CHAPTER 2

PUTTING YOUR FAITH IN RESEARCH

Insights do not appear in a vacuum. They appear when you start assimilating information. This is true in business and in life. If you're a parent of a teenager who's troubled about something, you can't assume that, as a parent, you have some innate gift that sees with 20/20 clarity into the core of the teenage brain and soul. You have to assume that you're clueless because that forces you to gather information. You call up the child's teachers, coaches, and friends to ask, "What's going on?" You may even ask your child some innocent questions about his or her day. Then you start sorting out the evidence until an insight about what's *really* on the teenager's mind emerges. In other words, you conduct research. That's the primary source of information. And information is where insights begin.

Research, of course, comes in many forms. And they're all legitimate *if* they produce valid insights. Everyone works differently at the game of research.

Some people are obsessively diligent about it. They leave no stone unturned in their search for meaningful information. They need to know everything about a problem so they can conduct intense analysis of the data. They do not feel secure if the data are incomplete. They think they're missing something, that their analysis will come up short.

Others trust their intuition. They can isolate one morsel of information from a messy pile of research and know that *this morsel is the one that matters*. Their gut tells them to ignore all other inputs.

Roger Enrico got his big career break early on at PepsiCo by spotting a gold needle in the haystack of marketing data that no one else was seeing.

The year was 1973. Enrico was working at Frito-Lay in Dallas as the young brand manager of Doritos. The brand came in three flavors then: the original Toasted Corn, Taco Flavored, and the newly introduced Nacho Cheese Flavor. Nacho Cheese, being the newest, intrigued Enrico because it was already selling well. What he wanted to know was how many consumers actually tried the new product versus the other two mainstays: Toasted Corn and Taco. He couldn't tell from the existing data because the numbers were all rolled into the total Doritos brand. So he asked his ad agency at the time, Tracey-Locke, to provide him with data on the trial rate of the three individual flavors. "Trial rate" is marketing speak for the percentage of people who are trying your product for the first time. In reality, it's a painstaking research process that takes at least two months to complete. But in the end, it gets the job done and gives you accurate data.

What the research told Enrico was that the main flavor, Toasted Corn Doritos, had a 40-percent trial rate (meaning four out of ten consumers tried the product for the first time), Taco Flavored was also near 40 percent, and Nacho Cheese was lagging at 10 percent (meaning only one out of ten people actually tried it). The Nacho Cheese trial rate should have depressed Enrico. But as he compared it to overall sales, an interesting contradiction emerged. Nacho Cheese had the same level of sales as the other two more established flavors. Enrico thought, "I didn't pass calculus, but my arithmetic isn't that bad. If sales are the same with 10 percent trial against 40 percent, then people must be buying Nacho Cheese Doritos a lot more often or in larger amounts. So let's not concern ourselves with the repeat rate. Let's focus on that first-time consumption rate. People are buying Nacho Cheese four to one. The upside here could be 400 percent. We've got a monster hit on our hands and don't know it. We've got to relaunch Nacho Cheese Doritos!"

That was Enrico's initial reaction. But as with many of us, when the research comes back with an obvious truth, our first impulse is to mistrust it. Enrico thought, "It can't be this easy. The world is not so generous to young Italian marketing guys. You can't just step into a new job, ask one question, and get a new killer brand handed to you on a silver platter."

So Enrico did what any fresh-faced executive who didn't have a track record yet to trust his gut would do. He called up his ad agency and told them to repeat the process. "It can't be this good," he said. "Consumers must be confused. They probably don't know one flavor from another. You've got to do the research again so we can see if the results hold up the second time around." And then he called a meeting—a four-day brand planning conference at The Wigwam in Phoenix, Arizona, where the first presentation centered on the latest research results on Doritos. The results were exactly the same as the earlier survey: Nacho Cheese outsells the others four to one.

This was the moment when Enrico's soft and fuzzy hunch turned into a solid-gold insight. "The conclusion is obvious," he told his team. "We should take all our advertising and commit it totally to this new flavor. We should get behind this product and relaunch the hell out of it because we have been given gold from heaven."

Thirty minutes into the planning conference, he adjourned the meeting for three days of sunshine, golf, dinner, and hanging out. "What else is there to talk about?" he thought. "If we talk anymore, we'll ruin it."

When Roger's team returned to Dallas, he ordered them to put all their energy into relaunching Nacho Cheese. Then he went to his boss, Jim Groebe, and presented both the research and his plan. Groebe agreed that it made sense. Next he went to Groebe's boss, the head of all sales and marketing at Frito-Lay, for approval. The sales and marketing chief didn't like the idea because he feared that concentrating on one brand would shortchange the other two. So he told Roger to continue marketing and advertising *all three* flavors.

When you have a big insight—even if it's only about Nacho Cheese Doritos—you have to protect it at all costs, even to the point of insubordination. Roger decided to go to the wall for what he believed. He went back to his team and told them to keep going: focus on the one flavor, focus on Nacho Cheese. They directed their ad agency to create commercials that didn't even show the other two flavors. When Roger showed the spots that he planned to air to Groebe, he was told, "You're on your own here, Roger. It's the right thing to do, but you're out on this limb by yourself." Then Enrico went to Groebe's boss and showed him the spots. With each commercial that ignored the other two brands, he could see the sales and marketing head becoming more steamed. As the presentation ended, the man leapt to his feet and reminded Roger in the harshest terms that since the spots did not reflect the direction he was given, they cannot go on the air.

Enrico shot back that they'd bought a "roadblock" on all three networks for Sunday (a roadblock is a media buy that airs a commercial at the same time on multiple channels so that viewers can't miss it). "These commercials are going on the air," he said. "If you stop the buy, then next Monday morning you won't have a marketing team. We're out of here." Enrico conveniently neglected to mention that he had never checked this threat with his team.

The marketing chief looked at Enrico in disbelief and said, "You're serious, aren't you?"

"Dead serious," Roger said.

"Well, I think you're wrong about this, but I have to admit, I like your determination. Go ahead and run them. And you'd better be right."

The commercials ran on Sunday night and sales immediately took off; in fact, they doubled within a year.

I tell this story at some length because it demonstrates the awesome power of research properly assessed and courageously applied. This "trial rate" episode was the defining moment in Enrico's fledgling career. Some years later, he became PepsiCo's chairman and CEO. The Doritos episode also became a legendary story that seeped into the PepsiCo culture, an example of how the company wanted its executives to act: that it's okay to stick your neck out, that you're courageous enough about a conviction to quit over it. Today, Frito-Lay is a money-machine that dominates the salty snacks category. Pound for pound it is one of the most profitable enterprises on Earth, up there with Intel and Microsoft. And its single most profitable product thirty years later remains . . . Nacho Cheese Doritos.

The kind of research Enrico relied on was disciplined, quasi-scientific (in the sense that it was repeatable), and fairly sophisticated. That's fitting because marketers, by definition, rely more heavily on research of consumer habits than any other industry.

It's equally true in the advertising business, which has a long complicated history of research.

We've all heard the cliché about advertising: "Only half your advertising budget works. The problem is you don't know which half." Well, the history of research in the advertising industry is basically the history of advertising people striving overtime to prove which half of the ad budget is working.

It started as far back as the 1920s with a researcher named Daniel Starch who argued that the only advertising that worked was advertising consumers noticed and remembered. He famously wrote in an article in 1923 that "An advertisement, to be successful (a) must be seen, (b) must be read, (c) must be believed, (d) must be remembered, and (e) must be acted upon."[1] Starch set up a service to tell advertisers how many people could recognize their ad in magazines they read. In doing so Starch launched what was, at the time, the most labor-intensive activity in the history of social science research. Hundreds of researchers were sent out into the streets, loaded down with packets of magazines, with the sole purpose of finding out how well consumers could recall a

[1] For the moment, let's ignore the inherent fallacy in Starch's argument. It implies that each individual opportunity to notice and recall an ad exists independently of other exposures to that ad. It doesn't account for the accumulated returns of repeat exposures to an ad, which is at the heart of creating awareness and building a brand.

client's ads. This was the birth of research devoted to the *audience*. And it cannot be overstated how influential Starch scores became in the minds of anyone who created ads or paid for them. This influence eventually extended beyond the world of magazines and into television where the Chicago-based Nielsen firm told advertisers how many people were watching their commercials, who they were, and where they were watching them. A New York outfit named Arbitron conducted similar research about the radio audience.

There was also an intense period in the 1950s and 1960s when research was devoted to *products*. Advertising agencies like BBDO established test kitchens and research "laboratories" as sophisticated as anything the client had back at headquarters. Mostly, agencies tested to find unique characteristics in the product that could be highlighted in advertising. Over time this sort of research had the ironic consequence of turning insight on its head. Instead of waiting for the client to create a product with attributes that could then be advertised, some clever agencies searched for characteristics that were *missing* from the product—so they could then help the client create a product that could honestly claim the attribute in advertising. One example: the invention of Chunky Soup, a product of BBDO's test kitchen, which allowed Campbell's to advertise big chunks of meat and vegetables. Thus: "Chunky—the Soup That Eats Like a Meal." This "reverse engineering" approach produced comical consequences, none more so than the agency for Viceroy cigarettes, which came up with a technical demonstration that proved cigarette smoke in the mouth killed bacteria (assuming that this was a desirable attribute). Mercifully, the bosses at British-American Tobacco agreed that this would be stretching credulity with the Federal Trade Commission. They opted not to market Viceroy for its bacteria-killing properties.

Product-based research at ad agencies, noble as it was in helping clients improve their products, eventually went the way of the dinosaurs. Agencies couldn't afford to compete with their clients' burgeoning research labs, and soon clients stopped looking to their agencies for new product ideas.

The next phase in the history of research focused on *brands*. What were people's attitudes toward a brand? What did it mean to them? How did they feel about it? It was research aimed at establishing more highly evolved conclusions than whether a product was "better" or "worse." It was designed to get under a consumer's skin, and to probe how advertising altered people's attitudes, positively or negatively, about a brand. It's still going on, but to a much lesser degree at advertising agencies (which with their reduced fees can ill afford to maintain deep research departments). For the most part, brand research has now been outsourced to specialist firms. In fact, research has become a burgeoning business unto itself, with companies like Gallup, MRI, and Interbrand dedicated solely to the research process. If clients want sophisticated brand research, they can just go out and buy it.

There was also a phase from the 1960s to late 1980s when research fell under the sway of social psychologists. This was *social and psychological* research, which focused more on the end-user of the products than the product itself—on people rather than brands. The goal here was to learn more about the people who used the products—their demographic and psychographic characteristics—so advertisers could tailor their media messages to connect with people who had these characteristics. Politicians still rely heavily on this approach. They identify their electoral base and then customize their message to appeal to that base. Personally, I value this kind of research. I like any information that tells me what consumers are thinking, what moves them, what makes them choke up or laugh or swell with pride. If it makes you *feel* something, I can use that information, and turn it into a powerful brand appeal.

Not everyone thinks this way. Today, we are surely in the era of research that relies on *technology.* It is the era of the Universal Product Code and the infrared scanner. And in that sense we have come full circle with research. A wise man once pointed out that there were two critical events in the history of market research. The first a hundred years ago when we discovered that we could ask consumers questions. The second, more recently, when scanner data taught us that we didn't have to ask questions. Armed with scanner data, credit card receipts, ZIP Codes, and a powerful computer, a marketer can pretty much identify the name, address, income level, and social status of everyone who buys his product. That doesn't mean, of course, that all this information is being put to use. My hunch is that the vast majority of corporate data has been shoved into company vaults for decades—untapped, unexplored, unanalyzed, unproductive of insight. Sort of like the scandalous discovery during the 2004 presidential race when 100,000 hours of terrorist surveillance tapes were found languishing untranslated and unanalyzed on FBI shelves because there weren't enough Arabic translators to get to them. Mind you, this is data involving national security, America's highest priority. It's no better at any company. Even giant marketers haven't scratched the surface of all the useful research they possess—because they can't. They don't have the time or resources.

As an ad guy who relies more on wits than data, I take some cold comfort in that fact. There's still hope for those of us who favor instinct for our insights.

I feel sheepish devoting this many words to research. People who've worked with me would say that Dusenberry and research are two words that should be separated by miles and miles of dead space. They would scoff at the notion that I am a research maven or a data-busting connoisseur, poring over trial rates and re-use numbers all day long. That's not what I did at our agency, nor was I known for it. But in reflection, I realize that I was always conducting research in my own way. When I was eavesdropping, or buying the client's products in a store (even though I could receive them for free), or driving the client's cars, or testing the competition's offerings, or going back into the archives to look at old campaigns, or having lunch with the former CEO or brand manager (smart people who either retired or left the client's employ), or talking about all of it with friends over dinner. All that was research. In my own way.

In truth, I do all that because the only research that matters to me (and to most creative people) is the research that inspires ideas and leads to insights. And the research that consistently delivers insights is the research that lets consumers air out their problems.

I learned this in my first days at BBDO. The agency had an elegant proprietary research technique called PDS, or Problem Detection Study. It was BBDO's belief that *consumers are most honest and accurate about their feelings when they are complaining*. When consumers describe a product or service, they tend to be guarded or less than candid. Rather than react to the product or service itself, they play back to you what they've learned about the product through advertising. Which tells you absolutely nothing new. Therefore, if you want the truth from consumers, get them to register their *complaints* about the product.

Consumers love to complain—and they're at their most candid when they do.

The technique grew organically out of what was then the agency's well-known "four-point process" for developing effective advertising: (1) know your prime prospect; (2) know your prime prospect's problem; (3) know your product; and (4) break the boredom barrier. Pretty basic stuff. PDS attacked point number two, and it worked like this: Ask the average consumer what he wants in a bank and he's likely to say something innocuous, such as "friendly service." But ask for his greatest complaint about a bank and you'll hear something entirely different: "The lines are too long." Or, "When I ask for a loan, they make me feel like a beggar." Or, "The application process is endless."

Ask a consumer what she wants in a credit card, and she'll say, "I want to buy anything I like with it," a typical playback from previous advertising. But if you ask that same consumer what's wrong with her credit card, she's more apt to say, "Not enough places take it."

That was our research philosophy back then: Don't tell us what you like. Tell us what's wrong, what you dislike. That's an emotional response. And we can work with that. It lets us create emotionally charged advertising (thus achieving point number four: break the boredom barrier). More important, it allows us to preempt the customer's affection, and solve that customer's biggest problem; all the goodwill customers feel about the category accrues to our brand, not our rival's, because we are addressing what really matters to the consumer.

Maybe it was because I made my bones at BBDO, where problem detection was part of the agency DNA, but problems are how I define my research.

Out of problems come insights. Take the Chunky Soup case. If you asked consumers what they liked about soup, they would serve up the usual pat answers: soup is hearty, soup is nourishing, soup warms you up. The answers we've all heard since soup advertising began. But when we asked consumers to complain about soup, the answers were entirely different: the pieces of meat are too small, the vegetables are skimpy, it doesn't fill me up. The insight here practically jumped onto our plate. From there it was a hop, skip, and a jump to the birth of Chunky, and the perfect answer to what mattered most to the soup customer.

The biggest fallacy about research is that *you need to spend a lot of money to get it.* You have to hire research professionals and their squadron of field workers who scour the supermarket aisles, conduct phone surveys, and pay people to show up at focus groups. Not necessarily so. You can glean valid research simply by listening to people on the street. If your gut tells you that what you're hearing is *true,* or if you keep hearing the same thing over and over again, you are already conducting legitimate research.

Peter Souter, our talented creative director at AMV/BBDO in London, tells the story about how the most simple research yielded a winning insight. The client was Britain's National Health board, which wanted to mount a massive anti-smoking campaign, targeting young people, especially teenaged girls. The logic in the U.K., as in the U.S., was that if you can stop kids from smoking early in life, they won't pick up the habit as adults—and billions of pounds in national health costs will be saved each year.

Tobacco is one of the most heavily researched categories in the marketer's playbook. It's a product that, like soda and beer, is purchased in multiple units every day by the same consumers. People don't buy a pack of cigarettes on a whim one day and then wait to buy another pack two months later. They buy the product daily, with the metronomic consistency of people buying a newspaper or showing up at the corner deli for their morning coffee. They also buy the product in bulk quantities—cartons, boxes of cartons. With all this purchasing going on, data accumulates, patterns emerge, and a ton of knowledge about the tobacco consumer becomes manifest. There's not much about their product and their public that cigarette manufacturers do not know.

Cigarettes are also one of the most brand-reliant categories. Smokers have a strong commitment to their brand of cigarette, not just for reasons of taste (which, as a former three-pack-a-day smoker of Marlboros, I can attest to) but also because of the imagery and positive emotions they associate with their favorite brand. When I lit up a cigarette I felt like the rugged Marlboro man; it was the fuel of my ambition as a young advertising man. Every line of cigarettes has some branding agenda going on behind it. Some obviously are more successful than others (think Marlboro *vs.* Winston in the U.S., one a dominant brand, the other the *former* leader). The branding investment in cigarettes would be chilling if it weren't so breathtakingly efficient. The cigarette manufacturer's branding is awe-striking, involving billion-dollar budgets and years of painstaking, relentless, down-to-the-smallest-detail branding tactics as insidious as Merit cigarettes sponsoring women's bowling leagues because their research showed that housewives who liked to smoke also liked to bowl. (I'm glad I wasn't around when the marketing people came up with that insight.) There's even some branding going on with people who buy generic cigarettes (they don't care about taste or brand imagery; they care about price—and that can be turned into a branding attribute too).

Don't get me started on cigarettes. The bottom line is that there is an enormous amount of brand equity in cigarettes and, in turn, an equally enormous amount of consumer loyalty and emotional attachment to cigarettes. Smoking, after all, is a habit—a habit so powerful and pleasurable that people continue to do it even when they know it can kill them. Smokers absolutely love their cigarettes.

This is what the anti-smoking campaign in the U.K. was up against: an installed branding base, heavily funded for decades, for many lines of cigarettes; powerful consumer loyalty; and an addictive feature (nicotine) lodged within the product that kept consumers using the product even when it was not in their best long-term health interests. Those are powerful obstacles unmatched by any other product on Earth; neither alcohol, gambling, nor sex has the controlling sway over us that tobacco does. The only thing harder than getting people to start smoking or getting smokers of one brand to switch to another is to get smokers to quit. The average smoker tries to quit nine times; not even dieting has a failure rate that high.

How do you fight this when you're dreaming up an anti-smoking campaign? You can't focus on the health hazards, obvious as they may be. Young people think they're invincible. They have no concept of mortality. You can't scare them "straight" with the threat of lung cancer.

You also can't dissuade them from smoking by claiming that it's "uncool." Decades of advertising, not to mention shrewd and relentless product placement in movies since the 1930s, have done too good a job establishing smoking as "cool."

Nor can you make an issue of the cost of cigarettes, or that they make you unkissable to a nonsmoker, or that smoking is largely banned in indoor public venues nowadays. None of these issues are compelling to a smoker; they are mere hurdles to the fulfillment of the smoking habit, not reasons to quit. A more vivid insight, a stronger truth was required.

Virtually nothing in the extensive research data on smoking and smokers revealed a vivid insight that could make a jot of difference. A stronger—and newer—truth was required. To get that, Souter concluded, he needed more data, more information, particularly about his target audience: the young women of England. With all the conventional data proving fruitless, Souter was left to rely on unconventional research.

A young female assistant took it from there. She left the agency's office on Marylebone Street, found a café in the shopping district, and parked herself at a centrally located table so she could eavesdrop on the conversations of the young women at neighboring tables. It didn't matter whether they smoked or not. She wanted to know what was on their minds. She sat there for five days, writing down impressions and every stray bit of conversation that landed on her ears. She heard the girls talk about school and work and parents and boyfriends and favorite clubs and singers and CDs and movies. But as the days mounted up, one dominant theme emerged: the girls were obsessed with their appearance. The assistant's notebook was filled with dialogue about shopping for clothes (especially jeans, underwear, and shoes), about haircuts, about shampoos and skin creams and makeup and eyeliners and nail polishes and fake nails and lipsticks and diet supplements and cosmetic surgery and . . . well, you get the picture. Nothing commands center stage in the idle young female mind more powerfully than *how she looks*.

As soon as the assistant returned with her notebook, Souter knew that the big insight accompanied her. Coupling this new research with the client's existing information about smoking's deleterious effects on our appearance, Souter and his team put all their money on the simple insight that *smoking ruins your looks*. It not only stains a woman's teeth and rots her breath, but it reduces the luster of her complexion, adds wrinkles around her eyes, and crinkles the skin around her mouth. The end result was a fabulous series of prize-winning ads that hit the young women of England where it really hurt: their vanity. Forget that cigarettes may shorten your lifespan. Ignore how they make you a social pariah in some circles. Focus on how they make you physically less attractive. That's enough to make a young woman stop smoking.

In hindsight, making the connection between smoking and a woman's fading looks may seem obvious. But until that young assistant returned from the café with her notes, no one had ever made the connection before. That's the beauty of good research. It reveals a useful insight in a matter of seconds. Without research, you could be wandering in the wilderness, blind and insight-deprived, forever.

What's most arresting in this example, though, is the simplicity of the research. It cost nothing. It required no expertise other than the patience to sit in a café for five days. It demanded none of the painstaking analysis that so much number-crunching research requires. The data were overwhelming; the insight was hitting you over the head. It is the sort of research that anyone—whether in a giant company or a sole proprietorship—can do. All you need is the gumption to push away from your desk, walk outside into the street, and start absorbing the world.[2]

There must be something about research in cafés and pubs that brings out the best in the creative folks at AMV/BBDO—because that's where they found the insight that led to one of the greatest TV commercials in U.K. history. The client was Guinness, maker of the popular stout beer, which had a long tradition of advertising since 1929 when it debuted with the slogan "Guinness is good for you." That claim eventually ran afoul of regulators who regarded it as overreaching. And in the ensuing years, Guinness had fallen upon fallow times in their advertising. They were looking for AMV/BBDO to tighten up their message. A new and memorable image was needed.

To begin their research into the product, the creative team of Tom Carty and Walter Campbell retreated to a local pub where they could watch their client's product in its most ba-

[2] The ads reminded me of the "Keep America Beautiful" campaign from the 1960s, spearheaded by President Lyndon Johnson's wife, Lady Bird Johnson. There, too, the ads preached cessation of an inappropriate activity—in this case, littering. In the same way that it might be hard for any American born after 1980 to imagine a time when people were permitted to smoke anywhere—in movie theaters, on airplanes, in hospitals and doctors' waiting rooms!—it might also be hard to imagine a time when littering *wasn't* a crime, when Americans would literally heave bags of trash out of their car window as they drove along the highway. The "Keep America Beautiful" campaign changed an entire nation's behavior. What the anti-smoking and anti-littering insights have in common is the compelling link between ceasing an activity and maintaining beauty. The link is obvious only in hindsight.

sic form of consumption. As they observed the patrons ordering Guinness and the barkeeps fulfilling demand, they figured out that it took a full 120 seconds to (a) pour a pint of Guinness properly so as to achieve the perfect equilibrium between thick brown stout and white frothy top and then (b) wait for it to settle. They believed that the waiting part was an unexploited Guinness virtue. That people would be willing to delay gratification until the beer rested perfectly in the glass said something wonderful about Guinness. The waiting, thought Carty and Campbell, might be worth celebrating. That was their insight, which they expressed in a theme line that repeated a hoary cliché: "Good things come to those who wait." But the commercial they created to illustrate the virtue of patience was anything but a cliché.

Carty and Campbell wanted to make a surfing commercial, drawing the parallel with the wait for a pint of Guinness to settle and a surfer's wait for the perfect wave. The commercial begins with a close-up of a Polynesian surfer. The commentary is adapted from *Moby-Dick,* alluding to Captain Ahab's relentless search: "He waits that what he does. And I'll tell you what. Tick follows tock follows tick follows tock." (In a 60-second spot, where every tenth of a second in the final cut is fought over, it's a leisurely 10-second beginning, disorienting the viewer but also pulling him or her in.) Then cut away to shots of surfers out in the ocean on their boards, waiting . . . waiting . . . waiting. Cue the sound of percussion instruments. A big wave is approaching. Suddenly, quick suggestive images of white horses appear. The horses (inspired by paintings by Eugene Delacroix and Walter Crane showing white horses mingling with waves) appear to be riding the waves. The waves, horses, and music build to a crescendo. The surfers celebrate in silence on the beach, falling over each other in the sand. Something wonderful and heroic has happened: the perfect wave came in, the surfers were there to catch it, and we witnessed the whole thing. Cut away to a product shot of a pint of Guinness draught, complete with white foamy top, and the theme line "Good things come to those who . . ." You know the rest.

The "Surfer" commercial, which aired in 1999, did wonders to rehabilitate Guinness's image. No longer was Guinness associated with men in pubs who drank themselves into a hooligan stupor. Suddenly Guinness was chic, a badge product that said Guinness drinkers appreciate quality. The commercial, virtually unknown to Americans, became the equivalent of the famous Macintosh "1984" commercial; Brits voted it the greatest TV ad of all time! (You can see it online at the agency's Web site at www.amvbbdo.co.uk.)

And it all started with two men conducting a little client research in a pub. No cost. No elaborate methodology. No meetings to get budget approval. Just a few orders of Guinness and the occasional glance at your wristwatch.[3]

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[3] The ad itself is beautifully executed and, although no one's quoting budget numbers, is believed to be the most expensive commercial ever shot in Britain—well over $2 million. But that's the power of a clear unequivocal insight (regardless of the fact that it came out of a pub crawl): the client will stake you a large sum to express it. I could take mind-altering drugs for ten years and not come up with an execution like this. But I admire the way it breaks the rules. It doesn't show the product until the 55th second of the 60-second spot. That means it's trusting the viewer to hang in there through 94 percent of the commercial to find out who's the seller and what he's selling (in a spot that preaches patience, that argues "good things come to those who wait," I guess that's appropriate). It's also shot in black and white (the costliest commercial of all time and it doesn't offer the viewer the sensuous beauty of color!). Most of all, I love how it gives the viewer credit for having a brain. A spot that alludes to Herman Melville and Eugene Delacroix in order to sell beer is not talking down to the consumer; it's talking up.

A second big rule about research is that you have to trust what it's trying to tell you. No matter how raw it rubs you or how it upsets your hard-won biases, if you trust the people who conducted the research, you have to accept their conclusions—and work with the information. There's no point in ordering up the research if you're going to dismiss it when it upsets your expectations. However, beware: research is a guide, not a god. Those who worship at the altar of research and follow it blindly—without shrewd analysis—often find themselves heading the wrong way down a one-way street.

I learned this the hard way with the Pepsi Challenge back in the late 1970s and early 1980s. If there's one account I feel more attachment to than any other, it's Pepsi-Cola. The account has resided at BBDO for more than forty-five years (which in this age of change is saying something), and I've worked on it for nearly thirty-five years. It is one of advertising's glamorous marquee clients—with big budgets and lots of freedom to make eye-popping commercials. It's also one of the most influential accounts, a true trailblazer, the first to focus on the consumer who uses the product (the Pepsi Generation) rather than the product itself (more about this later).

That's a mouthful of superlatives for a brand that—let's face it—is practically a synonym for the underdog, the perennial number two. But that had always been Pepsi's position in the soft drink universe. A runner-up to mighty Coca-Cola. So much so that when people found themselves in a No. 1 *vs.* No. 2 scenario, they always described it as a "Coke *vs.* Pepsi situation." When your brand enters everyday language for its "two-ness," you know where you stand. You're reminded of it every day.

By 1977 I had been living with this "condition" for all of my creative life with Pepsi. I hated being number two. But then something strange started happening in the Pepsi hinterlands beyond Madison Avenue. Specifically in Dallas, where the local Pepsi bottler was taking it in the chops from Coke, getting mercilessly outsold, 8 to 1. He needed some marketing drama to stem the tide. He needed something stark and stunning and revolutionary. He needed a tourniquet to stop the bleeding.

Surprisingly, the answer came straight from his own backyard: a series of blind taste tests scrambled together by a Dallas ad guy named Bob Stanford. This is the moment, however crudely, that the Pepsi Challenge was born. It was crudely patched together, but it was disarmingly honest in its revelation. It showed that consumers, even lifelong Coke drinkers, preferred the taste of Pepsi. As a local commercial, it was research brought to life on film. And an insight we stumbled into.

It was also a "Wow!" heard from Dallas to Detroit and throughout the entire soft drink universe.

Pepsi volume, Pepsi share, Pepsi leadership scores all soared in the Dallas area and throughout Texas, and then the results started migrating to other low-volume markets where the Pepsi Challenge ran. If you were getting slain by Coke, the message said to local Pepsi bottlers, try marketing the Pepsi Challenge.

As promising as the results were, it took everyone at headquarters a while to accept, much less embrace, the entire Challenge phenomenon, to trust the research and follow what it was telling us. Some of it, of course, was institutional inertia. Pepsi had been number two for so long, we couldn't believe that maybe for the first time in eighty years Pepsi actually had a strategic advantage over Coke that we could exploit. As BBDO picked up where Bob Stanford left off, we also faced a creative conundrum: What kind of ads are we going to produce? Are we going to scrap years of breakthrough award-winning commercials to show taste tests in shopping malls? Could we afford to abandon two decades of precious brand-image equity for a 180-degree turn in our advertising approach? Could we afford *not* to?

There were a lot of issues to consider before we could trust the research on a national basis. Making taste tests the centerpiece of Pepsi's advertising was a declaration of war against Coke. This would not be treated as another backyard skirmish. This was a frontal assault on the market leader. If we did it, we had to go all the way. And we had to be prepared for Coke to retaliate with heavy muscle. The implications if we erred were considerable: a huge black eye for the Pepsi brand. Meaning: a hit in market share, which depresses profits, which brings down the stock. A lot was riding on our insight. Even with the results slapping us on the forehead, it was still difficult to trust the research.

In the end, though, we went with the research findings. Working with Pepsi's director of creative services, Alan Pottasch, we created a series of "Pepsi Challenge" spots—deliberately crude taste-test dramatizations—and took them to Vic Bonomo, then Pepsi's president. I have to admit he wasn't excited by the idea. He loved the "generation" advertising we had done that had brought Pepsi close to parity with Coke. But he could add up numbers as well as anyone else. He was sick of being a runner-up. He was willing to go to war.

The lines in the sand were drawn. The cola wars had begun. Five years of nonstop Pepsi Challenge commercials were under way. They weren't creative milestones, but, boy, did they move the needle. They put Pepsi at the same table with Coke, literally and figuratively. They made taste an issue. They made loyal Coke drinkers *consider* the heretical notion of trying Pepsi. And they dramatically increased Pepsi's market share in the U.S. from 23 percent of the cola market to 36 percent.

The stunning irony of all this is that the Pepsi Challenge was originally intended only as a *short-term* promotion, a quick hit designed to jump-start Pepsi sales in low-volume markets. But Coke felt so threatened, and took the Challenge so seriously, that they mounted an all-out ad blitz in an effort to blunt the Challenge's thrust. Most of their spots were taste-test spoofs—and downright goofy (two monkeys comparing Pepsi to Coke in a shopping mall). These only brought more attention to our campaign. If Coke had ignored the Pepsi Challenge, it would have gone away. But Coke kept it alive.

More important, the Pepsi Challenge—coupled with our image-building spots—induced Coca-Cola into the biggest marketing blunder in American business history: the introduction of New Coke. "After eighty-seven years," wrote Pepsi-Cola CEO Roger Enrico, "the other guy blinked."

A lot has been written about New Coke, most of it in head-shaking puzzlement. No one knows for sure why Coca-Cola's management made this terrible error. As a keenly interested observer, I have my own theory: *Coke trusted our research.* They saw that a certain type of cola formula (slightly sweeter with a different balance of brown spice notes) was winning blind taste tests. They figured, not illogically, that this was the formula that cola drinkers preferred. So they decided, again not illogically, to give it to them—in the form of New Coke (which everyone agreed tasted a lot like Pepsi). But what was right for us was not necessarily right for the other guy.

It went down something like this: The cola folks in Atlanta created New Coke and then replicated our taste tests. All their tests, however, were done blind. They put the new cola (which was formulated to win taste tests) in an unmarked can and, not surprisingly, people said they preferred the taste. Case closed. Let's go to market. Unfortunately, that blind taste approach canceled out Coke's huge branding edge, the "halo effect" of the Coke logo pasted on a bright red can. And that made all the difference.

They failed—stunningly—to consider the hold that the old Coke had on consumers. When you introduce a new product, you're also taking away from the old one—in which case, it's a good idea to ask your existing customers how they feel about it. In Coke's case, of course, they weren't just removing any old product off the shelves; this was a beloved icon that is surely the most visible branded product in the world. The uproar among millions of loyal Coke drinkers, astonishingly unanticipated by Coke executives, planted the entire company in a self-induced crisis of unprecedented proportions.

After months of scrambling, Coca-Cola management recovered. They phased out New Coke, relaunched the old Coke as Coke Classic, and within five years regained much of the market share they had lost.

But the Pepsi Challenge had done its job. Pepsi was now *more* than a contender. It says so in the research.

My third point about research is that *anyone can do it*.

Before I attacked this chapter on research, I conducted a little research myself. I visited veteran New York City market researcher Ellen Sills-Levy at her ESL Insights offices at 40th Street and Lexington Avenue. Ellen, with whom I've worked on various projects for thirty years, is the kind of researcher who gives the lie to the notion that research is not a creative act. She has the two qualities any great research professional needs: skepticism and curiosity. Over the years she has done everything from creating standard questionnaires for the man on the street to working undercover as a factory worker in a Mitsubishi auto plant to find out why female workers were suing the company. She has posed as a loan applicant to report on how a bank treats its customers and run hundreds of focus groups. She's observed people in their environments to determine how they use a client's products. She's followed people during a typical day to assess their daily habits and patterns. She even uses techniques that probe a consumer's unconscious, from intense 4-hour sessions revolving around Jungian archetypes (one of which led to the creation of the Traveller's Insurance umbrella logo) to an exotic technique we developed at BBDO called Photosort, which asks people to look at carefully selected photographs and express their emotional responses. It's a great way to visually personify a brand. There's not much in-the-trenches market research that Ellen Sills-Levy hasn't seen or done.

And even she's convinced that everyone in business can and should be doing more research on their own.

Small business owners, she points out, have one huge advantage over giant corporations: regular intimate contact with their customers. That's why big organizations have to spend so much on people like Ellen Sills-Levy to conduct research—because they're so far removed from their customers. They don't see them walk into the store once a week. They don't know them by name. They don't talk to them or ask about their children. But a small business owner can do that. Problem is, so few of them actually exploit this edge.

It's easy to see why. When you're running your own business (and it's no different if you're running your own department within a bigger organization), you've already got enough to do. You've got customers to worry about, assignments to finish, orders to push through, deliveries to check up on, complaints to correct. And those are just the day-to-day micromanageable items. You also have to think a little further out (certainly more than one day ahead) about cash flow and meeting a payroll and paying your basic bills. And those are the items within your control. There are also factors beyond your control, such as unreliable vendors, customers who owe you money, and competitors out to steal your lunch. With all these pressing issues, it's easy to see how anyone can forget to take time, catch a breather, and think about research. It's not at the top of most people's minds.

For example, another wine store, another town. A friend of mine was dining in a restaurant in the suburban village of Bronxville, New York. He ordered a bottle of white wine with dinner. He liked the wine so much that he wrote down the vineyard and vintage. The next day he walked into the village wineshop and asked the proprietor if he carried the wine.

"Never heard of it," said the owner. "But let's see if I can get it for you." The owner looked up the information in *Beverage Digest* and announced that my friend could have a case in a week.

My friend thought it was odd that a wine store owner—someone who theoretically should have an intense self-serving interest in wines—would not be intimately familiar with the wine list at a popular restaurant just a few doors down from his shop.

I thought it was more than odd; it was close to entrepreneurial malpractice.

If I were that owner, I would be in that restaurant once a month quizzing the maitre d' on what wines were selling, what new items he was adding to his wine list, what he was removing. That's precious information. Where else could I find more reliable data about the drinking habits of the local populace? I could use that information to make sure I carried the most popular wines—not so much on the off chance that I'd have them in stock if and when someone asked for them, but rather because these were proven winners—wines that people loved. If I stocked them, it was a safe bet that they wouldn't gather dust on my shelves.

The more I thought about it, I realized that this is the sort of research I could repeat with other restaurants. What would stop me from talking to other popular establishments in the neighborhood, studying their wine lists, learning what bottles were flying out of the cellar, and stocking them in my shop?

Research so simple it's a sin to call it research. It's more like common sense. Yet I wonder how many shopkeepers would do that.

But the daily grind of details isn't the only reason people have a blind spot about research. They also have a knowledge bias: they think they already know their customers well enough. They can see what's going on in the sales figures, in what's selling and what isn't. What more do they need to know? Answer: plenty.

When Tiger Woods, after winning eight major championships in six years, famously fired his golf coach, Butch Harmon, he said he didn't need a coach anymore. He could do it all on his own because he could see what he was doing right or wrong from the flight of the ball. "Ball flight tells you everything you need to know," he explained. That may be true for a pro like Tiger Woods. And maybe not. When your ball flight goes awry, you still may need a fresh eye to tell you how to correct it—even if you're Tiger Woods.

It's the same with research in business. When things go off track, you can't find all the answers solely in the sales figures or in what you've been doing all along. You need to step back and get some fresh feedback from new sources, such as your customers, vendors, competitors, and friends. Quite frankly, you should be listening to anyone who can tell you something you don't already know.

Let me repeat: *you need to learn something you don't already know.*

This should be self-evident. However, so much of what passes for research is little more than people seeking information that confirms their biases, their goals, their inclinations, and their decisions. It has nothing to do with acquiring new information. In a sense this is another form of "satisfaction research"; it only tells you what you're doing right. This is not how great insights materialize. Insights come from owning up to what you're doing wrong and addressing those problems in ways that matter.

When I asked Ellen Sills-Levy if she ever encountered this "blind spot" in her clients, she told me about a bank in Connecticut that was preparing a major push to lure new customers from rival banks. The bank hired her to find out what customers were looking for in a bank. The bank was expecting her to talk to their customers and draw up a list of positive attributes that the bank could then claim in its marketing materials. In the course of her research she uncovered the disturbing news that the bank's existing customers hated the bank's fee policies, its substandard service, its long lines, its staff's inability to answer questions or negotiate directly with them, even its monthly statements that one customer described as "dysfunctional." She came back from her researching foray and told the bank, "Don't bother trying to lure new customers yet. Because if things stay the way they are now, you'll lose all the new customers a few months after they see how you operate." Not exactly the answer the bank bargained for, but the research provided a big insight: You've got so many problems, you're not ready to open your doors to new customers. Fix yourself first, then troll for customers. Not the other way around. It not only saved the bank millions of dollars in wasted marketing costs, it literally saved the bank.

Then there was the drugstore chain that asked her to explain the huge disparity in per-square-foot sales from one store to the next among their branches in upstate New York. She visited the branches, saw that some had perfect displays and product layout, while others were unkempt warehouses with little visual appeal. Same stores, but totally different retail environments. She went back to the client and asked the simple question "Have you ever visited these stores and observed the difference?" They answered no. In her mind, that explained everything. No one in top management had ever bothered to see who was doing things right and who was literally messing up. Her insight: You don't need me yet. You need to get out and see your world. That will tell you everything you need to know.

Then there was the CEO who was so enamored of his personal taste that he believed that if he liked something, the whole world would automatically like it too. Ellen's job was to come up with research data that confirmed the CEO's whims. Research to prove a hunch is certainly valid, but more often than not it's a fallacy: there's no rational reason to believe "if I like it" that "everyone else will like it too."

All of these—people who never leave their desks, people who think their whims are universally followed—are variations on a knowledge bias that hinders research.

Perhaps the biggest obstacle to acquiring solid research, though, is people's mistaken belief that they're not equipped to do it properly. They think research is a complicated technical operation best handled by professionals (like Ellen). That might be true if we're talking about, say, medical research. But marketing research is more art than science. In its best form it's applied common sense.

We see this bias all the time with clients. When we talk to them about research, their first question is about which technique we'll be using—surveys, telemarketing, focus groups, and so on. Actually, technique is our last consideration. First, we have to figure out what we're trying to learn. That will tell us how to extract the information.

Let's return to our wine store in Sag Harbor. If I were that owner looking for an insight that would provide a major spike in business, I don't need a Ph.D. to know that I should be focusing on at least five categories that make a difference.

The first is my product line. Am I offering merchandise that appeals to wine buyers? Just as record stores have walls devoted to the Top 40 CDs and bookstores have best-seller sections (and these top sellers usually represent more than 50 percent of a store's sales), I can research what the top-selling wines[4] are—and make sure I stock them. Better yet, I can create a special section for them and steer customers in their direction.

The second is my pricing. Am I perceived as high priced, bargain priced, or fairly priced? I can determine this by comparing my prices with another store. If I'm charging more than a rival, it's good that I know that before my customers figure it out.

The third is my service. I don't know any serious businesspeople who intentionally offer bad service. They all think their service is good (if not great). Unfortunately, the customers may not share that opinion. If there's a gap between the servers and the served, that's worth researching.

The fourth is my environment. Do people like the way I present my wares? Do they feel comfortable shopping in my retail environment? I can tell this simply by watching customers wander the aisles. Where do they linger? What do they ignore?

The fifth is my competition. What are they doing that I should be doing? I'll never know until I walk through a rival's store to see what he's doing that I'm not. Research doesn't get simpler than that. David Novak, the successful CEO of Yum Brands (Pizza Hut, Taco Bell, KFC) spends as much time in competitive fast-food stores as he does in his own. This way

[4] This is easy now. Internet search engines such as Google let you find any piece of information you want. What used to take several frustrating trips to the library in the not-so-distant past now gets solved in one or two mouse clicks. For example, every fact in this chapter was either obtained or checked in less than 30 seconds via Google.

he's seeing firsthand what the competition is up to, sampling their products, checking their stores. Like that famous line in *The Godfather*: "Keep your friends close—and your enemies closer."

This is hardly an exhaustive list, but isolating just one of these five categories and exploring it will make me smarter. It might even provide an insight. But that's really up to me now.

That, more than anything else, is what research provides. It puts you back in the driver's seat. It lets you regain control of your brand, your business, your destiny. The rest is up to you.