Marketing Impact in the Digital Age

Dominique M. Hanssens
UCLA

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Overview

• What do we know about (quantifiable) marketing impact?

• How does the digital age augment or change this knowledge?

• What are the implications for impactful Big Data research?
1. Quantifiable marketing impact

Starting in 1995, rich tradition of Empirical Generalizations in Marketing

Key response measure: elasticities
  dimensionless numbers
  relate to marketing resource allocation
  accommodate increasing and decreasing returns

Results drawn from MSI 2015 EG Book
Motivation

“There is a natural tendency of managers to think of markets for which they are responsible as unique; this tends to limit search for information to perfect or near-perfect matches with the problem at hand, and has so far robbed many managers of a strategically important research tool”.

# Marketing mix impact on business performance

<table>
<thead>
<tr>
<th>Factor</th>
<th>Typical elasticity</th>
<th>Growth Driver ?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>0.1</td>
<td>Minor</td>
</tr>
<tr>
<td>Sales calls</td>
<td>0.3</td>
<td>Major</td>
</tr>
<tr>
<td>Price</td>
<td>-2.5</td>
<td>Minor</td>
</tr>
<tr>
<td>Price Promotion</td>
<td>-4</td>
<td>No</td>
</tr>
<tr>
<td>Distribution</td>
<td>0.6 to 1.7</td>
<td>Major</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.4</td>
<td>Major</td>
</tr>
<tr>
<td>Innovation</td>
<td>+ (on firm value)</td>
<td>Major</td>
</tr>
<tr>
<td>Brand/Customer assets</td>
<td>0.54 (on firm value)</td>
<td>Major</td>
</tr>
</tbody>
</table>
2. Digital Augmentation

Will these EGs survive the digital era?

“Digital EGs” are beginning to emerge:

digital media impact
product quality
diffusion
distribution
a. Digital media

Response elasticities are largely the same

TV advertising drives people to the web

Digital media largely complement traditional media

Emerging work on the cost of digital annoying customers
b. Product quality

Heavily impacted by consumers’ ready access to product reviews

Review valence (.69) and review volume elasticities (.35) trump advertising effects

The six-year gap between objective and perceived quality may disappear
c. Diffusion

Hedonic products: social influence causes herding and market concentration (music, movies, scarves)

Seeding strategies: hubs and bridges enhance diffusion by 40 to 100% (telecom)

Diffusion principle stays, but speed may make it less relevant managerially.

The end of the S curve ?
d. Distribution

Is arguably the most powerful marketing mix driver.

Among several elements of the marketing mix (pricing, discounting, feature and display, product-line length, distribution depth and breadth, and advertising), distribution breadth explains 54% of the observed variation in the market potential for new brands. The effects of the other elements are small relative to that of distribution.

Takes on new forms, at lower cost, in the digital age.

Needs renewed research emphasis.
3. Impactful Big Data Research
Big Data invites highly disaggregated research on tactical problems

Do the results matter (managerially)?

Yes, if communication aspects are combined with customer value and distribution aspects

Follow the elasticities!
Links for the 2015 Edition of *Empirical Generalizations about Marketing Impact* (paper and kindle)

http://www.amazon.com/dp/B015L9Y6CC