
**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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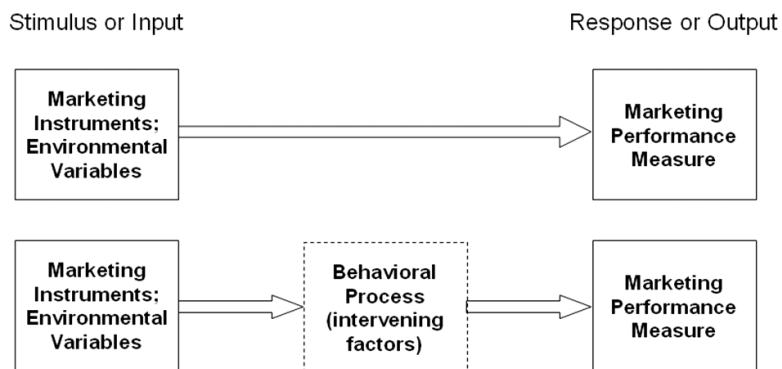
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1

Introduction

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 1.1. Market response models.



2 Introduction

Table 1.2. Summary of trends and research opportunities.

Stimulus or inputs	New (or under-studied) input variables	Emerging aspects of marketing	Representative studies	Research opportunities
		Relative importance was thought to be minimal	Stephen and Galak (2009); Stephen and Toubia (2010); Trusov et al. (2009)	Including variables describing digital marketing (social media, paid search, etc.) as additional explanatory variables.
		Effort to collect measures thought not to be worth the benefit	Bowman and Narayandas (2004)	Word-of-mouth
		Refinements in construct measurement	Bolton et al. (2006)	Variables describing actions outside the traditional purview of marketing; Public relations
	“Richer” measures of inputs constructs	Neglected aspects of a given construct	Hui et al. (2009a); Hui et al. (2009b)	Distribution measures that better account for in-store merchandising
		Decomposition of constructs	Bass et al. (2007)	Accounting for message content, not just effort
		Service-profit chain	Fader and Hardie (1996); Fang et al. (2008); Naik and Raman (2003); Sorescu and Spanjol (2008)	Disaggregating advertising into media type
Intervening factors	Chain-link or cascading frameworks	Brand-value chain	Bowman and Narayandas (2004); Heskett et al. (1994); Kamakura et al. (2002) Keller and Lehmann (2003)	Dynamics

(Continued)

Table 1.2. (*Continued*)

	Representative studies	Research opportunities
Hierarchical models	Inman et al. (2009)	Better accounting for nested structures in data
Spatial models	Bronnenberg and Sismeiro (2002); Choi et al. (2010)	Better accounting for spatial aspects of data
Data fusion	Gauri et al. (2008); Horsky et al. (2006)	Insights from merging behavioral and mindset data
Financial variables	Boulding and Christen (2003); Christen and Gatignon (2009)	Decomposition into various elements under managerial control
Profit	Srinivasan and Hanssens (2009)	Augmenting model from the finance literature to include variables that describe marketing strategies and tactics
Stock market valuation		
Under-studied levels of aggregation	Bronnenberg et al. (2006); Ataman et al. (2007)	Richer accounting for the role played by distribution
Geographic		
Aggregate versus individual-level	Chen and Yang (2007); Musalem et al. (2008)	Structural models that better accommodate a larger number of explanatory variables
Process that do not end in purchase	Briesch et al. (2008) van Heerde et al. (2008); Smith et al. (2006)	Combining insights from purchase and non-purchase events; Measuring processes that do not end in a purchase
Intangible-dependent variables	Slotegraaf and Pauwels (2008); Villanueva and Hanssens (2007)	More comprehensive models that better account for the underlying processes

4 *Introduction*

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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