for how much weight each has? Do brand images drive purchases, or does familiarity with the brand drive measures of brand image (see our August 2001 [action line](#))?



Without at least an implicit theory, how can we even know what questions to ask in a survey? Say we have been asked to evaluate advertising for Coca Cola. We need to have a model in mind of how this advertising could realistically be expected to influence the brand. Should we use a brand awareness question in our survey? Hardly. Any theory at all would acknowledge that there is little room to grow that brand's recognition.

Or say we are testing interest in a multi-million dollar enterprise software system. We need a theory, a model, about how firms actually make such decisions. Should you use a

five-point purchase interest scale because Procter and Gamble always do? Hardly. The right theory would acknowledge a long gestation period for such decisions and that a CIO is unlikely to say he/she will "definitely" or "probably" buy anything so complex on the basis of a concept. Our theory is that the best a concept of this nature can do is move into the consideration set of a decision maker. Ergo, ask survey questions phrased in terms of purchase consideration rather than purchase intent.

Any good, Burke-style new product volume forecasting system factors in assumptions about distribution and awareness. That's because they operate from the theory that sales are not a function of product appeal alone.

Hotel researchers know that no matter how excellent their corporate marketing is, it is daily experiences in individual hotels that shape customer satisfaction. Applying this bit of common-sense theory should constrain brain-dead researchers from helping to punish and reward corporate marketing on the basis of customer satisfaction research.

A bit of theory might have prevented the New Coke debacle. Do people buy soft drinks strictly on the basis of taste? Apparently not.

In all of this, theory is not a substitute for research but a very important partner. Experience—in the form of research—helps develop theory, while theory guides us in doing appropriate research. We aren't competing for Nobel Prizes, just seeking useful information for our clients. We would invite you to talk freely with your clients (and suppliers) about your theories.

Fooled by Randomness

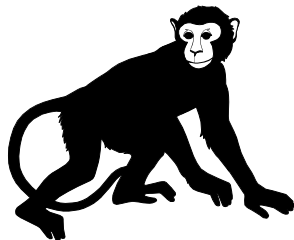
We are most impressed by the recent book of this title written by Nassim Taleb. If nothing else, his blending of statistical probability theory and ancient Greek philosophy is a unique accomplishment. The author is a stock trader and much of the discussion concerns that world, but his perspective is also relevant to those who follow consumer markets.

The subtitle of "The Hidden Role of Chance in the Markets and in Life" tells you a lot. If you do not understand the forces of randomness which operate in all dimensions of life, you will be repeatedly fooled and occasionally harmed by the misjudgment. Traders go bust when they mistake luck for skill for too long. By chance alone, some new products are going to do well.

One lesson for us researchers is to be wary of over-explaining small shifts in the market place. Disciplined significance testing is a good defense. So-called Monte Carlo simulation is something we do far too little of (look it up or, better, buy the book). None of the various advocates for doing "scientific marketing research" we have heard over the years quite nail the essence of statistically-informed scientific procedure as does Taleb.

AMA Conference Evolution

For many, many years the American Marketing Association sponsored a conference on Attitude Research. Then they began holding a similar conference on Behavioral Research (read, scanner-based data). Then they were scheduled back to back. Then they were merged into a single event with two tracks. Then even that artificial barrier came down. Now the mail brings us a brochure for a new "Best Practices in Marketing Research" conference that replaces it.



To our eyes, it looks much like the general AMA research conference (usually in Chicago in the fall). Technique would appear to be secondary to research management.

Everything has its place, but we wonder where the opportunities are for research professionals to share ideas about fundamental methodology. The AMA's Advanced Research Techniques Forum is wonderful, though limited in size and intentionally quite technical. Or maybe we are just a vanishing breed.

Composite Scales

When trying to measure an important consumer attitude (e.g. loyalty, price sensitivity, product sophistication), it is always to our advantage to combine several different questions or bits of data. Such composite scales are statistically more reliable. Furthermore, many of these constructs are so complex that we should not expect a single measurement to fully capture them.

The simplest way to build a composite scale is to add up the individual items, or perhaps average them. If you had a methods course in college, you might recognize this as the Likert technique. However, this procedure gives each item equal weight, which may or may not make sense.

A more scientific method is to factor analyze the set of items that you hypothesize go together and let the computer calculate a "factor score." This is a weighted composite; items that correlate most closely with others get more weight. There are plenty of assumptions made in this approach, but we prefer it in most cases.

The starting point must be a good set of items. Good theory, good thinking, and perhaps some pilot testing may be required to compile them. It's more work than tabbing data by a single attitude question, but the end result is far superior research.