Coordination in Multibrand, Multimedia Advertising: Is It Always a Good Thing?

How do different coordination strategies in multi-brand, multichannel multimedia advertising impact optimal advertising expenditures and overall retailer profit?

This study by Subodha Kumar investigates how multi-brand, multichannel retailers should coordinate advertising efforts across different brands and media to maximize profits. With the rise of online retail combined with traditional channels, many retailers use multiple brands and advertise on various media simultaneously. Each advertising effort influences sales not only for its own brand and channel but also across other brands and channels, creating complex interactions. The authors develop a mathematical model using stochastic differential equations to capture these effects, including cross-brand sales boosts and interference, as well as cross-channel effects.

The study compares four coordination strategies: non-coordination (each unit acts independently), media coordination (units coordinate across media for the same brand), brand coordination (units coordinate across brands on the same media), and global coordination (full coordination across all units). By analyzing data from a large U.S. jewelry retailer, the authors estimate advertising effectiveness and solve optimization problems under each strategy.

Surprisingly, the results show that partial coordination (media or brand only) can sometimes reduce profit compared to no coordination, especially when cross-brand interference or cross-channel boosting effects dominate. Global coordination always yields the highest profit but is often difficult to implement due to organizational or operational constraints. The findings highlight the need for retailers to carefully evaluate their advertising interactions before adopting coordination strategies.

MAJOR TAKEAWAYS:

- Partial coordination (brand or media only) can sometimes reduce profits compared to no coordination.
- Cross-brand interference and cross-channel sales effects critically influence the success of coordination strategies.
- Global coordination maximizes profits but is often challenging to implement in practice.

WHO NEEDS TO KNOW:

- Marketing Managers
- Marketing Researchers
- Advertising Strategists

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- Coordination in Multibrand, Multimedia Advertising: Is It Always a Good Thing?
- Journal: *Information Systems Research*
- DOI: https://doi.org/10.1287/isre.2022.0283

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