

# Market response to advertising allowances, offline advertising and online advertising

**Cord Otten**

University of Hamburg, Germany

**Michel Clement**

University of Hamburg, Germany

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## **Abstract**

Effect sizes for advertising allowances in comparison to general offline and online advertising are not well understood. Companies without direct access to the consumer can either advertise themselves or incentivise retailers to promote products on their behalf. In cooperation with a publisher, we estimated a market response model to evaluate offline and online advertising expenditures and advertising allowances paid to retailers to promote the sales of all 467 books published by the publisher in 2016. We find that offline advertising and advertising allowances have small but statistically significant elasticities (0.056 and 0.073, respectively). However, we find that, the relationship of online advertising is not associated with any additional sales. We advance the academic literature both by (1) investigating communication options available and (2) by providing evidence for the continuous importance of advertising allowances as sales incentives at the POS.

**Keywords:** *advertising allowance; market response model; marketing elasticities*

**Track:** Advertising & Marketing Communications