POV Paper

SHOW ME THE NORMS!

Taking a closer look at the elephants in the room

by Andrew Chizever and DJ Jefferson

Imagine a scenario: you're working in the recruiting department for your company, and have been tasked with finding the most successful group of possible new hires to work in your company's marketing department.

Luckily for you, your manager has just given you access to a testing database that has compiled norms for a lot of graduating seniors in your area. As you enter the site, you're told that the average test score for seniors in the database is a 15. That makes your job much easier, doesn't it? Anyone above a 15 is better than average, and thus is more likely to be successful, right?

You select 10 applicants with scores above a 15 and ask them to come in for an interview. As you meet them, your gut tells you that something isn't right: none of the applicants meet your company's internal standards for what constitutes a successful applicant. But how can that be? Based on the database, you "know" they're more likely to be successful — what isn't adding up?

What the database didn't share was just how these scores in your new database were compiled, and who the standard average was derived from. Not from graduates from the elite university a town over, but from a range of schools with much less rigorous academic standards. Making matters worse, validation was based on whether the seniors had gotten a job — and plenty of those were low wage fast food and retail jobs, and the measurement was taken when the economy was booming.

As you read this exaggerated fiction, you may well think, "of course that didn't predict success; who would base such a decision on something so arbitrary?" The answer? *A lot of people*.

A lot of researchers base big decisions on erroneous norms.

In the world of market research, it seems as if we've become accustomed to lowering the proverbial bar for measuring success. Many of us have become reliant (or think we need to be!) on these normative averages. Why is our industry so focused on comparing our brand's performance to this middle-of-the-road benchmark? In part, we can attribute this reliance on average comparison to the lack of understanding of what norms really are — what goes into creating them, and what they *really* tell us.

There are two very big elephants in the room when it comes to looking at norms: 1) They can very often be misleading and, 2) they may not be leading enough.

NORMS ARE OFTEN MISLEADING

How can you make an informed decision on whether or not your product, campaign, or brand will be successful if you don't know exactly what you're comparing it against? Two examples of this bedeviling issue. The first is about what the success profile of the norms database is. As in the admissions example above, you need to know if you're comparing yourself primarily to successful cases or unsuccessful ones. Success needs to be defined by how well the comparison cases actually did in the real world.

The second comparison issue is whether or not there's consistency in the relevant universe definition. Let's say you're a company making canned dog food, and you want to understand how successful a new canned product will be. So you design a study that samples 150 dog owners who feed their pets canned food at least twice a week -- or would consider doing so in the near future. Your vendor says they have norms for pet food products that have 100 cases of new product tests done and your concept indexes at 150 relative to the norm.

Sounds great, right? Sure — if you're positive you're really comparing apples to apples.

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You could be making exactly the wrong decision if your test is among a highly targeted group who ought to be responding particularly well to your concept, yet the norm is based on a more general group. Or vice versa. Looking like a great or poor performer might simply be the result of whether the sample frames are the same for your test and the norms database. And the norms database may be inconsistent in its own right, having some cases tested among a representative sample of the entire population, while others were tested among dog owners (regardless of the food they fed them), and still others were tested among canned food owners. That would make it difficult to define what average performance really is. But it's an area very few people focus on when looking for normative comparisons, and can lead to specifically wrong decisions.

Another instance where norms can be misleading is when the market dynamics that existed when the norms were compiled aren't in sync with the current market. To help explain this, let's talk about technology: tablets, to be more specific.

Another scenario: it's 2012, and your company has decided to enter the tablet space. So you'd like to test the interest and appeal for your product. You'd obviously like some sort of comparison to understand if your own levels are in line or exceeding the appeal of other products that were successful in your market. Good news — your vendor has tablet specific norms, and a lot of 'em!

The lurking problem? If the majority of cases your company is comparing yourself against are from studies run in 2010, then they're based on a tablet marketplace that was in a very different , nascent state of development versus today. Does it make sense to compare your tablet's performance in a well-developed market against norms created when the category was barely emergent? Might that not lead to a misinformed go/no-go decision?

NORMS MAY NOT BE LEADING ENOUGH

Now that we've beaten that first elephant — the fact that norms can often be misleading — to death, let's look at the second issue: norms can, in many cases, may not be leading enough.

While these two may seem like similar issues, there are nuances between them with significant implications for your company's decisions.

The "not leading enough" issue all comes down to standards. What's your bar for success, or what should it be? Is there any reason to think that *average* in a norms database is what's right for your company in any given specific situation? Those norms may not take your company's requirement for internal rates of return into account, or what alternative investments your company could be considering.

Nor do they take into account your company's ability to capitalize on an interested universe of a given size by virtue of your position in the marketplace, distribution power, marketing budget, et cetera. You may also want to consider different hurdle rates for an introduction that requires a lot of capital investment versus one that requires little.

So What?® can you do to improve the actionability of norms, and utilize them more appropriately to make informed decisions on whether or not your company can be successful? Based on what we've discussed, this may seem a tough row to hoe — but the solution may be staring you in the face.

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In many cases, companies have previously launched new products, delivered advertising campaigns and changed packaging on an existing product, just to cite a few examples. So why not utilize the testing and in-market experience gathered there to gain insight into what concepts, products and advertisements have reached objectives? Not only does this provide a baseline for standards, but also takes into account the reality of your company's position and true potential in the marketplace.

The next time you're working with a vendor to understand if your initiative — whether a product launch or ad campaign or something else — is likely to see success, don't just subjectively view a generic average and simply hope you're high enough above it to strike gold. Build your own database that's specific to your situation and needs, and test new options against that. You'll be working with benchmarks and norms that are truly helpful in getting to the right business decisions.