Combining Analytics and Intuition

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New, this fall
Agenda

• Anecdote

• What is intuition, what is analytics?

• Mitigating factors

• What do we know about these factors?

• Type of problems and an hypothesis

• Toward a new model
• A senior Insights Director described a U&A study in the homecare category.

• The project kicked off twelve months earlier with in-depth qualitative focus groups in five countries across three continents: a 90 minute quantitative questionnaire and a detailed in-person in-home diary booklet. After several pilots, re-pilots, translations and back-translations, the quantitative phase finally got in the field nearly five months after the kick-off.

• Two months after the start of the quantitative phase, the fieldwork was done. Another three months later, the agency finalized the reporting phase.

• The insight director told me, the market had fundamentally changed as a result of a disruptive competitive new product launches and as a result, consumer behavioral changes.

• Not one stakeholder was interested anymore to attend this presentation.

• A waste of valuable time, money and resources. And more importantly, in waiting for a monumental strategic decision to grow its brand, the company missed many opportunities for small incremental changes and improvements that would have had real impact.
Intuition

• Sometimes admired
• Sometimes ridiculed as the remnant of our old brain
Success and failure of intuition

FedEx

Fred Smith starts on a hunch

Iridium Satellite Phone: $1B mistake

Michael Eisner (CEO Walt Disney at the time) commits based on one meeting!

Brunswick buys Sea Pro boats: $51 Million mistake
• Sometimes heralded as the new holy grail to superior business decisions
• Sometimes ridiculed by statements like analysis paralysis
Success and failure of analytics
### Intuition vs analytics

#### Intuitive decisions
- Using gut feel
- Fast
- Implicit
- Holistic
- Associative
- Non-linear
- Non-conscious
- No proof points
- No post-hoc analysis

#### Analytical decisions
- Market research & analytics
- Slow
- Linear
- Methodical
- Stepwise
- Conscious
- proof-points (data)
- Explicit/short-term memory
- Limited processing capacity

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**Implicit memory**

**Explicit memory**
Mitigating factors

Intuition better?

- High expertise/ or experience
- Time pressure/ Turbulent environment
- Complex & non-decomposable task
What do we know?

**Task:**
- Assessing difficulty of basketball shots
- Assessing authenticity of designer handbags

Dane et al. (2012)
- **Low expertise** better with **analytical approach**
- High expertise better with an intuition

Pretz (2008)
- **Low expertise** better with **intuition**
- High expertise better with analytics

Task:
- Evaluating an internship
- Evaluating and choosing the best strategy to handle a difficult class
Seemingly contradictory results?

Task – problems used:
• Assessing difficulty of basket ball shots
• Assessing authenticity of designer handbags

Task – problems used:
• Evaluating an internship
• Evaluating and choosing the best strategy to handle a difficult class

Unstructured task

Structured task
Structured-ness of problems

**Structured**
- What is the optimal price for this product
- Which ads are most effective

**Unstructured or ill-structured**
- How to reverse a declining sales trend
- What is the best strategy?
Structured-ness of problems

Structured

- Deriving optimal prices
  - What is the optimal price for this product
  - Which ads are most effective

Unstructured or ill-structured

- How should reverse a declining sales trend?
- What is the best strategy?
- Starting a new business such as FedEx
Integration

Unstructured problem

Proof points

Targeted analytics

Incremental decision-making and intelligence gathering using intuition
Targeted analytics

Start with decision in mind
From broad to specific
Quantify business impact

More actionable
Easier to make decisions
A new model

\[ DQ = a + b_i \times \text{Intuition} + b^a \times \text{Analytics} + e \]

\[ b_i = F(\text{structured-ness, timing, expertise}) \]

\[ b^a = F(\text{structured-ness, timing, expertise, specificity}) \]
Thank You

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