

THE REGENERATIVE BUSINESS DEVELOPMENT COMMUNITY

Carol Sanford Institute



Marketing Premises and Strategy

Excerpt from *The Responsible Business: Reimagining Sustainability and Success*,
Carol Sanford, 2011, Wiley Publications

Companies invest their time, resources, and manpower into consumer research. We ask consumers what they want, we give it to them, and they then buy the competitors' offerings instead. Market research has shown this pattern repeatedly. In fact, eighty percent (80%) of all new products and services fail within six months or fall significantly below forecasted profits.¹ Despite this unfortunate phenomenon, there are only several possible explanations. Either we are asking the wrong questions, respondents are giving the wrong answers, or the whole system of consumer insight research is flawed in some way. While the first two possibilities do make sense, neither problem can be solved by simply asking different questions or seeking more honest responses. It is only by addressing the third and fundamental issue that we can overcome such problems.

In the last decade several sets of findings on consumer insight research methods have shed understanding on why there is such a high rate of failure to deliver. Harvard Business Schools' Market Science Institute argues that business managers do not understand how their own and their consumers' minds interact to distort insight. In other words, despite their training in marketing and business management, only those managers who study and apply understanding from

¹ Marketing Science Institute, Cambridge, MA, Morwitz, Steckel, Gupta, "When do purchase intentions predict sales?". 1997

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diverse fields of knowledge will gain a competitive advantage. Marketing, it turns out, is about more than simply creating a desire to buy or understanding what people want to buy.

Required Expertise: In the last decade researchers have made tremendous strides in their understanding of the human brain. Neuroscience and cognitive psychology are challenging previous understandings and contradicting many research methods that have been gospel for decades. In order to gain newer, more accurate consumer insight we must use this new knowledge to improve our understanding of both consumers' and businesspersons' minds. Here is what we know from the latest scientific studies.

Foundational understandings: What we now know

1. Humans do not think in a linear, hierarchical way. They see events in life as whole, rather than the countless parts. For example, people see a party with a cake, not the ingredients of the cake, when they make relevant decisions.
2. Human subconscious mental processes influence how they reach out. Since by definition we are unaware of such processes, it is easy to overlook their effects on both sides of the consumer research equation. They shape our responses and distort interpretations of behavior and verbal responses, on the part of the consumer and manager. These distortions have significant impacts on marketing and sales strategy, budget planning, and related business activities.

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3. Consumers and managers have both conscious and unconscious processes that create a maelstrom of mental activity that is not articulated or even evident in their interactions. As of now, most research focuses on the conscious processes.
4. We have to understand both aspects of this critical process to be successful in the market. This is where fields like neuroscience and cognitive psychology can give some of the most useful insight.

Restraints to our success:

Despite these new understandings, almost all people in marketing and product development roles were educated, trained and mentored using processes and methodologies that were designed from old neural and cognitive science (e.g. behavior science models). This might make sense if the failure rate for new products was not over 80%, but in light of such data it is worth exploring new avenues for understanding. You cannot use outdated and inaccurate processes to develop innovative ideas.

“Eighty percent of all market research is designed to confirm existing conclusions, not to test and develop new possibilities.” And this is even true when people think they are not doing so. Again, marketers do not see their own processes that leads to significant contamination of “insight”. Stopping these old marketing practices is hard, even when you know better, and especially when you do not. Knowing better requires you to keep abreast of *related disciplines of human behavior*. To have a chance of producing innovative marketing strategy practices and development you need to work with primary research from fields of science,

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not secondary or tertiary research translated decades later into the field of business, education and child development. Such practices take time, but one of the goals of this piece is to provide a sampling of the latest scientific knowledge in order to demonstrate the need for, and facilitate, this shift. Let's begin with the *proven* misconceptions upon which traditional marketing research practices are built.

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Fallacies Identified by Science:

Fallacy One: Consumers are rational and linear in their decision making.

Most methods assume that consumers contemplate the relative value of attributes and track to see if they are realized, giving the illusion of conscious will. The truth is that people “make choices based on automatic thoughts, habits and other unconscious forces and are greatly influenced by their social and physical context” (Creative Destruction of Decision Research, by Daniel Wegner, Harvard Press 2002). Consumers may comparison shop, but few fully realize the many and changing factors that influence their decisions.

People’s emotions are interwoven with their reasoning processes. The emotional system and reasoning inhabit different parts of the brain, which are in constant communication; however, the emotional system exerts FIRST FORCE on thinking and behavior. “Emotions are essential to sound decision making but can be invisible to the consumer” (Antonio Damasio in Descartes’ Error). Yet, for all of the studies that debunk the idea of rational consumers, consumer research is notoriously bad at exploring and interpreting such emotions. This makes interview and observation research particularly flawed.

Fallacy Two: We can explain our thinking and behavior: this assumes a conscious mind that is aware of itself objectively.

Ninety five percent of thinking is unconscious (Jerome Kagan), and our thinking is a stew of emotions, memories, often misremembered, and thoughts, none of

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which can be articulated. “Self-reporting interviews that rely on reflection are especially flawed” (Joseph LeDous, The Emotional Brain: The Mysterious Underpinning of emotional Life). In other words, it hardly makes sense to ask people to express feelings and decision-making processes of which they are unaware.

Fallacy Three: We can study elements and parts of experience and gain accurate understanding of the whole of the experience.

Most research use methods that studies independent variables. We do this as though lives are lived in silos, the same way we organize them in market studies. But humans live life as a system. The products and services we use do not exist independent of the lived life. We do not enter a room to perform cleaning mode, and then leave the whole experience behind as we enter another mode. Rather, the act of cleaning fits within a consumer’s system of life, and as such we need systems processes to understand them, not elemental processes.

This is the most difficult one to correct in research, since it requires a fundamental redefining of method, and an acceptance of the need to change (Body and Society Journal, Sage Publications, 1997). Understanding systems processes lies at the heart of the need to revise existing methods of consumer research.

Fallacy Four: Memories are accurate representations of experience.

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Memories are not accurate reflections of what happened. Memory is, in fact, very creative and malleable. It is continuously modified over time, and these changes occur outside our awareness. Research shows that merely altering the sequence of questions posed can change people's answers. In relying on accurate representations of memories and inner thoughts, researchers set themselves up to gather unreliable data. (Body and Society Journal, Sage Publications, 1997)

Focus groups are especially susceptible, because of the "mind guard"—a person who emerges, undetected, in the focus group, protects the consensus that is forming, and blocks out new or contrary ideas. It is an unspoken, but well documented process that is rarely noticed by most researchers. This has obvious problems for innovation based on such research methods.

Fallacy Five: We think in words.

Brain research shows us that the visual cortex fires before the verbal center. We see moments in our lives or sense emotions before we attempt articulate them to others with words. The problem is that when we translate images into words we leave behind the image and its wholeness. (Philip Lieberman, Human Language and our Reptilian Brain 2002. Harvard Press, and William Stokoe, Language in Hand). What gets "lost in translation" here is the essence of our thoughts and experiences. We need that essence in order to understand consumers.

This is one of the reasons why Buyer Node methodology is so effective; it builds an imaging capability to see a "life" unfolding in events. The better we

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understand the essence of buyers' experiences, the better we'll be at interpreting the meaning of their words. But it takes a particular capability to be able to engage with it, a right brain and being mind—who they are more than what they do as consumers— capability.

Fallacy Six: We can “inject” our message, reflections and questions into a consumer, and they will interpret it as we mean them to.

The method used most frequently to test the effectiveness of advertising is to ask consumers what they remembered of an ad and what they liked. This method is contrary to how consumers create meaning (see Fallacy Three). Since consumers do not live or think elementally, trying to isolate and derive meaning from the elements of their experiences is taking the wrong line of inquiry. People store and access their memories in a jumbled, haphazard stew, so answers to such questions are indicative of nothing.

Fallacy Seven: Research methods are neutral in their effect on answers from consumers.

We assume that how we ask, when, where and who asks has no effect on the answer. But it turns out that no research is neutral. Even the forming of questions, before they are asked, highly impacts the results. While researchers might do their best to eliminate as many of these variables as possible, they can only address those factors of which they are cognizant. The myriad invisible forces at work in every individual's subconscious mind are impossible to

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eliminate. We are influencing the results we get outside our awareness and that of the consumer being questioned.

Practices We Have to Change:

It is hard to imagine effectively developing a successful marketing approach based on such fundamental misunderstandings of the human mind. Yet, this is how the majority of companies and market research processes operate. Once we accept that our foundational thinking is misguided, the question of how to right our course remains. The following are all examples of practices that must be significantly altered, or done away with altogether, in order to more effectively understand consumers.

Using Elemental Practices: The Means of Becoming Shallow

Humans are not machines and cannot be taken apart to see how they work. They are complex living systems and can only be understood as living systems. Basing research methods, which lead directly into marketing and product development, on the above fallacies leads to Class One Errors—base errors which require us to constantly correct course to make up for the original error. We never really regain the reality that was lost with the error. Examples of such errors are:

- We mistake descriptive information for insight.
- We confuse consumer data with understanding.
- We focus on the wrong aspects of consumer experience, having looked at parts not whole lived lives.

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Overcome Shallow Interpreting: These methods lead to shallow assumptions, and shallow marketing plans. When consumers are asked to base their decisions on shallow factors, they form shallow attachments to products. This lack of connection and loyalty on the part of consumers becomes the base of the eighty percent failure rate.

1. We often see thinking and behavior as commodities without subtlety or depth, rather than live people processes, so we do shallow research and interpretation. In seeking to induce a particular consumer behavior we search for the “what” and not the “why”. In so doing we may only be providing consumers with the lesser of some evils, rather than a truly a desired choice.
2. We devise and rely on volumes of consumer research that is based on these shallow motives, but volume alone does not create understanding. Further, more data saying the same thing is not necessarily better, especially if it is based on the same faulty assumptions. We use superficial criteria with regard to demographics, intentions, and preferred attributes, yet these are only proxies for deeper understanding. For example, different ages value social connections and independence differently (age. 18-25 vs. 25-35). Without understanding how such data meaningfully influences the lives of these groups such information is of very limited value.
3. We collect the wrong data because we use available sources. We look where the light is, which in this case happens to be at outmoded and unreliable information. In confusing fast and volume with wise, we fail to ask new questions, and continually fall short of the high-quality thinking

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that leads to innovation. Quality takes time and different ways of looking. We have to learn to see *core effects*, not attributes, to see the system at work. For example, to view laundering as the process of “nurturing my clothes” is a deeper understanding than simply “getting my clothes clean,” and can lead to more accurate understanding of consumers.

Buyer Node “research” enables us to find common drivers across diverse markets that we do not see when we look shallowly. These deeper commonalities (by looking at the essence of buyers, rather than surface characteristics) are more important determiners of choice and tend not to change quickly as do attribute desires. As a result, products that market along Buyer Node lines are less vulnerable to the fickle nature of consumer desires.

Acquiring deeper understanding means looking at determinative forces beneath the surface that often cannot be accurately articulated by consumers. When we produce *developmental* market research and knowledge, understanding such forces provides more accurate and meaningful data, and therefore a higher rate of success in the market.

Improving the Success Rate:

Harvard Market Science Research found the most important change in market strategy development was moving from words to imaging. There was a higher correlation with market success when metaphors were involved than when data was gathered in words. The least accurate strategy was questions that asked people directly about their desires, wants and buying decisions.

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The second most important practice to change was moving from shallow and simple ideas to what they called deep understanding. They found seeing the why of a product's use (i.e. its context within a consumer's life) was more important than the what (its function). In other words, when it comes to consumer decision-making, maximizing a product's meaning is a more effective marketing practice than maximizing its utility. Reaching these deep understandings required that they go behind the surface of what could be spoken (or asked). Ironically, in their search for more accurate consumer understanding with regard to product design, features, and ideas, they had to look beyond the consumers, themselves.

Designers were better at predicting consumer response using deep understanding than with abstract data gained from independent or internal traditional market research. Focus groups were the least accurate at building such predictive ability and their usefulness has not held up under scientific testing. The key in the depth model was going beyond functional and emotional benefits, to being and life satisfaction from an evolved event. For example, if people view their clothing as a container for their persons and an extension of themselves rather than simply an article to be cleaned, we should ask ourselves what the idea of "nurture" means for clothes and how to bring that idea into people's lives.

Further, marketing managers compound the problem of surface data when they "extract" data from the research and make decisions from it. In doing so they claim to gain insight by moving farther away from the experiences of a person's

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life instead of closer to them. This extraction stops short the search for counter-intuitive insights, and managers, long attuned to the fallacies in which they have been immersed, fall into familiar and largely unsuccessful routines. The key to real insight is moving back into the consumer's "whole life" experience and away from attempts to appeal to simple, often shallow, thinking. This shift calls for the use of right brain processes on the part of manager and on the part of consumers, when they are involved.

Conclusion:

Despite radical changes in both the science and method of understanding human experience in the last fifty years, businesses have not changed their approach to understanding consumers in that time. They have changed fads and media, but not fundamental approaches. Most marketing schools and company practices operate from a set of assumptions about how the world works that limit understanding and prevent them from effectively serving consumers and customers.² Marketing continues to rely on familiar, but far less effective, research methods. Marketing managers consequently misread, misunderstand, and mis-conceptualize consumers' actions, thoughts and desires. This is the source of the "85% in six months" failure rate within the market of new offerings.

The Problem is the Mind: Brain research tells us why

Brain research tells us why it is so hard to change the marketing manager's mind at work. We are attempting to understand the reality of the market, while at the

² McCarthy, F. T, "Who's wearing the trousers?" The Economist, Sept. 8, 2001, P. 28

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same time preparing to, or continuing to seek to influence people in that reality—the same one we seek to understand. The mind at work in these simultaneous operations is confounded by emotions, ego intentions, assumptions—often long held— mental modes, cultural norms, and images of ourselves we seek to uphold. As a result, it is difficult to recognize that we are looking through the wrong eyes and using the wrong approaches, and it is even more difficult to be open to changing. It is no wonder that we so often fail to adequately influence a system that we understand so poorly, but it is surprising that we cling to methods that yield such quantifiably poor results.

Market Science Institute found that most managers, without significantly open minds, could not consider adopting a new approach and were disdainful that such a thing existed—even when presented with the scientific studies. The disdain, often hidden, caused managers to treat personal experience as superior to scientific research knowledge. They cite the reading of popular (and traditional) business journals as keeping them on top of trends and resist any cross-discipline study. The Institute found this to be especially prevalent at marketing schools and in marketing managers' practices.

Jerome Kagan of Harvard found that business leaders had to challenge not only what they thought, but HOW they were thinking to make the change. Unless they are encouraged to exercise openness and suspend judgment of new and unfamiliar ideas, managers will have a very hard time exploring beyond their comfort zones in order to successfully shift patterns. We must acknowledge that our new understanding of how the mind works can illuminate our understanding

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of both consumers' *and* managers' behaviors, and then act to address historic problems on both sides of the equation.

Financial Effectiveness Implications:

We cannot generate differentiated offerings for the market from undifferentiated processes of searching and understanding. To grasp this new, more effective way of understanding consumers and customers, we have to venture into disciplines and fields that tell us about human nature, thinking and behavior. We have to go beyond commonly used marketing practices in order to dislodge common marketing fallacies. To change the current marketing paradigm, we must envision completely new ways of thinking of, and opening to, ideas.

Such ideas may at first seem trivial and irrelevant to business, but that is exactly the limiting perception that stifles meaningful innovation. Our ability to understand a consumer's experience of a whole life, and our ability to augment and enrich that life experience (be life-giving), is limited by our imaging ability, not our research techniques. We must learn to use imaging in our ways of knowing and ways of translating. We move from seeking to understand the functional use of products (a utilitarian approach) to studying their effects on the lives of consumers, and more fully embedding those products within their experiences.

Such ideas are imbedded in learning to engage in product development, public relations and marketing practices from an "Essence to Essence" Connection through imaging of whole lives at work among different buyer nodes.

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Buyer Nodes: A Different Paradigm of Engaging

Working with Buyer Nodes is an approach to organizing our thinking about consumers (also channels), who pay repeatedly for our products. It is based on understanding the Essence of who they are (something they likely could not articulate) when being fulfilled by our offerings. This means of understanding buyers by their essence-nature, as compared to understanding people based on buying traits and demographic factors, offers several additional advantages over market research. The method of buyer nodes as an organization mechanism holds that it is possible to go beyond what people can tell us, even beyond what they understand about themselves, and have a richer source of innovation and, ultimately, loyalty. Such an accomplishment is made possible by *imaging* the Being, Function and Will in the working of the foundational experiences of their lives—particularly at those intersections where recurring priorities show up in their lives. For example, in seeking to understand the node who cleans a kitchen for their family or does laundry for their family, “for their family” is critical to the imaging rather than the product’s cleaning properties or packaging.

There are three reasons for taking on Buyer Nodes as an organizing mechanism.

- It is the only way to foster Conscious Consumerism or pursue our global imperative endeavors authentically.

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- It has a higher level of predicting a company being future-proof and competitor-proof within the changing dynamics of the world and markets, than other methods of relating to consumers.
- Scientific Research tell us that the methods we have been using to segment and understand consumers are so imperfect that they fail us 85% of the time—and the researchers can now tell us why. Anyone doing market research should be asked to justify their methods, based on the latest neuroscience, if lasting and broad success is to be gained. Buyer Nodes provide depth, wholeness and whole company connection in real time with consumers.

Conscious Consumerism

Most marketing and product design fosters *unconscious* consumerism, promoting a world rich in artifacts rather than rich in value. It targets the lowest common denominator, consumer desires. That it is easy to generate consumer desire is both the benefit and problem behind such an approach. When a consumer's only connection to a product is a superficial sense of need, he or she will have no trouble moving to a new product once a new need is stimulated. The failure to seek out and establish meaningful connections between products and the lives of consumers who use them produces a Class One Error repeatedly. This is a foundational error that requires each successive endeavor to overcome or compensate for it, and such adjustments occur mostly out of our awareness. Building housing in the wetlands of the Mississippi river in New Orleans, and then building walls to contain the natural flow of water, is a good example. On the

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failure of the walls, we look for who is accountable. Then, we hold hearings and reprimand and train them. We continue to chance the problem and compensation solutions when we never should have built there.

The key to the shift to conscious consumerism, and therefore product offering design, sales and marketing process, and manufacturing, starts with truly promoting a meaningful life for the consumer. We must ensure that when they spend money, it is on something truly uplifting to their lives. A shift of mind is needed to accomplish this. We need to see how to support a person(s) in the critical events in their lives in a way that lifts the event to one of greater value (more about the value than the artifact). We have to ask, "What would make laundering a meaningful, life giving experience?"

You can only answer this question by knowing the deepest values they hold but asking them this question is not an accurate means of determining those values. We will come back to this problem a bit later, but we can discover these values through more indirect processes. What we can do is "imaging the working" of various households based on their idea of what they are seeking to bring into being in their lives. We then discover we can find core links between these households based on three things: their way of engaging in their lives (core process, i.e. how they live), the nature, purpose or outcomes they are seeking to produce (core purpose, i.e. why they pursue a given lifestyle) and the values they believe the process and products they engage in will give to the world (core values). The search here is for *Being* thinking rather than function thinking; for qualitative characteristics rather than merely the *doing* features and elements.

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The intention is to see consumers as real people who have lives, they seek to make meaningful, not simply as numbers on a chart, abstractions who buy products. Buyer Nodes seek to avert the dehumanizing process of product development and marketing, and their common results—poor product and communication, as well as unconscious buying choices.

We tend to appeal to personality rather than essence, which leads people to feel unsatisfied when they buy. Personality is the socialized side of us that varies from one context to another. Essence is that unique quality, which people talk about at our funeral, that describes the part of us that represents our higher self and the aspirations that we seek to live out, even though we often fall short. Personality is easy to “hook” because it is not hard to make people feel inadequate if they do not buy the product. But this approach puts you in a competitive race with fickle consumers, and the difficulty (not to mention ineffectiveness) of constantly shifting marketing strategies to keep up with their whims should by now be apparent. This is the Class One Error at work. We create the same problem when we segment people by personality types and homogenize them into “behaviorally similar” people. Being in the Seventh Generation Nation is an appeal to the essence of a person, because it taps into core values and processes, as opposed to insecurity or a pressure to conform.

Buyer Nodes as a business development process is not a traditional marketing or segmentation strategy. Rather, it is a “consciousness” approach to business that seeks to fulfill the highest nature of a human being and lead them to be a more conscious citizen. Rather than seeking to distract people from their values, it is an

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approach that seeks to remind people of, and embraces, their essence. It promotes social equity because it satisfies the deepest self and not the status race. It leads to product systems offerings that are more valued and that build more loyalty.

Premises for Designing Marketing Insight Processes and Marketing plans:

1. **Depth Understanding:** The company retains control of the insight process internally and has full immersion in the marketing insight process, rather than contracting it and thereby becoming disconnected from the consumer and leading to shallowness. This is imbedding in teams who are field experts in each buyer node by on-going study and, critically important, imaging to build the resonance field with them
2. **Way of Working:** it is an on-going built-in process rather than one that a side task, it is a part of how all decision-making is done. This also avoids the multi-layers of abstracting from data. By the time company gets third party "insight" it is digested a couple of times leading to shallow and misconceived understanding.
3. **Whole of Life:** Insight processes are based in essence understanding, that is regenerated in thinking regularly, and used to assess the life as a whole. Imaging is the foundational capability and is built ubiquitously.
4. **Imaging:** Field teams provide the infrastructure out of which new insight is revealed, sometimes with consumers in the room and sometime not.
5. **Attunement:** Everyone in the company is on a field team based on where they most resonate and are part of regularly processes of imaging the working of their lives and how to enrich their lives. We are most drawn to

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those with whom we feel we resonate, and consumer will “feel” the resonance from such intense work.