

Information Content of Advertising

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Summary

- Collected great data
 - actual TV spots
 - advertising expenditures by spot
- Updated approach to content analysis
 - ordered probit versus univariate approaches
 - explanatory variables
 - endogeneity correction
- Findings
 - sales-weighting matters little; endogeneity correction matters
 - comparative ads have more cues
 - inverse U-shaped relationship between number of cues and sales

What is a cue? How does their number depend on characteristics?

- Different dimensions of cues: efficacy (strong, fast), side effects (less GI or heart problems), indication (back, head, fever), form (liquid gels, fewer pills). Vertical versus horizontal differentiation.
- “Irrelevant” attributes vs objective measures (“characteristics”).
- Number of cues has both cross-sectional and time-series variation. Characteristics are fixed. What explains changes over time?
- Which cues vs how many cues?
- Models of spatial competition suggest maximal differentiation in one dimension and minimal differentiation in all other dimensions.

Do comparative ads have more cues? What is the role of competition?

- Do comparative ads by construction have more cues?
- BLP-style instruments (competitors' characteristics) used to account for endogeneity of whether ad is comparative.
But: Shouldn't competitors' characteristics influence the number of cues? If so, what variables are left for instruments?
- (MINOR) Why does comparative turn insignificant once either brand dummies or medical characteristics are included?
- How does the positioning decision relate to market share, number of competitors, etc.?
- Short of modeling competition, perhaps relax iid assumption of errors in probit and/or allow for brand-specific thresholds.

What is the role of advertising?

- Model suggests that sales drive advertising instead of the other way around.
- How does advertising work? What does the information content do?
- Is there a relationship between maturity of product and information content or type of advertising?
- How does a perceptual map based on information content compare to objective characteristics?