Market Response and Marketing Mix Models: Trends and Research Opportunities
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Market Response and Marketing Mix Models: Trends and Research Opportunities

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Abstract

Market response models help managers understand how customers collectively respond to marketing activities, and how competitors interact. When appropriately estimated, market response models can be a basis for improved marketing decision-making. Market response models can be broadly classified as: (a) those directly linking marketing stimuli or more generally relevant inputs to market response outputs; and (b) those that also model a mediating process. Inputs include marketing instruments (i.e., marketing mix variables) and environmental variables. This monograph takes a forward-looking perspective, including trends, to identify research opportunities related to market response and marketing mix models as falling under four broad areas: (1) “New” or under-studied inputs and/or “richer” measures of inputs constructs; (2) Explicitly accounting for the process linking inputs to outputs; (3) “New” or under-studied dependent variables; and (4) Under-studied or emerging contexts.
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As quantitative information about markets and marketing actions becomes more widely available, modern marketing is presented with both a challenge and an opportunity: how to analyze this information accurately and efficiently, and how to use it to enhance marketing productivity. Marketing response models are tools for achieving these objectives. They relate variables that describe actions available to managers (i.e., the marketing mix), and variables that describe the environment, to performance outputs.
### Table 1.2: Summary of trends and research opportunities.

<table>
<thead>
<tr>
<th>Stimulus or inputs</th>
<th>Emerging aspects of marketing</th>
<th>Representative studies</th>
<th>Research opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulus or inputs</td>
<td>Stimulus or inputs</td>
<td>Stephen and Galak (2009); Stephen and Toubia (2010); Trusov et al. (2009)</td>
<td>Including variables describing digital marketing (social media, paid search, etc.) as additional explanatory variables.</td>
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<tr>
<td>Relative importance was thought to be minimal</td>
<td>Word-of-mouth</td>
<td>Bowman and Narayandas (2004)</td>
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<tr>
<td>Effort to collect measures thought not to be worth the benefit</td>
<td></td>
<td>Bolton et al. (2006)</td>
<td>Variables describing actions outside the traditional purview of marketing; Public relations</td>
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<tr>
<td>“Richer” measures of inputs constructs</td>
<td>Refinements in construct measurement</td>
<td>Hui et al. (2009a); Hui et al. (2009b)</td>
<td>Distribution measures that better account for in-store merchandising</td>
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<tr>
<td>Neglected aspects of a given construct</td>
<td></td>
<td>Bass et al. (2007)</td>
<td>Accounting for message content, not just effort</td>
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<td>Decomposition of constructs</td>
<td></td>
<td>Fader and Hardie (1996); Fang et al. (2008); Naik and Raman (2003); Sorescu and Spanjol (2008)</td>
<td>Disaggregating advertising into media type</td>
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<td>Intervening factors</td>
<td>Chain-link or cascading frameworks</td>
<td>Service-profit chain</td>
<td>Dynamics</td>
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<td>Brand-value chain</td>
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<td>Representative studies</td>
<td>Research opportunities</td>
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<td><strong>Hierarchical models</strong></td>
<td>Better accounting for nested structures in data</td>
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<td>Inman et al. (2009)</td>
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<tr>
<td><strong>Spatial models</strong></td>
<td>Better accounting for spatial aspects of data</td>
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<td>Bronnenberg and Sismeiro (2002); Choi et al. (2010)</td>
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<td><strong>Data fusion</strong></td>
<td>Insights from merging behavioral and mindset data</td>
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<td>Gauri et al. (2008); Horsky et al. (2006)</td>
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<td><strong>Response or output</strong></td>
<td>Decomposition into various elements under managerial control</td>
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<td>Financial variables</td>
<td></td>
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<td>Profit</td>
<td>Boulding and Christen (2003); Christen and Gatignon (2009)</td>
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<td>Stock market valuation</td>
<td>Srinivasan and Hanssens (2009)</td>
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<td><strong>Under-studied levels of aggregation</strong></td>
<td>Augmenting model from the finance literature to include variables that describe marketing strategies and tactics</td>
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<td>Geographic</td>
<td>Bronnenberg et al. (2006); Ataman et al. (2007)</td>
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<td>Aggregate versus individual-level</td>
<td>Richer accounting for the role played by distribution</td>
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<td>Chen and Yang (2007); Musalem et al. (2008)</td>
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<td><strong>Process that do not end in purchase</strong></td>
<td>Combining insights from purchase and non-purchase events; Measuring processes that do not end in a purchase</td>
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<td>Briesch et al. (2008); van Heerde et al. (2008); Smith et al. (2006)</td>
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<td><strong>Intangible-dependent variables</strong></td>
<td>More comprehensive models that better account for the underlying processes</td>
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<td>Slotegraaf and Pauwels (2008); Villanueva and Hanssens (2007)</td>
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</table>
This monograph takes a forward-looking perspective, including trends, to identify research opportunities related to market response and marketing mix models as falling under four broad areas: (1) “New” or under-studied inputs and/or “richer” measures of inputs constructs; (2) Explicitly accounting for the process linking inputs to outputs; (3) “New” or under-studied-dependent variables; and (4) Under-studied or emerging contexts. Table 1.1 presents the process linking inputs to outputs that is the framework for the monograph. Table 1.2 presents a representative sample of research and future research opportunity for each of the four sections. Each of the following sections will cover three broad areas related to marketing mix models: data issues and requirements; methodologies (i.e., traditional econometrics; Bayesian methods; structural models); and substantive findings.
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