

The Laws of Choice: Predicting Customer Behavior

by Eric Marder

The Free Press, 496 pages, \$30.00

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THE GOOD NEWS

THIS IS AN enormously useful book. The system that Eric Marder has devised may not be comparable to the invention of the telescope, but, in my view, that kind of analogy would be appropriate. The book summarizes his 40 years of groundbreaking work in advertising and marketing research. I know of no other writing in the field that comes close to what Marder has achieved. His work—thoughts and data—should have major consequences on the thinking and implementation of advertising and market research. It challenges much conventional wisdom and should lead to concepts not yet possible to imagine.

New inventions can spur progress. From inventions come new concepts, new approaches, new procedures, new products, and new fields. Marder's work is a new invention.

He has things to say about (among others):

- techniques and principles
- estimating sales effects of ads
- finding the consumer beliefs that would help a brand increase brand share
- using ads to increase the total volume of a market of all brands
- brand extensions
- cannibalism of one brand by its stable-mate
- pricing
- ads that lose sales for their advertiser
- shelf space
- interviewer effects
- scaling difficulties in measurements

In general, Marder's system is also applicable to other advertising goals, especially behaviors such as changing automobile driving, gaining votes, or giving money to charities.

The tone of the book is often conversational and fun.

AN EXAMPLE

Consider Marder's treatment of one problem. Market and advertising research seems to me to have been stuck on a central advertising problem for many decades. That problem is finding the principles that account for why some advertisements sell and others do not.

Regardless of any awareness-changing, attitude-changing, or image-changing goals of specific campaigns, sales figures are ultimately the single criterion.

However, sales are influenced by many variables besides advertising. If the advertised product is not available in the customer's favorite store, potential ad-influenced sales are unlikely to be made. If the advertised product doesn't live up to the customer's standards, an ad-influenced trial purchase may be the customer's last purchase of the advertised brand. Retail discounts, merchandising, or advertising by other brands may overwhelm the effects of a brand's advertising—to cite a few variables. Sometimes, of course, a positive sales goal is simply to stay even while the rest of the product category is going down.

One of the major difficulties has been in finding clear-cut, strong evidence on how well specific advertisements sell or do not sell among those who were exposed, apart from all the other variables. Were that kind of evidence widely available, it would be possible to begin to develop principles to account for the success or failure of specific advertisements—and how to make better ones. So far, only direct mail, Ad-Tel, IRI, and a few others seem capable of generating this kind of evidence. None have led to large, easily available databases open to use by those in the field. Even when they do spring for the costs of sales tests of advertisements, specific advertisers generally keep the data to themselves. That doesn't help the field much. If you can't tell, for sure, what advertising really works and what doesn't, you can't help much with principles of advertising. Neither can you help

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with making up new, effective advertisements. Short of market sales tests, non-proprietary measures of advertising's sales effectiveness are hard to come by.

The field is also hobbled because much of the best research ends up with findings that, while statistically significant, have absolute differences that are not very large. Accounting for 10 percent, 15 percent, or 20 percent of the variance in an advertising test—while a useful early step—doesn't give us much additional value.

MARDER'S APPROACH

Marder gets us beyond both of these difficulties.

He starts with a basic question: How can you prove, before making the buy and without doing a market test, that one advertisement will sell more than another? He provides the concepts and the measurement systems by which this can be closely approached. He proves that the various procedures work. He does so with lots of real-life field experiments, with big samples, and with results that account for large proportions of the variance (e.g., 80 percent).

His first documentation (of one of the basic parts of his system) is reasonably typical of the whole book for both the results achieved and his explanation of the data. Marder goes through the explanation of these data as if the results were basically nothing more than everyday business. At the time the data were collected, they were.

He invents a measure of the sales effectiveness of advertisements that he calls STEP. If the measure does what it is supposed to do, then it should match market share. The data show the relationship of STEP scores with market share for 108 brands within 9 product categories. The correlation is .92 and accounts for about 85 percent of the variance. In the data, the average absolute deviation from a perfect

correlation over all 108 brands is 3.45 (STEP shares). The correlation and the deviation, together, seem to mean that while STEP goes along, brand by brand, with market share, STEP shares are a little skewed from market shares.

Marder states that the test is a weak one, and he goes on to present more tests of STEP. While describing the measures, Marder does not point out what should be expected, by chance, given the situation.

THE MEASURES AND THE SITUATION

The measure is simple. Respondents are given a booklet containing one advertisement for each of the tested brands in a product category. They are given 10 stickers and asked to paste them on the advertisements for the tested brands, according to how likely they are to buy the brand. They can give all 10 stickers to one brand or use any other distribution of stickers they like, but they are to use all the stickers. The STEP share for a brand is the average proportion of the stickers given that brand. Like market share, these averages must add up to 100 percent.

Rarely will the largest brand in a market category have a market share of more than 40 percent. Since the sum of all the brand shares in a category must total 100 percent, most of the brands in a category may lie in the narrow band between 1 percent and about 20 percent. For a product category with 10 major brands and excluding the top brand, the average difference between adjacent brands in the ranking figures may be as little as 2 percentage points. The more major brands in a product category, the smaller the average difference.

The measurements come from 9 field experiments with sample sizes averaging about 475 (from 200 to about 1,000), with each experiment restricted to a single product category and from 8 to 30 brands per category. Given these sample sizes,

the sampling error for a STEP share score of 15 percent for an average experiment might be plus or minus about 3 percentage points. For a sample of 1,000, it would be plus or minus about 2 percentage points and for a sample of 200, plus or minus about 5 percentage points. If STEP shares for the brands are to represent relative market shares, then the STEP procedures should *not* be able to identify actual market share differences of less than about 2 percentage points, at best, and about 5 percentage points at worst.

In principle, this combination of design, sample size, and small market differences is highly unlikely to turn up anything significant. Certainly, the data should not provide anything more than a very rough approximation of the brand rankings. Marder does not make these points in the text. Had he done so, the advantages of his procedures and principles would have been clearer. The data provide a lot more than just a very rough approximation of the brand rankings: a correlation of .92. Like most of the rest of the findings in the book, the results are unlikely—very unlikely—to have occurred by chance. Neither is the finding trivial. It means he has a procedure that will show how advertisements will do in sales in the real world, as compared to their competition.

Marder goes on from there to posit principles that summarize and help explain what happened. The book follows up then with more astounding data.

WARTS

The book is not perfect. As with every major advance, there is the work of learning the new lexicon and point of view that Marder presents. In addition, Marder's logical orientation means he starts with a few basic principles and builds on them with data and more principles. That may be good logic, but it makes the reading

harder. Further, he shies away from admitting at the beginning that he will be covering a good part of the business of creating and testing advertisements. Had he done so, some of one reader's initial impatience would have been tempered. He seems to want the reader to follow his developing thoughts. He describes directions taken that were later bypassed. While frank about the occasional misstep, he sometimes seems to prefer the bald assertion, eschewing, at least initially, both explanation and qualifiers. He is sometimes charming, but he also sometimes seems to enjoy an in-your-face style. I was not very comfortable with the math but that's my problem.

Marder's achievements would have been clearer with more details about advertising and marketing situations. He has done this very well in some instances. An outstanding example is his description of how advertising is perceived as art form

rather than selling vehicle, even within advertising companies. That really louses up the value of research. One appreciates the book's procedures better as one considers their benefits and difficulties versus the rest of the market research field—especially in the context within which both sets of procedures operate.

Further, that Marder has done well doesn't mean he is always right or that he shouldn't be challenged.

- A case can be made, contrary to his preferences, that the difficulties of using mail interviews are worse than those of telephone or personal interviews.
- Marder writes about changing beliefs about brands but not about changing the desires that he says underlie those beliefs. Much advertising is focused primarily on changing desires.
- Marder largely ignores the characteristics of his respondents, except to ensure

that his groups are well matched. One might hope for the additional understanding about sales effects of advertising that could have come from looking at how different kinds of respondents used their stickers. It is not that he didn't have any data besides STEP choices from those respondents.

None of these difficulties changes the value of the gift he has presented to us.

RECOMMENDATION

Perhaps the best two uses of Marder's work are to apply it vigorously and also to try to take it apart: to see what parts might be improved; what parts discarded; what parts extended; and what should be added. Just as *The Laws of Choice* challenge the market research business, so *The Laws of Choice* should be challenged vigorously.

Buy the book and read it twice. 