At its annual conference in 1999, the Advertising Research Foundation (ARF) announced that corporate management was not satisfied with current research. A study reported that CEOs were insisting on more accountability, but put less faith in marketing research than in most of their other sources of information. Management speakers from Sony, General Motors, AT&T, and Young & Rubicam said that research had been most disappointing in predicting new product success and in measuring advertising’s true effectiveness.

These insights into executive opinion, however, came during the go-go days of the late ’90s, when we were swept up in the momentum of unprecedented economic growth. We didn’t have time to concern ourselves with dissatisfaction and distrust of the industry—we had project deadlines to meet! So long as companies—in particular dot-coms—continued to buy projects at an unprecedented pace, we could afford to continue on with business as usual.
These days, as the world economy continues to slow, we’re confronted with a much different situation. As recently reported in *Marketing News*, marketing research firms are facing the worst industry slump since the early ’90s. According to a study conducted by Barrington, Ill.-based industry newsletter Inside Research, at the end of the first quarter in 2001, two-thirds of research firms reported flat or declining revenues compared to the first quarter in 2000. Field service organizations also are showing dramatic declines. By the start of the fourth quarter of 2001, the slump turned into the unspeakable—a recession.

**The Proof Is in the Pudding**

Conventional wisdom would say the practice of marketing is doing just fine; the performance of marketing programs, however, would indicate quite the opposite. For more than a decade, we have collected data on the performance of marketing programs for consumer and B2B products and services across a broad range of product categories and types of marketing programs. Our experience is not unlike that described by Andrew Ehrenberg in his article, “Marketing: Romantic or Realist,” in the Summer 2001 issue of *Marketing Research*. Whether we look at market share growth, new product success rates, advertising ROI, customer satisfaction, or brand equity, we see little to feel good about.

The majority of companies suffer from the following problems:

- Market share growth is in a modest decline.
- Ninety percent of new products fail.
- Advertising ROI hovers at 1% to 4%.
- Customer satisfaction drifts between 70% and 79%—a “C” grade.
- Brand equity—the perceived value of the brand—is in decline.

A vast majority (more than 80% of marketing programs) just barely break even and do little to improve either the financial or competitive position of companies and their brands.

As a direct result of poor marketing performance, more brands have become commodities than commodities have become brands. In a recent study done by Copernicus and Market Facts, only four of the 51 product and service categories studied are becoming more differentiated over time. Ninety percent are declining in differentiation, with banks, bookstores, bottled water, catalogue clothiers, credit cards, discount stores, and fast food restaurants leading the pack in becoming more similar and having the least brand differentiation.

The study also found that consumers view low price as more important than brand name in 28 out of 37 product categories, particularly when selecting bookstores, bottled water, gas stations, office supply stores, pet supply stores, and rental cars.

Others inside and outside of marketing have taken notice of marketing’s performance and its subsequent effects on brands as well. During the recession of the early ’90s, McKinsey & Co. wrote, “Doubts are surfacing about the very basis of contemporary marketing: the value of ever more costly brand advertising, which often dwells on seemingly irrelevant points of difference; of promotions, which are often just a fancy name for price cutting; and of large marketing departments, which, far from being an asset, are often a millstone around an organization’s neck.”

More recently, in an issue dedicated to the subject of brands, *The Economist* asserted, “While consumers have changed beyond recognition, marketing has not,” and quoted the CEO of Customer Strategies Worldwide, Elliott Ettenberg, who stated, “Everything else has been reinvented—distribution, new product development, the supply chain. But marketing is stuck in the past.”

In the face of increasing competition and financial pressures to perform, marketing executives for the most part continue to rely on a seditious combination of outdated beliefs and convictions—what we call marketing mythology. This includes instinct and observations about competitors to make mission-critical, multimillion-dollar decisions in a hurry. Senior management hands marketing managers a set of revenue objectives and deadlines (usually driven more by senior management’s perception of what the company needs to do rather than what’s realistic or even possible), and marketers are forced to work with the objectives and timeline they’ve been given.

Feeling pressed for time, these managers typically ask researchers to run a few focus groups, make 100 telephone calls to test a concept, or undertake one of the many other popular conventional techniques we refer to as “death wish” research. These techniques seem reasonable to the time-challenged because they’re quick, low-cost, and often corroborate what the marketer already thought.

They may take less time and cost less money, but death wish research techniques offer little in the way of value. What companies usually get is more misinformation than information, which then contributes to the failure of marketing programs. As a result, not surprisingly, executives’ confidence in marketing research has declined.
EXECUTIVE SUMMARY

Marketing research firms are in a slump these days, but that doesn’t mean research isn’t important. It just means researchers have to step away from dangerous “death wish” techniques—over-reliance on focus groups, poorly planned segmentation studies, and quick but often useless phone and Web surveys. Business as usual won’t cut it anymore. Instead, researchers need to adopt a counterintuitive approach to get around some of the common but perilous traps that can sabotage marketing efforts.

We as marketing researchers are by no means innocent in this situation. After all, many of us are offering and conducting death wish research to win and satisfy clients, thereby hammering yet another nail into our own coffins. To rebuild confidence and the perceived value of marketing research, we must acknowledge the reckless use of bad research and put an end to it once and for all.

OBSESSING OVER FOCUS GROUPS

Focus groups remain the most popular tool for supporting practically every marketing decision, and companies seem completely fixated on using them. They use them to understand the problems of their target, to explore alternative positionings, to get reactions to advertising campaigns and new product concepts, even to chart alternative pricing strategies. Groups consisting of 18 to 49-year-olds, physicians, retail store managers, corporate purchasing agents, college professors, technology mavens, “cool” kids, and even animals are formed. One of the hot new “innovations” in focus groups is to hypnotize respondents so we can find out what they’re really thinking. Focus groups are often a helpful first step in a serious research process, but when the first step is the only step, marketing is in trouble.

John F. Sherry and Robert V. Kozinets, both of the Kellogg School of Management at Northwestern University, recently wrote that focus groups are “the most overused and misused arrow in the qualitative quiver. Focus groups often provide the illusion of human contact and the occasion of pyrotechnics that efficiently satisfy the prematurely narrowed imagination of clients and researchers behind the one-way glass.” While focus groups reveal subjective information about a brand and its potential, they don’t provide much beyond a superficial understanding.

Dozens of irrational dynamics skew what participants say. One man likes the sound of his voice and pontificates. A women wonders whether she’s giving the “right” answer. Another feels uncomfortable revealing her true feelings (if only about orange juice) or lack of knowledge (about personal digital assistants) in front of strangers. Still another has no opinion about credit cards, but feels obligated to contribute something.

About focus groups, Richard Grinchunas and Tony Sicilian, president and vice president of A&G Research Inc., wrote in Marketing News, “There are no facts. There are only verbatims.” Focus groups are to serious research what bumper stick-ers are to philosophy—they’re poor substitutes for more rigorous methods.

THREE-MINUTE SEGMENTATION STUDIES

An over-reliance on qualitative research is not the only research culprit leading marketing astray. One tool we see emerging is something I call the “three-minute segmentation study” and will explain in it in the tradition of the popular children’s book, What Good Luck, What Bad Luck.

What good luck! For decades, most marketers realized that focusing on subsets of buyers is the most efficient way to develop a marketing program. But what bad luck. There are literally hundreds of thousands of possible ways to segment a market.

What good luck! A company’s top management realizes they need to focus their resources. But what bad luck. They don’t know the best way to divide their market into segments or which target group is the best.

What good luck! A constellation of marketing research firms offers segmentation studies. Top management contacts these firms and learns that—given the size of the category, the size of the corporation’s business, and the importance of the target decision—it’s critically important they do the segmentation right.

But what bad luck. The company finds out that to do a market segmentation correctly—in other words, to find segments competitors don’t even know exist and the most profitable target group—requires a large-scale investigation. It may involve 1,000 or more personal interviews, 45 to 90 minutes long. It could require measuring psychographics, sociographics, demographics, and lifestyles. To do it right will take a variety of statistical and neural network algorithms to analyze the data. It needs three to five months from start to finish and costs $200,000 to $1.2 million, depending on the consulting firm and the scope of the project.

Keep in mind, however, that most marketers feel they absolutely must make a targeting decision as soon as possible. In fact, they needed to decide yesterday. And anyway, if there’s a spare half-million in the budget, they aren’t going to spend it on marketing research. They need to spend it to send the management team to the Super Bowl to see the company’s promotion first hand. But that’s another story.

What good luck! They can do a three-minute segmentation study! The three-minute study consists of hypothesizing which three or four variables out of the thousands possible might be best to segment the market and interviewing 150 to 300 buyers in the category, almost always by telephone or over the Internet. They like it because it’s fast and cheap.

But what bad luck. The odds that the segments produced from a three-minute study actually reflect the company’s best opportunities are virtually zero. The analysis done is simple—primarily cross tabulations—to say something as basic as “15% of the buyers in this category account for 85% of the volume” or “25- to 54-year-old-women account for 78% of the sales in this category.”

And more bad luck. The company uses the results of the three-minute segmentation study, the dot-com crashes, and the product tanks.
Unlike the children’s book, this story typically doesn’t have a happy ending. If there’s a happy ending (the marketing programs hit the mark), it’s only by luck or being in the proverbial right place at the right time. The three-minute segmentation study simply does not represent a robust enough data set or rigorous enough analysis to provide the kind of guidance marketers need to most efficiently and effectively spend their marketing dollars.

**GETTING THE WRONG ANSWERS**

Web surveys and new product testing over the telephone have become increasingly popular forms of death wish research. They’re simple, they’re cheap, and they’re very dangerous.

Ordinarily in concept testing, a respondent gets to see a written concept, a one- or two-paragraph description of the concept idea that typically contains the product promise (e.g., “tastes better”) and the reason (e.g., “made with all fresh, natural ingredients”). Sometimes the concept comes in the form of an advertisement—a television commercial people can see and hear or a print ad they can see and read.

Following the presentation of the concept in whatever form, the researchers will ask people a series of questions that predict buyer behavior. These questions include 5-point, 7-point, and sometimes 11-point rating scales; the researcher gives a respondent the rating scale and a written label or description of each point on a card to read before they answer.

In death wish concept testing, however, researchers read a description of the concept to people over the telephone. Because they’re reading and because respondents forget the first sentence by the time they hear the second, researchers must shorten the concept and distill it down to its bare bones. The bare bones sometimes can be as short as a sentence or even a phrase. They do that even though there is no clear analogue to this telephone reading in the real world—except perhaps a 10-second radio spot. The distilled concept is then coupled with rating scales with typically few points (i.e., less discrimination) than would be employed in a personal interview or Web-based survey.

In the real world, the customer watches television or reads a print ad or looks at the package and digests the words, sounds, shapes, colors, and whatever descriptive information is offered. Somebody hearing the concept over the telephone loses almost everything. In a personal interview, the respondent can actually look at the ratings scale and a visual description of the product. He or she can contemplate, think about it, and decide what to do. On the phone the respondent has to remember the rating scale and give this stranger a number.

The entertainment industry is infamous for using this technique. The most popular way for studios to test a new movie concept is to read a two-sentence description to people over the phone and then ask whether they would be likely to see the movie. This method is far removed from deciding to see a movie based on watching a trailer, reading a review, or seeing an ad. That’s why it can’t possibly work! For many movie studios, the decision to green light a new movie is akin to a night in Las Vegas. They roll the dice, take a chance, and watch nine out of 10 films flop at the box office.

**Bringing Value Back to Research**

William Jennings Bryan once said, “Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, but a thing to be achieved.” Marketing researchers need to take control of our own destiny and our place in the marketing organizations of companies around the world. What can individual researchers do to survive conventional research and rebuild the value of their profession?

**Focus on targeting and positioning.** Philip Kotter says, “If you nail targeting and positioning, everything else will follow.” Don’t fall into the trap of picking a target in nanoseconds (as with 93% of American brands) with no discernible positioning at all. “Rigorous analysis of unimpeachable data” should be your mantra as you work hard to be sure you’ve found the financially optimal target and a uniquely compelling positioning.

**Open the windows and get out of the box.** Make sure research covers “out-of-the-box” concepts, product/service attributes and benefits, and eventually analysis—stuff that’s different than anything currently used in a category. As my mom used to say, “If all you do is what you’ve done, all you’ll get is what you got.” And that’s not good enough!

**Take the time to get it right.** Rarely is speed the most important concern for marketers, even though they may think and act as if it is. Yes, there are some technology businesses that change at warp speed, so speed of marketing research is of the essence. But in most industries and for most decision areas, things change very slowly. It’s more important to do it right the first time than to keep doing it over and over again.

**Drop the jargon.** While it may impress our friends and colleagues, research jargon confuses those not “in the know” and leads to questions about what exactly the research is providing. Define terms for both the technically and non-technically inclined, not only to describe the process, but also the type of information the analysis will provide.

**Quantify the ROI of different research approaches.** Take a typical $20 million TV campaign, for instance. The average cost to produce one finished 30-second commercial is $320,000, but only about $25,000 apiece to produce an animatic or photomontage (a rough version of a commercial) and $20,000 for a research firm to test it. Two commercials cost $90,000 in creative and research; four commercials, $180,000. Rather than risking $320,000 on one execution that will most likely return 1% to 4% (the ROI of most advertising campaigns), why not spend $500,000 ($320,000 + $180,000) to improve the probability of choosing the execution that will return 20% ROI, or $4 million? Presenting research choices in terms of the greater profit potential gives marketers quantified information they can use to justify a decision to senior management.

**Focus on research innovations that truly save time rather than cut corners.** Many researchers have focused R&D efforts on developing faster data collection techniques, often through the Internet. On the surface, some new techniques appear faster, but a deeper look reveals the increase in speed is the result of cutting a few corners. The result is less representativeness and lower response rates. While the Internet and other technologies certainly offer opportunities for overcoming many of the impediments to quick data collection, such as distance, incidence, and cost constraints, true innovations should preserve the integrity of data rather than sacrifice it for speed.
Though quick, inexpensive, and more visual than phone interviews, the results of Web-based surveys can be unreliable. First of all, Internet users tend to be younger and better educated than the population at large. Great if you are a sophisticated, tech-based business looking to solve a problem. But if you need to reach a different type of target market, the Web won’t necessarily help you. You might as well interview aliens.

Response rates to Web surveys also tend to be very low. Relying on information provided by a Web survey with a 1% response rate is absolute lunacy and gets you as close to a real, actionable answer as reading fortune cookies gets you to spiritual enlightenment.

**COMMONSENSICAL RESEARCH CAN BE DANGEROUS**

Not surprisingly, senior executives and marketing managers often don’t understand what research people are talking about. They hear the words, “standard deviation,” “logit regression,” “neural network,” “statistically significant,” or some of the other jargon all researchers—including us—are guilty of using, and they think, “I have no idea what these guys are saying, but it sure sounds good.” Very few managers (particularly in front of their bosses) will ask for a definition or clarification. It’s just human nature to hide what we don’t know.

Under these circumstances, it’s easy to see why using death wish research tools has become so prevalent. When a marketing manager has only a vague comprehension of what a researcher will do, but it’s fast, cheap, and they hear their competitors have done it or will do it, they’ll move ahead with the project. Or maybe it’s the company’s policy to do research, so they move ahead out of practice rather than in the pursuit of knowledge.

Whatever the motivation, the result is often the same. Senior managers might feel happy and satisfied with the research at first. “We’ve got the numbers. We’ve got the research!” But a few months later they wonder what they got, and about a year later they realize, “Gee, I got nothing from that one,” and the fat research report becomes a doorstop and, as is becoming increasingly clear, the research budget becomes vulnerable. ●

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