

## Go West? A Case of Expanding Political Consulting Services

Evan Barlow  
Weber State University

### ABSTRACT

While most assignments in educational institutions provide all necessary information and a clear path to a correct answer, real-world problems are generally far more abstract with insufficient data and a non-obvious method for analysis. Furthermore, real-world decision makers are typically far less certain that the decision they make is indeed optimal. At times, real-world challenges are better solved using unfamiliar analysis, so learners must take steps to be prepared for self-guided learning success (Guglielmino, 1977). This case challenges learners to use limited data and to find an appropriate analysis method to arrive at a recommendation. The case further challenges learners to understand the appropriate confidence in their decision and to understand that, while data and analysis are useful for arriving at data-driven decisions, they do not provide a result that can be fully relied upon with complete confidence. To enhance the challenge of finding or using an appropriate analysis method, this case study involves a business unfamiliar to most learners: a political consulting service provider.

The task in this case is to recommend the best potential market for expansion out of the five for which data is provided. A secondary task is to state the confidence they have in their recommendation. A final task is to recommend whether data could be collected and analyzed to arrive at decisions in other contexts: (i) develop strategies for candidates, and (ii) expand to providing additional services and providing services to political and activist organizations.

Keywords: regional expansion, stochastic optimization, data-driven decision making, business analytics

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## INTRODUCTION

Driven Political Consulting Company (DPCC) has enjoyed a number of years of growth in the realm of political consulting. They have been hired by candidates for local, state, and even federal positions in states along the east coast of the United States. As their political success grew, they found themselves growing their breadth of clients to include political and activist organizations. Such organizations provide consistent business instead of the seasonal business that follows the timing of election cycles.

Dominique, the founder and CEO of DPCC, recognized and admitted that their initial success was largely owed to luck. They had stumbled across candidates that hired them and won; and they fortuitously but seemingly randomly found geographic markets that had unmet demand. Some of these candidates made connections with other individuals and businesses to help them grow.

Dominique has long been impressed with the consistent forecasting success of some data-driven political forecasters and cutting-edge forecasting techniques like those discussed in Weber, et al. (2013). Going forward, Dominique wants to ensure that luck plays a much smaller role and data-driven decision making dictates future directions. As DPCC expands beyond the east coast of the United States, Dominique wants to use data analytics to discover the best geographic markets for their consulting business. Dominique hopes that the new geographic regions will be as beneficial as their existing successful regions; but without a good grasp on the reasons for their current success, could Dominique really be confident in future success as they expand? A data-driven approach would hopefully be able to explain their current success and guide them towards a successful future.

## CANDIDATE SELECTION STRATEGY

Getting started in the political consulting realm was incredibly difficult. First of all, political parties have lists of preferred political consulting firms. As a newcomer to the world of political consulting, DPCC didn't appear on any political party's list of preferred consultants. To overcome this hurdle, DPCC started with local candidates that often run for office without the banner of a political party. While the revenues from representing local candidates are not very high, the costs of helping a candidate achieve election victory are also quite reasonable. If DPCC can help a candidate win the election, the likelihood of being hired while the candidate is in office increases dramatically. Furthermore, every time a winning candidate seeks re-election, a proven record of success guides other candidates directly to DPCC's services. Election success with local candidates was exactly how DPCC landed their first candidate in a race for a state office. Dominique suspects that victory on a larger stage would bring in even more candidates competing on a smaller stage.

Unfortunately, getting even a local candidate elected over an incumbent is an immense challenge and an endeavor unlikely to lead to a successful outcome. Without a victory, the candidate would likely never hire DPCC for consulting services ever again. Furthermore, when candidates are considering which consulting service to hire, the metric most predictive of getting hired for a given price is a proven record of victory. With this in mind, DPCC shies away from representing any candidate with a low probability of victory.

## SERVICES PROVIDED

With their start in small local elections, DPCC focused on low-cost services like lawn sign design and setup around town, flier and handout design and distribution, small-scale polling, speech writing and preparation, and door-to-door services. Whether they were gathering signatures or preparing for a town hall meeting, DPCC focused on helping the people in the communities understand DPCC's client. Occasionally, an opportunity would arise for DPCC to develop a successful base for donations. With significant donations, a candidate's likelihood of election victory increases dramatically.

While the local elections called for a personal touch, Dominique quickly discovered that the methods did not scale well to elections for state or federal positions. When DPCC landed their first candidate running for a state office, Dominique hired a team that was better able to get their client's name in front of the masses. The yard signs remain an effective method for promoting a candidate; but state-wide races call for more billboards and proportionally fewer knocks on doors. Television spots, online advertising, and a robust social media presence become much more essential. And instead of walking through town and speaking with voters one at a time, DPCC rents an RV, decorates it, and drives the candidate around the state to talk with people in public spaces. DPCC also plans, launches, and manages automated telephone and mass mailer campaigns. With these costs, however, they needed to be exceptionally skilled at fundraising and donor development and management. Dominique hoped that DPCC would be able to someday leverage analytics to identify donors; but until that happens, they are experiencing sufficient success with their more personal touch to fundraising.

## UPCOMING EXPANSION

Dominique decided to hire a few data analytics specialists to help identify the marketing channels that are the most effective for each candidate. Hopefully, they would also be able to use regional population and candidate demographic data to identify promising activities for each candidate before DPCC is even hired to represent a candidate. In addition, Dominique hoped the analysts would be able to identify the most promising geographic regions for expansion.

Although the state-wide races provide much more financial benefit to DPCC, there's also a significantly higher risk since a candidate's defeat in the election can damage DPCC's future prospects. After all, defeat in a local race doesn't get much attention; but defeat in a state-wide race gets noticed by every other candidate in the state (including local candidates). Because of this additional risk, Dominique has been hesitant to represent candidates in state-wide races unless DPCC could identify a clear and compelling path to election victory. Unfortunately, the "clear and compelling path" could always be a mirage. After all, the opposing candidates (and their consultants) typically see an equally clear and compelling path to their own victory. As much as Dominique enjoys seeing a candidate's path to victory realized, Dominique had been in the business long enough to see several cases of a path to victory turn into a defeat. Because of Dominique's experience, Dominique had learned to treat any "clear and compelling path to victory" with a healthy dose of skepticism. Dominique was looking forward to leveraging DPCC's new analytics team to get a numerical estimate of a candidate's likelihood of victory.

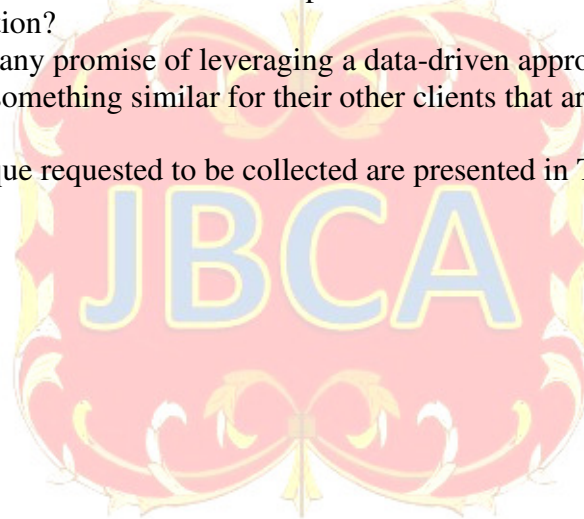
## LOOMING DECISIONS

Dominique wants to have the prospective geographic expansion regions analyzed for promise so that DPCC can have some data-driven guidance regarding business decisions. Given DPCC's current bandwidth, they can only handle expansion into one of the prospective new markets. Knowing that any quantitative analysis will give an optimal growth strategy, Dominique wants to also understand the uncertainty and variability in the predicted optimal recommendation.

Besides the data-driven recommendations for geographic expansion, Dominique also wants to know if a quantitative analysis of the data can lead to more efficient use of candidate resources. Can DPCC know ahead-of-time which marketing channels are more likely to lead to a candidate victory? Or do they need to explore different marketing channels for each candidate in each election? While Dominique would love to be able to immediately begin using any and all developed analytics models being created, Dominique also understands that they may not have enough data yet. Is there at least enough promise to the data-driven approach that a proof of concept can be established? Or should DPCC drop a data-driven decision making approach in favor of reliance on intuition?

Finally, if there's any promise of leveraging a data-driven approach with candidates and elections, could they try something similar for their other clients that are political or activist organizations?

The data Dominique requested to be collected are presented in Tables 1 through 4 in the Appendix.



## REFERENCES

Guglielmino, L. M. (1977). *Development of the self-directed learning readiness scale*. University of Georgia.

Weber, I., Popescu, A. M., & Pennacchiotti, M. (2013, February). Data-driven political science. In *Proceedings of the sixth ACM international conference on Web search and data mining* (pp. 777-778).



**APPENDIX**

Table 1: Census and economic data from existing markets from the year 2020

Market	1	2	3	4	5	6	7
Population	866077	688957	633223	589739	590756	569695	453469
Population Density	948.7	6155.4	5174.4	2805.5	703.6	6958.8	6930.5
Unemployment Rate	7.8	10.5	8	9.6	11	6.1	7.2
Years in Market	4	3	3	2	2	1	1

Table 2: Number of clients in each market each year

Market	Year in Market	Local Clients	State Clients	Federal Clients
1	1	1	0	0
1	2	1	0	0
1	3	2	1	0
1	4	3	3	1
2	1	1	0	0
2	2	1	0	0
2	3	2	2	1
3	1	1	0	0
3	2	1	0	0
3	3	2	1	0
4	1	1	0	0
4	2	1	0	0
5	1	1	0	0
5	2	2	1	0
6	1	1	0	0
7	1	1	0	0

Table 3: Summary of annual client financial data for each type of client

Client Type	Local	State	Federal
Number of Client-Years of Type	37	9	2
Average of Annual Profits from Clients	\$30,000	\$250,000	\$2,600,000
Sample Standard Deviation of Annual Profits from Clients	\$6,000	\$42,000	\$351,000

Table 4: Census and economic data from prospective markets for the year 2020

Market	P1	P2	P3	P4	P5
Population	829348	696091	655994	595636	571944
Population Density	8277.8	6566.0	2788.5	2839.7	6821.3
Unemployment Rate	8.4	8.1	11	10	5.8