



CAN YOU TAKE THE RISK OF NOT KNOWING STATISTICS AND PROBABILITY?

BY RICHARD TEMPLE | MAY 2021



"I haven't thought about Bayesian probability since I finished my PHD at Oxford," replied the Managing Director. This left me rather non-plussed after I had casually alluded to it in our agency pitch. It's not a good idea to casually drop concepts into a presentation without knowing what you are really talking about.

Amusing anecdote aside; there is a lack an understanding of basic statistical and probability concepts in marketing despite having to deal with data to make business decisions on a daily basis. How many times have you seen a sales presentation proclaiming a newly-gleaned insight without scrutinising the weighting, sample size or even question how the data became into being?

We ask for case studies for best practice ignoring the reality that these may well be lucky outliers that were exercises in post-hoc rationalisation. We never look at the dogs that don't bark; or indeed the stuff that doesn't work so well or is a bit mediocre.

"THERE IS A LACK OF UNDERSTANDING OF BASIC STATISTICAL AND PROBABILITY CONCEPTS IN MARKETING"

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Questioning data is 'hard'. It doesn't quite fit with our reptilian System 1 thinking. In the last year we all became overnight epidemiological experts. Yet some of the finest policy-making brains in the world have had difficulty modelling scenarios and having to explain their data to the masses. It should be no surprise that the marketing world struggles here too.

We have to be better at distinguishing between inductive and deductive research. There is a trend for organisations to create 'bespoke' research from the new fast-turnaround online platforms to create factoids masquerading as insight. The buzzword phrase 'real-time insight' is often far from insightful and is designed for self-serving promotional clickbait. This matters. Good statistics should be used to inform good decisions both in government policy and in marketing expenditure decisions.

This matters even more as technology transforms media planning and buying. What is the probability that the target audience you are buying is not as precise as you may first think? For example, addressable TV can invariably be based on the profile of the bill-payer not the wider members of the household.

Much has been written about machine-learning which undoubtedly speeds up planning. Yet promises to predict optimum media plans have existed for over a decade. Rumours of the death of the media planner are greatly exaggerated. Algorithms and models are only as good as the underlying assumptions that they are based on. Whilst performance media can be automated, there is still no universal consensus on how brand advertising works yet.

First party data is heralded as gold standard and yet is often still misused. Mixing data sets is still highly probabilistic and in many cases you are no better off than using the Bernoulli calculation.

So what can we do? The IPA is doing their bit with a Data Literacy Course although this doesn't go far enough. We all need to take responsibility for arming ourselves with the tools for scrutinising data beyond its face value.

"THERE IS A TREND... TO CREATE FACTOIDS MASQUERADING AS INSIGHT"

My advice: challenge everything; is there a source? Is the sample robust enough? What was the weighting?

Take responsibility for teaching yourself. Take responsibility for your own learning. Anything spoken or written by David Spiegelhalter is good.

Understanding data and probability are essential to grow our industry's understanding. Although know your boundaries when it comes to Bayesian probability!



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