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Fun With Numbers

By Jack Miller

There's an old joke about three candidates applying for an accounting job. The interviewer asked a simple question: "How much is one plus one."

The first candidate quickly replied, "Two." The interviewer said, "Thanks, we'll get back to you."

The second candidate was a little smarter. This candidate suspected it was a trick question, and thought before replying. He really couldn't find the trap, and didn't want to over think it and said, "Two." The interviewer said, "Thanks, we'll get back to you."

The third candidate thought briefly, and said, "How much do you want it to be?" The interviewer said, "You're hired."

The joke could also apply to political pollsters, environmentalists, market researchers, and just about anyone who works with numbers.

I listen to the politicians speak, and notice how each side can take the same set of facts, and prove their case. They can make one plus one equal just about anything.

I listen to the debate about climate change, or the debate about whether paper or plastic is better for the environment, or whether recycled content is more important than compostability, and again, both sides can take the same set of facts and prove their case.

Of course, part of the trick is to select the facts you like and ignore the others. It's really not that hard when you know what answer you want. What's hard is getting the RIGHT answer.

In the world of market intelligence, you might be benchmarking yourself against the competition. Your people may have pre-conceived notions about where you stand. It can be difficult to overcome these biases.

Or you might be analyzing trends. I remember an analysis of paper price trends that I did several years ago. Prices were cyclical, and rather than relying on being able to predict the cycles, we wanted know what sort of average price we could expect over a full cycle. It was easy enough to go back ten or fifteen years and plot the trend, but this could be misleading. By carefully selecting the beginning and ending points for my analysis, I could show that prices were increasing. Or I could show that prices were decreasing. But by analyzing peak-to-peak, and trough-to-trough, I was able to get at the reality.

Another example is synergies. When companies merge, they often create synergies (one plus one equals three), and report those synergies to the Wall Street analysts. What's fascinating is that after achieving all of those synergies, the profitability of the new company rarely equals the sum of the profits of the two original companies plus the synergies. There are integration costs, lost customers due to duplication, IT expenses, and more. We don't talk about those. Sometimes one plus one equals more than two, but sometime it equals less than two.

Market intelligence is all about getting the RIGHT answer – not necessarily the answer you want.

For help getting the RIGHT answer, call Jack Miller at 203 925 0326 or email jack.miller@market-intell.com.

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