How to Market Investment Products to Micro-Investors: Spend Less (More) On Advertising When the Stock-Market Index Is High (Low)

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Abstract

Fueled by easy access through digital platforms and the fear of missing out, consumers from all walks of life become micro-investors, flocking into investment products that were traditionally not accessible to them. Unlike consumption goods, investment products are characterized by the goal of making a positive return and by strong ups and downs in their value (e.g., stock price index). Given the fundamentally different nature of investment goods, the question arises how micro-investment firms should spend their advertising to attract valuable micro-investors. By investigating a micro-investment firm with over 250,000 active customers, the authors provide the first empirical evidence that even though the overall demand for investment services increases during periods when the stock-market index is high, both advertising effectiveness, customer conversion and the customer lifetime value of micro-investors acquired during such periods decrease. Based on the net effect of these opposing changes, it is advisable to spend less (more) on advertising when the stock-market index is high (low).

Subject Areas: *Advertising, CLV/Customer Equity*

Track: Methods, Modelling & Marketing Analytics