

Advanced Knowledge for Senior Marketers | June 2013

THE KNOWLEDGE

CONTEMPLATING CAUSALITY

Terry Grapentine - Marketing research consultant and author.

SYNOPSIS

Causation is perhaps the most important concept for senior marketing executives to grasp. It drives an organisation's marketing mix, raises or lowers its market share, and can turn red ink into black. Causation can be as enigmatic as a dream, yet our desire to understand it is as real as the forces that shape our destiny. Terry Grapentine, author of *Applying Scientific Reasoning to the Field of Marketing: Make Better Decisions*, discusses the nature of causation in marketing and how you can better understand its nature and apply its power to shaping your organisation's future.

DEFINITION

Causality is the relationship between causes and their effects. Do X, and then Y happens. In marketing, causation means that a marketing execution (X), under appropriate conditions, has the power to bring about a desired effect (Y); e.g. if you launch a new advertising campaign, your target customers will notice it.

Causality is complicated. For example, you may lower a product's price hoping to increase its sales. Sales may increase, but not necessarily because you lowered the product's price. Alternative explanations could be that the economy improved, so consumers had more spending money, or competitors reduced their advertising expenditures. Learning to think scientifically about "cause and effect" will help you untie the complicated knot of causation.

CURRENT THINKING

The primary properties of causation that you should know relate to its probabilistic nature and complexity.

Newton's Laws of Motion are deterministic—if you do X, then Y has to follow. Human behaviour isn't—it's probabilistic. If you do X, then Y *may* follow. After all, consumers may simply freely *choose* not to buy your brand. What's more, there are many aspects of markets and consumers that are simply unknown or unknowable; for instance, your competitors' future strategies, changes in economic conditions, and even fickle weather and traffic conditions that toy with consumers' shopping behaviours.

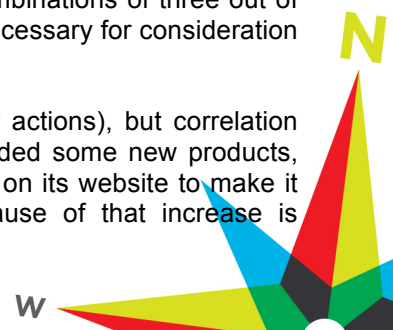
Finally, even the most advanced marketing research methods mostly rely on artificial environments and hypothetical questions (e.g., internet surveys and focus groups) that simply cannot reflect with high accuracy the true beliefs, emotions, and intentions that drive brand choice.

Two things make causation complicated: interaction effects and INUS conditions.

Interaction effects occur when the desirability of one attribute is the function of another. For example, a camera feature in a mobile phone relates closely to how much memory the device has. Insufficient memory causes an ostensibly desirable feature to become undesirable.

INUS conditions refer to factors that can be both Insufficient but **N**ecessary to motivate consumer behaviour and **U**necessary but **S**ufficient to do so. Competitive price is often an insufficient but necessary condition for consumers to consider your brand. What's more, consumers may be looking for any combination of three out of five attributes to prompt brand consideration (reflecting a total of ten different combinations of three out of five attributes). Any single attribute may be part of a combination of three that is unnecessary for consideration but, as part of that attribute trio, it is sufficient to prompt consumer interest.

Correlation occurs when there is an association between two variables (events or actions), but correlation does not imply causation. Say a clothing company with an online presence (a) added some new products, while at the same time (b) ran a price promotion and (c) incorporated new features on its website to make it more user-friendly. They then experience a sales increase. Establishing the cause of that increase is problematic, however, since (a), (b), and (c) are all correlated with the sales increase.



Big data—the ability to generate and analyse vast amounts of consumer data—takes the problem of correlation vs. causation to a new level. Big data is all about correlation, but it is limited regarding the more central issue of what gives rise to this data - consumer beliefs, emotions, intentions, and the context and circumstance surrounding a purchase. Marketers need to get beyond mere correlations to understand the underlying cause-and-effect relationships that give rise to big data in the first place.

Causation is complex. But to think scientifically about causation, you need to recognise and appreciate that fact. “For every complex problem there is an answer that is clear, simple, and wrong,” said H. L. Menken.

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If you have the time and resources, conduct appropriate marketing research to uncover factors such as interaction effects and INUS conditions causing consumers in your markets to purchase the brands that they do. Previous issues of *The Knowledge* have touched directly or indirectly on the role marketing research can play in supporting decision making.

More important, especially among those who do not have the budget or time to conduct formal research projects, is discovering scientific reasoning’s dirty little secret—background knowledge. Background knowledge is the sum total of your knowledge of a subject based on all your experiences—conferences and seminars you’ve attended, actual work experience, things you’ve read. You can’t do good scientific reasoning without expanding the background knowledge in your field. Sadly, but unsurprisingly, this key to building one’s scientific reasoning skills is rarely discussed in books about critical thinking and it isn’t easy to acquire; it’s something that takes a significant investment on your part over the course of your career.

In this light, you should become aware of the role that theory plays in understanding causation in marketing and providing the background knowledge on which marketing strategies should be based. “Theory” typically evokes thoughts of something unrealistic, impractical, unproven, or academic. In cultivating your scientific reasoning skills, you need to realise that a theory in science is our best explanation and reflects our best understanding of the world—or, in our context, markets and consumers. In the words of Kurt Lewin, “there is nothing so practical as a good theory”.

Many of us studied marketing and consumer theories early on at college by reading good university level textbooks in relevant fields. For example: Byron Sharp’s *Marketing: Theory, Evidence, Practice* provides insights into the stages of the buying process and elaborates on various theories about how consumers evaluate products prior to brand selection. George E. and Michael A. Belch discuss how advertising works to stimulate brand preference in their *Advertising and Promotion*. And, Mark W. Johnston and Greg W. Marshall talk about factors predicting sales force motivation in *Churchill/Ford/Walker’s Sales Force Management*.

As we have progressed in our careers, markets have become global and more competitive. Financial and time pressures have increased. Under these demands, many have forgotten or abandoned theory as impractical. In short, there doesn’t seem to be enough time to think effectively. Perhaps the time is ripe to reacquaint ourselves with marketing theories that help us better understand the factors influencing consumer choice and make better decisions.

IMPLICATIONS FOR MANAGERS

Contemplating causality requires you to appreciate the nature of causation in all its complexity, such as interaction effects, INUS conditions, and differentiating correlation from causality. Then, in order to take your scientific thinking skills about causation to a higher level, you need to expand your background knowledge. Explore the many marketing theories that provide insights helping us explain and predict consumer behaviour. With this knowledge, you can discover the true factors that really impact sales.

FURTHER READING

Grapentine, T., (2012), *Applying Scientific Reasoning to the Field of Marketing: Make Better Decisions*, Business Expert Press, NY, NY.

Grapentine T., and Weaver, D.A. (2009), “What Really Affects Behavior,” *Marketing Research: A Magazine of Management and Applications*, winter, 12-16.

ABOUT THE AUTHOR



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