

## Mental Models

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During a recent project with a consumer goods client, we came across a great example of the importance of the mental models you use in thinking about business issues.

Like many consumer goods companies, our client used a mental model of consumers and channels: the channel moves your product to the consumer. And that is what channels do.

But the channel model brings with it a few other ideas that lead down a slippery slope to an uncomfortable conclusion:

- Your product is pushed towards passive consumers.
- The amount of your product sold is determined by the size of the channel and the speed with which your product moves through it.
- Your product's speed depends on the push the channel gives it.
- So, the real value in the whole chain is with the channel.

We realised that there is a completely different way to think about this situation: hunters and caches. In this model the channel becomes a cache: a place where your product is stored until consumers hunt for it. This model also brings with it a few other (and perhaps more encouraging) ideas:

- Consumers look for your product and will go to where they can find it.
- The amount of your product sold is determined by the frequency and intensity with which consumers hunt for it and the percentage of times they are successful in finding it.
- You can increase frequency and intensity by advertising, superior products, etc.
- Once you have consumers hunting for your product, you can increase the percentage of times they find it by increasing the number of caches where it is available.
- Caches will want to stock your product so they don't lose out on sales as the hunters go elsewhere to find what they want.
- So, the real value is in creating eager hunters who won't accept substitutes.

"So what?" you might say. Well, we found that having two models to think with (rather than just one) can lead to a number of benefits:

1. It makes clear that neither of these models are actually real – they are just models. They each highlight certain things to the exclusion of others. In most real situations, there are elements of each that are applicable. And, there may be yet other models that even more appropriately capture key aspects of the situation you face. And, therefore, the model you pick can make a big difference in how you think about your situation and your options to improve it.

2. Realising that people can use different models to think about the same situation provides a way to understand the sometimes interminable debates that can go on in organisations – and perhaps to resolve them. For example, one between Sales and Marketing is typically about how promotional funds should be spent: on activities directly related to specific in-channel behaviour (discounts, coupons, etc.) or on advertising and other brand development activities. Either one could be right, depending on which mental model you are using. Channels – do what you can to get them to push your products: caches – keep increasing the frequency and intensity with which consumers hunt for your product. Getting clear on the models being used and on their limitations can help to turn these sorts of standoffs into productive explorations of what aspects of each are true and to what extent.
3. Where multiple models are used, having them raises the question not only of which model is true today, but which is becoming truer. Are channels increasingly pushing your products to passive and uncaring consumers (leading to value shifting to the channel) or are you increasingly creating even more passionate consumers rabidly scouring the world looking for your product (leading to value shifting towards you)? This initial question can lead on to a host of useful ones like: How would you know the extent to which each applies? Which model should you be trying to move towards, to what extent, and for which products?

In complex business situations (and which ones aren't today?) we don't advocate trying to find one "true" model that captures all the nuances. Instead, we've seen the importance of using multiple models to get clear about what is happening – and therefore what actions you are going to take.

We'd love to hear your comments on these thoughts – particularly examples of mental models that people use in thinking about business situations. Good ones, bad ones, or even just unexpected ones.

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