

sharp
insights



Managing Risk by Setting and Using Action Standards

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When it comes to recommending research, we believe strongly in delivering ROI.

This paper is a 'facts, hints and tips' summary of ways to manage risk by setting and using action standards in research and is based on our own experiences with clients. We hope you find it useful.

Two Types of Risk relate to actions:

- 1.** Risk of not taking action when you should
- 2.** Risk of taking action when you should not (or don't need to)

Examples:

- 1.** The risk of not taking action when you should, and so miss an opportunity
 - a. Research example: the sample size was too small to be confident (statistically) that the improvement was a real one – so you don't act
 - b. Business example: You don't act and your competitors do, they take the lead and grow their share at your expense (=£?m cost)

- 2.** The risk of taking action when you should not/ need not (e.g. damaging the brand/product, losing sales, making no improvement)
 - a. Research example: Using the wrong statistical test can mislead – do you want to prove that X is better than Y or that Y is not worse than X?!
 - b. Business Example: If the research has not accurately reported the outcome (e.g. sample size too small, the wrong people interviewed, the wrong questions asked) you might make a major investment in new plant, only for the product to fail (=£?m cost)

Research briefs rarely indicate the size of these risks (size = cost to the business). However, an indication should be given because it affects the design and structure of a research project. It is really important to understand the business costs that will result from the action being taken **AND** for the business to consider the cost if an opportunity is missed.



Two Types of Action Standard should be considered

1. Absolute

- a. e.g. we will progress concept if PI is 17+, or 25+ amongst target market
 - b. These are typically set to give confidence that the action is worth taking (e.g. progressing a concept to the next stage of development)
- or**
- To measure businesses actions to date (e.g. has marketing activity raised brand awareness or consideration to the target level set?)

2. Relative to another result

- a. e.g. 'New' must significantly outperform 'Current'
- b. Here statistical tests are typically used to prove a difference or parity (but they must be applied properly – you need a **different tests** for parity vs. superiority!)

Other details to think about

The impact of an action standard on sample size

If you are looking to prove a significant difference you need to consider how big a difference you want to prove is 'real'.

- Proving a **small improvement** is a real improvement will need a **large sample size**
- Proving a **large improvement** is a real improvement needs a **smaller sample size**

Usually you'll want to prove a small difference is a real improvement! For example, if marketing have set the challenge of raising consideration from 20% to 22% over 12 months, a large enough sample will be needed for the analysis to prove the difference is real.

If the sample size were 1000, you could be confident at 99% that a 2% increase is real.

If the sample were only 100 and you saw the same increase of 2%, there won't be enough confidence that it is a 'real' increase.

Defining the Sample

On what group of people does the action standard apply? Do you need different action standards for different groups?

e.g.

- Current consumers (if you want to change the current product in any way – price/pack/recipe)
- Lapsed (if you are looking to develop a strategy to win customers back)
- Potential (if you want to introduce a new product to attract new customers)]

Identifying measures on which to base the action standards

These are often related to purchase intent. Other common measures are:

For **product development**:

- Uniqueness
- Agreement on key benefit
- Fit to brand positioning



For measuring **marketing activity**:

- Awareness
- Affinity
- Consideration

Is it really an action standard or is it supporting evidence?

If you are looking to set multiple action standards, potentially across multiple sub-groups, look critically at each one and consider whether the business really won't progress if that one action standard fails. Move all that fail this assessment out of "action standards" and into "supporting evidence".

This should be done in advance, not once you have seen the results, for obvious reasons!

Always clarify decisions to be made and associated risks before commissioning research

- How insights will be used within the business
- What decisions/actions will be made based on the insight
- Size of risk
- What result must be proven for an action to be progressed

Be wary of research with no clear resultant actions or where risk is not taken into account, check whether the research investment is going to give a ROI before progressing.

"Action standards should be set to inform judgement, not to replace it"

Get in touch and find out how Insitas will make your research truly actionable

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