

Does Marketing-Mix Create Shareholder-Value? Lessons from an Over-the-Counter (OTC) Drug Category

Abstract

Mainstream research on marketing resource allocations based on marketing mix models and sales (as opposed to profit) response analysis overwhelmingly support the case of price-promotion relative to advertising. Short-term advertising effects are often drowned by price-promotions. While the defenders of advertising investments contend that it has long-term, multi-period effects, and that examining its impact primarily in short-term (say monthly or weekly) sales response is destined to understate the impact of advertising, the reality is that there has been a steady shift of marketing budgets towards price promotions.

Recognizing that direct sales are only one of the outcomes of investment in advertising and promotions, we examine some of the “downstream” effects of these communications (negotiating power over retailers, price/share premiums etc.), and subsequently, financial performance using the framework proposed by Srivastava, Fahey and Shervani (1998). We show that when one considers direct and indirect, as well as longer-term effects of marketing mix variables on cash flow, resource allocation implications can be quite different with advertising resulting in both higher levels of NPV (net present value) and lower variability compared to price-promotions. Further, these returns tend to be higher for new products providing valuable information for future resource allocation and marketing planning.

BIO:

Ashish Sinha is Professor, School of Marketing, Australian School of Business, UNSW, Sydney, Australia. His major area of interest lies in developing models that help managers make better decisions. This interest is a natural extension of his work at Information Resources Incorporated, Chicago, USA, where in the role of Vice President of Analytics Insight Group he spearheaded the development of several multi-million dollar products. He has consulted for many Blue Chip companies, including Kraft, Pepsico, Frito-Lays and Campbell Soup Company, among others, and currently serves on the Board of Analytics Advisors for Synovate AZTEC in Australasia and MMA in the United States. Professor Sinha has published several papers in academic and trade journals, including *the Journal of Marketing Research*, *Marketing Science*, *the Journal of Retailing and Marketing Letters*, among others. Apart from being a recipient of numerous academic awards, including the *Academy of Marketing Science Best Dissertation Award*, the *Australasian Marketing Journal Best Paper Award*, the *MRSIG Best Market Research Paper Award* and the *Davidson Award for the Best Journal of Retailing Paper Award*, he is also a finalist for *the Marketing Science Practice Award*.