

TOOLS FOR MAXIMIZING BRAND POTENTIAL

What the “Smart Crowd” Knows about Your Brand: Practical Techniques for Measuring Brand Value Using Collective Wisdom Methodologies

Presented by  **EIDETICS**
A DIVISION OF QUINTILES CONSULTING

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We'd like everyone to answer the following

	How many projects did you personally work on?	What do you think the average of this audience is?
Number of research projects in the last year		
Percent of research projects that were quantitative		

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Topics for today

- What are smart crowds?
- How do they apply to market research?
- What can they do?
- What can't they do?

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The ox at the country fair



Mean guess = 1,197 lbs

Actual weight = 1,198 lbs

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Crowds have intelligence

- Under the right circumstances, large groups of people can arrive at better solutions than the smartest individuals. *Sometimes these crowds can even help us predict the future*
- Collective wisdom has become a topic of the popular press, informal economics, and disciplined academic study
 - *Wisdom of Crowds* (2004) by James Surowiecki
 - Iowa Electronic Markets (IEM) forecasts political elections and movie box office revenues

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IEM illustrates how the “smart crowds” forecast the future

- At the U. of Iowa Business School since 1988
- Available only on Internet, and uses real money
- Markets trade futures contracts, where price reflects probability of outcomes
 - In the 2008 US presidential election, an Obama contract paid \$0.525, reflecting his share of the popular vote, while McCain’s paid \$0.479
 - In elections from 1988 through 2004, prediction markets were more accurate than polls 74% of time



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IEM's superiority over standard polls in predicting US presidential elections

All days from beginning of market

	1988	1992	1996	2000	2004	All
Poll	25	43	21	56	110	255
IEM	34	108	136	173	258	709
IEM Percentage	58%	72%	87%	76%	70%	74%

More than 100 days before election

	1988	1992	1996	2000	2004	All
Poll	1	20	3	2	66	92
IEM	13	49	30	47	129	268
IEM Percentage	93%	71%	91%	96%	66%	74%

Last 5 days before election

	1988	1992	1996	2000	2004	All
Poll	0	1	4	8	12	25
IEM	6	5	7	17	18	53
IEM Percentage	100%	83%	64%	68%	60%	68%

Source: Stix, G. (2008, March). When markets beat the polls. *Scientific American*, 38-45.

Prediction markets are one kind of "smart crowd"

Surowiecki cites these criteria

Decentralization
draws on local
knowledge

Independence
opinions unaffected by
others

Diversity
an array of opinions from
people with different
experiences /
demographics

Unbiased Aggregation
specific process for
translating individual
information into collective
wisdom

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Market research studies can also be a “smart crowd”

Respondent samples meet Surowiecki’s criteria

Decentralization
unique perspective from
each respondent

Independence
freedom from outside
influences

Diversity
representation from
different regions,
practices, approaches,
years of experience, etc.,

Unbiased Aggregation
use of statistics (means,
frequencies) to translate
individual responses into
group wisdom

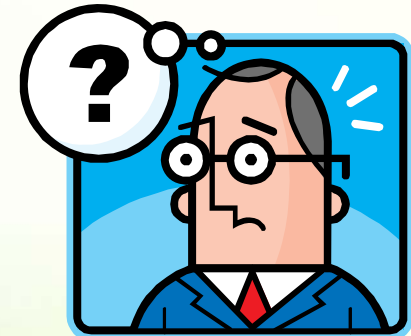
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Can collective wisdom methods be made relevant to market research?

- As in the IEM system, the respondent whose guess comes closest to the truth could win a prize or other incentive
- That means the “true” answer would have to be verified which, in MR, is nearly impossible at the time of the study
 - What is the *true* market share of a not-yet-launched product?
- Alternative methods are therefore required



Applying collective wisdom techniques requires rethinking how we “use” respondents

- In typical MR studies, respondents are treated as *observations* or data points
 - “How would you rate Product X’s efficacy?”

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Market research relies on drawing a sample of individuals from a larger universe

Sample of Observations



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Applying collective wisdom techniques requires rethinking how we “use” respondents

- In typical MR studies, respondents are treated as *observations* or data points
 - “How would you rate Product X’s efficacy?”
- Instead, respondents’ collective wisdom could be harnessed by treating them as *observers* of their surroundings
 - “What will Product X’s average efficacy rating likely be across all MDs/PTs?”

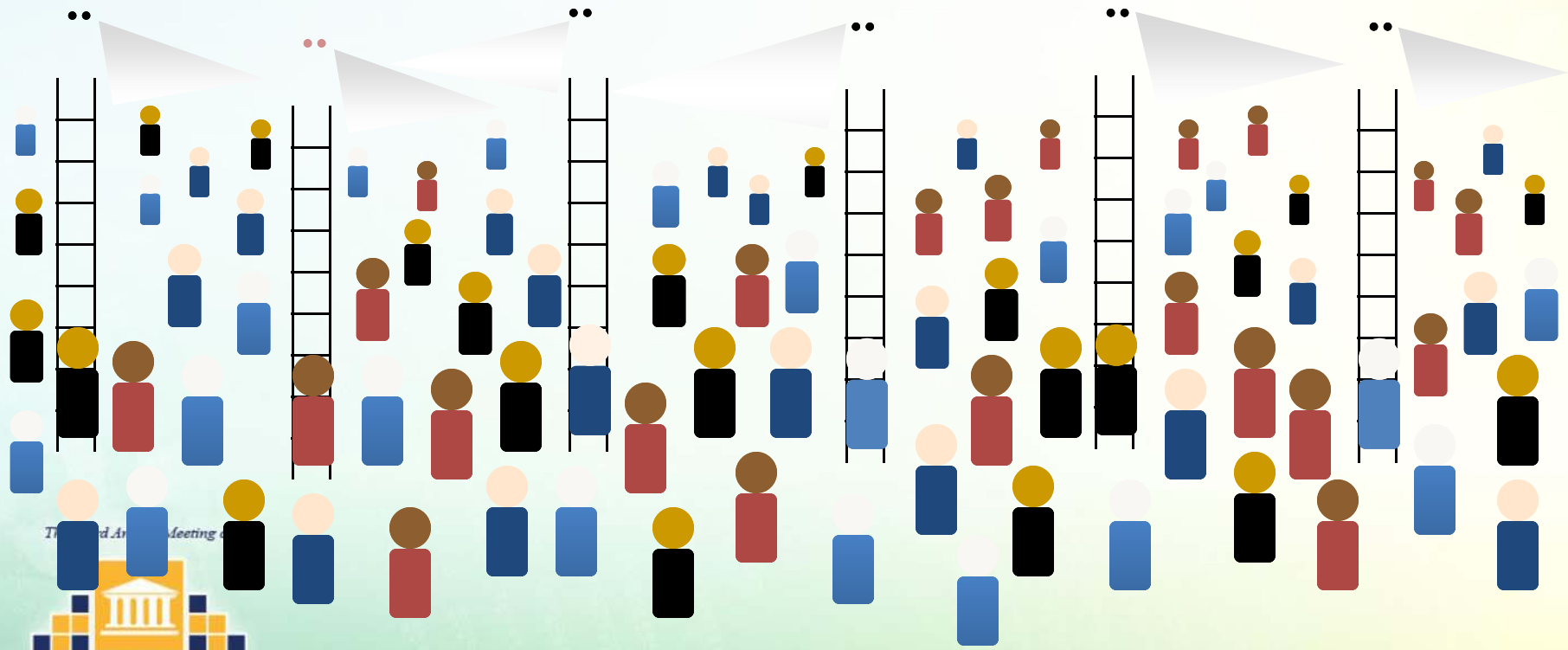
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Collective wisdom treats each respondent, not as an observation, but as an observer

Sample of Observers



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Collective wisdom applications in brand management

Calibrating demand / preference share

Measuring polarizing brand propositions

Evaluating in-licensing opportunities

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Current practice: calibrating demand / preference share

- In demand studies for new product concepts, demand is likely to be overstated
- Shares are adjusted using rules of thumb, studying analog demand, or relying on proprietary “calibration” data
 - Rules of thumb are arbitrary
 - Analogs or proprietary calibration data may not reflect specific market situation

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Collective wisdom approach: expected demand with individual estimates

- In addition to asking what respondents themselves would do, ask the expected demand among all MDs / patients
 - “Thinking only of patients with this condition *nationwide being treated by your specialty*, what % would receive this product one year after launch?”
- We generally use this approach in a holdout “base case” profile
 - Collect demand estimates for both personal usage and predicted usage in population

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Recent example: CNS study

Patient type 1

Preference share	Individual demand estimate	Collective wisdom demand estimate
Mean	37.5%	31.2%
Std. error	2.9%	2.1%

Patient type 2

Preference share	Individual demand estimate	Collective wisdom demand estimate
Mean	31.3%	27.6%
Std. error	2.7%	1.9%

The ratio between collective wisdom and individual demand estimates can serve as the calibration adjustment

Note that the standard errors around the collective wisdom estimates are lower than the individual demand estimates.

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Measuring polarizing brand propositions

- Some brands elicit polarizing perceptions

Hormone replacement therapy

Chemo agents with challenging tolerability issues

MS treatments with rare but potent toxicities

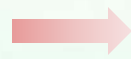
- Measuring perceptions in these situations is a function of sampling bias

Too many Loyalists



artificially favorable perceptions

Too many opponents



artificially unfavorable perceptions

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Collective wisdom can enrich the power of small samples

- Avoiding sample bias can be challenging given budget pressures to conduct small qualitative projects
 - Of 12 respondents, 8 prefer platform A and 4 prefer B
 - What do you tell the Brand team?

 - Of 12 respondents, 8 say they believe the *majority of their colleagues will prefer platform A*
 - Now what do you tell the Brand team?

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Measuring polarizing brand propositions (cont'd)

Common approach:

Ask respondents to evaluate brands on different performance dimensions

“How would you rate X’s performance on GI tolerability profile?”

Instead:

Ask them to predict others’ ratings

“What would you *expect the average physician* rating to be for Product X’s GI tolerability profile?”



Additional applications

- **With in-licensing scenarios, timelines are often too short for a full conjoint study, budgets too tight for a robust sample**
 - As an alternative, test the base case scenario, and elicit the expected demand for the larger population
- **Current treatment practice and unmet needs assessments can benefit from the dual perspective of self-expressed needs and estimates of broader population trends**
 - Can uncover useful disconnects between “my” view and respondents’ sense of the mainstream

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Limitations on collective wisdom in Market Research

- Will not result in “perfect” intelligence, only better intelligence than any individual expert
- Best kept to a limited number of concrete tasks
 - In a multivariate conjoint / choice model task, would not frame more than two exercises using collective intelligence methodology (far too difficult a task to have respondents predict tradeoffs)
- Task context and order influences outcome

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Summary

- Under the right circumstances, crowds provide useful collective wisdom
- Such wisdom can be used in MR to better understand brands
- Major benefit of smart crowds is having more certainty with fewer respondents
- We have only just begun to scratch the surface of its potential in MR

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If you have any questions or would like to discuss this presentation in greater depth, please contact any member of this group



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