

Beers and Diapers Redux

Introduction

- Experimentation is a key component of the resource allocation portfolio.
- It allows us to evaluate the consequence of different marketing actions.
- In this module we will
 - Understand some basic experimental designs
 - Follow a case study of a firm that implemented experiments on TV and the Web

Correlation vs. Causation

- Does skipping breakfast cause obesity?
 - <http://www.webmd.com/diet/news/20080303/eating-breakfast-may-beat-teen-obesity>
- Alternative explanations:
 - Physical activity
 - Lack of sleep

“Half the money I spend on advertising is wasted; the trouble is I don’t know which half.”

—John Wanamaker
Father of Modern Advertising

Marketing Return on Investment

- Why is it hard to measure the return on marketing spending?
 - TV advertisements
 - Promotion
 - Better customer targeting
- **Basic issue: Would you have achieved the same sales increase without the increased advertising spend?**



