

The Effect of Advertising Concentration on Retailers' Market and Financial Performance: An Abstract

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Abstract Advertising is widely recognized as a powerful force for enhancing brand awareness and shaping consumer preferences (e.g., Ailawadi et al. 2009; Tellis, 2005). Companies continue to spend vast amounts of money on advertising every year; the United States alone spent 189 billion dollars in 2015 (Statista, 2016). Despite the consensus that advertising is an effective tool, it is still quite challenging for companies to exactly evaluate and quantify its impact. Therefore, in past decades, both practitioners and academics have made enormous efforts to examine the effectiveness of advertising. Remarkably, even though D'Souza and Rao (1995) find that for a particular advertising campaign timing plays a crucial role in its success, no research has systematically explored how timing could influence advertising effectiveness from a strategic point of view.

Using longitudinal data, this study is the first to examine whether advertising timing influences retailers' performance. By integrating product market and financial metrics, this study underscores the importance of advertising concentration and provides a more comprehensive picture of advertising effectiveness in a retail context. Results suggest that a retailer's advertising has both immediate and long-term effects, influencing sales in the short term while also having a strong carryover effect. However, merely increasing advertising investments does not enhance shareholder value nor profitability. Advertising concentration, which reflects when a retailer advertises and how it allocates an advertising budget, influences shareholder value and profitability. Retailers that allocate advertising evenly achieve better financial results, and overall advertising expenditures moderate this effect. In comparison to retailers with a large advertising budget, advertising concentration has a greater influence for retailers with low expenditures.

References Available Upon Request

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