

Cause and Effect

Decision-making is improved when we can isolate the impact of X when added to Y.

Business research is launched to find cause and effect. Millions of dollars have been spent to study the effect of advertising on sales. Companies with large budgets have developed predictive models to forecast future sales revenue based on advertising investment. It is not pure science, but good stewards must give an account for investments.

I've long believed that the greatest value for advertising investment is to build awareness for a product or service. It's much easier to measure increased awareness of a product than it is to measure incremental impact of a marketing campaign.

The problem with measuring the impact of advertising hides in unmeasured variables. A spurious relationship of cause and effect is one that is not what it purports to be—real or fake.

For example, we note that ice cream sales increase at the same time that crime rates increase. It would be a faulty conclusion to cease ice cream sales to decrease crime. The heat in the month of July is likely to be the change agent for ice cream sales and crime rates. The weather is an often unmeasured causal agent.

Advertising is difficult to measure in the short run. Spurious relationships abound in measuring the effect of advertising on sales.

I remember a marketing campaign I launched early in my career for a restaurant chain. The campaign was beautiful and forecasted to be a slam dunk to increase sales.

On the day the campaign aired in radio and television

commercials, the front page of the morning newspaper showed a sign at a gas pump of a 20-cent increase per gallon in gas prices. Given the choice of a nice lunch or gas for the car, many people found a way to spend less for lunch.

In research about the campaign, it's doubtful that consumers could have self-reported the impact of gas prices on lunch habits.

Keep measurement practical. Collect email addresses in every advertising initiative. It's simple cause and effect.

The best marketing science rests in this equation:

The right message is sent to the right target audience with enough frequency to cause an engagement.

"I went up in response to a revelation and communicated to them the gospel which I preach among the Gentiles" (Gal. 2:2).

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