

Thank You, Mr. President: The Impact of National-Populist Election Victories on Advertising and Price Promotion Effectiveness

Albert Valenti

IESE Business School

Chadwick Miller

Washington State U

Daniel Brannon

University of Northern Colorado

Íñigo Gallo

IESE Business School

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Abstract

The authors explore the differential impact of national-populist election victories on the effectiveness of marketing strategies for domestic vs foreign brands. The authors hypothesize that following a national-populist election victory, both advertising and price promotion effectiveness will decline for foreign brands relative to domestic brands. The authors find support for these predictions using the 2016 USA election as a natural shock. The authors further find that the relative change in advertising efficacy is driven by a decrease in advertising effectiveness for foreign brands after the election. In contrast, the relative change in price promotions is driven by an increase in effectiveness for domestic brands after the election. These findings are generalized experimentally in the context of textiles and the 2024 EU French election. This research provides insights on effectively deploying marketing tools in an era increasingly characterized by populism and polarization.

Keywords: Advertising, Price Promotions, Elections

Track: Advertising & Marketing Communications

National populism is a political ideology that emphasizes national interests and strong national identity often in opposition to globalization and liberal elites (Eatwell and Goodwin 2018). A series of recent election victories suggest the ascent of national populism on a global scale. Previous research has demonstrated that geopolitical events differentially affect consumption of foreign vs domestic products (Chen and Zhong 2023). However, existing research has not explored how marketers' actions may interact with election outcomes to shape consumption changes in the market.

We hypothesize that following a national-populist election victory, both advertising and price promotion effectiveness will decrease for foreign relative to domestic brands. We argue that after a national-populist election victory the amplified nationalistic sentiments and stronger social norms favoring domestic products may overshadow the persuasive power of advertising for foreign brands. In this context, consumers may increasingly view domestic products as symbols of national pride, making consumers less receptive to foreign brand advertising with respect to domestic. On the other hand, consumers are less likely to be influenced by price promotions alone when there is no strong emotional or social endorsement.

To test our predictions, we use the 2016 USA presidential election as a natural shock, utilizing a comprehensive dataset of new car registrations within the state of Texas. This dataset is complemented with product-level information on advertising spending and price promotions. We estimate product-level market shares using county fixed-effects.

First, our results show that, prior to the election, increased advertising spending is associated with greater market share gains for foreign (vs domestic) brands. However, this advantage largely disappears post-election, such that higher advertising spending by foreign brands drives market share gains that are similar to their domestic counterparts. Thus, foreign brand advertising effectiveness decreases after a national-populist victory. Second, we observe that, prior to the election, foreign and domestic brands' price promotions have similar effectiveness. However, after the election, higher price promotion spending dramatically improves market share gains for domestic brands in contrast to only a small gain for foreign brands. Thus, domestic brand price promotion effectiveness increases after a national-populist victory in contrast to foreign brands. These findings are robust to endogeneity checks and several robustness tests. Further, to generalize and provide stronger causal support for our findings, we designed two experimental robustness tests in the context of household textiles and the 2024

French EU Parliamentary elections. Specifically, without knowing the results of the election, we created an advertising experiment and a price promotion experiment—in which we collected data before and after the election—to potentially test the influence of a national-populist win. Indeed, the eventual victory of the national-populist party in the election allowed us to test our predictions which replicated the results of our primary study.

Our work contributes to the marketing literature by establishing a novel connection between election outcomes and marketing effectiveness. While previous studies have explored marketing's influence on electoral outcomes (e.g., Gordon and Hartmann 2013), political divides in brand preferences (Schoenmueller et al. 2023), and the impact of trait-based political orientations on consumer preferences (e.g., Farmer, Kidwell, and Hardesty 2020). We are the first to examine how an election outcome can shape marketing effectiveness. Additionally, we are the first to disentangle the disparate change in effectiveness for foreign brand advertising and domestic brand price promotions as the result of an election outcome. Specifically, while extensive research has investigated how advertising can affect electoral outcomes (e.g., Kim, Rao, and Lee 2009) and how brands should engage with politics (Hydock, Paharia, and Blair 2020; Weber et al. 2023), our work is the first to find that a national election can diminish the effectiveness of a brand's advertising, even for apolitical brands. Further, our work enhances researchers' understanding of price promotions by uncovering unique consequences specific to the context of national-populist election victories. We identify a large increase in the effectiveness of price promotion spending for domestic brands following such elections. We argue that price promotions may provide an additional, concrete reason to choose domestic brands, reinforcing existing preferences and spurring consumers to action. Finally, our study advances the literature investigating how factors external to firms can influence brand performance. While existing research has examined the impact of various exogenous events like wars (Cohen 2004), corporate dynamics—including buyouts and involuntary product recalls (Chen, Ganesan, and Liu 2009), and global crises such as pandemics (Das et al. 2021; Guo 2023), the specific influence of national elections on brands has only recently gained attention. Thus, our research provides insight into how national-populist election victories, as pivotal sociopolitical events, can affect strategic marketing decisions for advertising and price promotions. Specifically, our work provides nuanced guidance that marketers may consider depending on the regional scale of their brand's availability.

1. Theoretical background and hypotheses

Advertising plays a dual role in disseminating information and shaping consumer perceptions (Wiles et al. 2024). For foreign brands, advertising is crucial in mitigating domestic country bias by enhancing consumer awareness and integrating these brands into local contexts (Alden, Steenkamp, and Batra 1999). This capability is particularly significant in industries where positive country-of-origin perceptions can bolster foreign brands, such as the automobiles. However, following a national-populist election victory, the effectiveness of foreign brand advertising in maintaining or growing market share is likely to diminish. In this context, consumers may increasingly view domestic products as symbols of national pride, making consumers less receptive to foreign brand messaging. In sum, the post-election environment creates a social context where choosing domestic products is perceived as more desirable. Consequently, information conveyed by foreign brand advertisements becomes less persuasive as it conflicts with dominant social norms and shifted individual attitudes. Therefore:

H1: After (vs before) a national-populist election victory, the relative effectiveness of advertising decreases for foreign brands with respect to domestic brands.

During pre-election periods, when consumer brand preferences are less influenced by heightened nationalistic sentiments, they should feel a greater sense of freedom in choosing between domestic and foreign brands. As a result, increased spending on price promotions is unlikely to significantly impact the relative market share of these brands. However, following a national-populist victory, consumers' ability to act on their intentions to purchase domestic brands is significantly influenced by their perceived behavioral control. While heightened nationalistic sentiments after a national-populist victory naturally lead to more favorable attitudes toward domestic brands and reinforce social norms that align with such purchases (Cialdini and Goldstein 2004). Price promotions serve as an important tool by effectively lowering the financial barriers and increasing the perceived behavioral control by making domestic brands more accessible and affordable. In contrast, foreign brands do not benefit from the same positive shift in attitudes or favorable subjective norms following a national-populist victory. In sum:

H2: After (vs before) a national-populist election victory, the relative effectiveness of price promotions decreases for foreign brands with respect to domestic brands.

2. Data

Our primary empirical work in the U.S. automobile industry because it is emblematic of national identity in the USA, with long-standing associations with nationalism. Our primary dataset was sourced from the Texas Department of Motor Vehicles, encompassing all new car registrations in Texas covering eight weeks before and after the 2016 election.

Dependent Variable: Product Market Share. We acquire automobile registration at the county level (841,930 total registrations). We aggregate each automobile product type in a single county for each of the 16 weeks in our dataset and divide by the total number of registrations in the county for each week. We obtain 550,224 observations. We estimate the changes in “county-week-product” market share to test our hypotheses. We focus on market share changes in the short 8-week window before and after the election. We call this variable *MS*.

Advertising spending. We collected data from Kantar Media for advertising spending for each automobile per week in each designated market area (DMA). This advertising spending includes all spending from retailers and manufacturers. We use a rolling 16 weeks of advertising spending before the week of the vehicle registration. We account for advertising decay using the carryover estimate of .5 per period. Further, we create an advertising spend share for each product, per week, per DMA. Thus, this variable represents the adjusted advertising spending share of each automobile product in the four months leading up to their purchase. This variable is at the product level, by week, by DMA. We call it *AdvShare*.

Price promotions. We used Automotive News to collect data of customer incentives for each automobile product, for each week of our observed time period. This variable is at the product level by week. We call it *PricePromo*.

Foreign vs domestic brand dummy. We create a variable defining the foreign brands (1) as those brands with origins that are outside of the USA and domestic brands (0) as those with origins within the USA. We call this variable *Foreign*.

Election timing dummy. We compare the 8 weeks immediately following the national election (1) to the 8 weeks immediately prior (0). Our observations end the week prior to the inauguration ceremony. We call this variable *After*.

Controls. We control for car attributes that influence consumers’ decision to purchase automobiles and hence could potentially have a different impact before vs after an election.

3. Methodological approach

We estimate the model with county fixed-effects, time dummies, and robust standard errors:

$$(1) MS_{ijt} = \beta_1 AdvShare_{ijt} + \beta_2 PricePromo_{jt} + \beta_3 After_t + \beta_4 Foreign_j + \beta_5 After_t \times Foreign_j + \beta_6 After_t \times AdvShare_{ijt} + \beta_7 After_t \times PricePromo_{jt} + \beta_8 Foreign_j \times AdvShare_{ijt} + \beta_9 Foreign_j \times PricePromo_{jt} + \beta_{10} After_t \times Foreign_j \times AdvShare_{ijt} + \beta_{11} After_t \times Foreign_j \times PricePromo_{jt} + \beta_{12-16} Controls_j + Time_t + \eta_i + \varepsilon_{ijt}$$

where i represents counties, j products, and t weeks. Time is a vector of dummies that controls for effects that fluctuate with time but not with county. η is the county fixed-effect that controls for time-invariant factors within each county and ε is the error term. We normalized all variables.

By interacting the two indicator variables with advertising spend share, we have our first coefficient of interest: β_{10} identifies how advertising effectiveness for foreign auto brands vs domestic brands changes after (vs before) the election. By interacting the two indicator variables with price promotions, we have our second coefficient of interest: β_{11} identifies how price promotions for foreign auto brands vs domestic brands changes after (vs before) the election.

4. Results

Our estimation results of Equation 1 support both our hypotheses. Due to space constraints, we do not display here these estimations. We focus on the marginal effects of advertising and price promotions before and after the national election for foreign and domestic brands in Figure 1.

We observe all positive effects of advertising. Further, we observe that foreign brand advertising is more effective than domestic brand—particularly prior to the election. However, the relative decrease in advertising effectiveness for foreign vs domestic brands hypothesized in H1 is driven by a large decrease in foreign brand advertising effectiveness, while domestic brand advertising effectiveness increases. That is, we observe an increase in advertising effectiveness for domestic brands pre- ($b = .004, p = .057$) compared to post- ($b = .009, p < .001$) election. However, we observe a large drop in effectiveness for foreign brands pre- ($b = .019, p < .001$) vs post- ($b = .012, p < .001$) election. That is, prior to the election, foreign brands' advertising was almost five times more effective than domestic brands' advertising; while after the election foreign brand advertising decreases to be only about 25% more effective.

Figure 1a. Marginal Effect of Advertising.

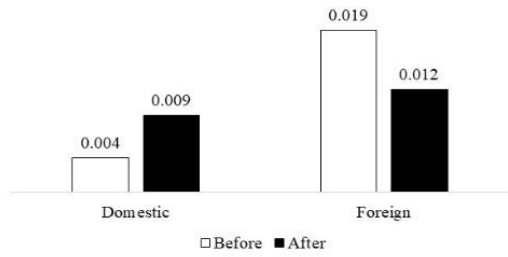
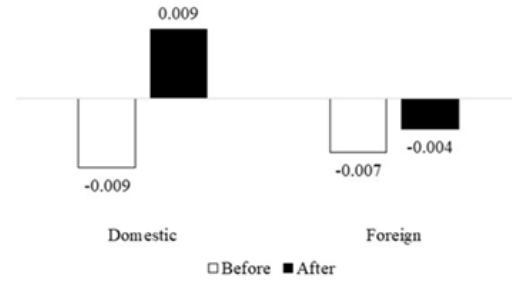


Figure 1b. Marginal Effect of Price Promotions.



We largely observe negative effects of price promotions on market share, but that price promotion effectiveness increases after the election. However, the relative decrease in price promotion effectiveness for foreign vs domestic brands, hypothesized in H2, is driven by a larger increase in domestic brand effectiveness compared to a smaller increase in foreign brand effectiveness. That is, price promotions for domestic brands have a negative effect pre- ($b = -.009, p < .001$), but this effect becomes positive post- ($b = .009, p < .001$) election. For foreign brands, however, we observe only a small positive change in price promotions pre- ($b = -.007, p < .001$) vs post- ($b = -.004, p = .01$) election. That is, prior to the election, foreign and domestic brands' price promotions had similar negative effectiveness. But after the election, domestic brands' price promotions become positive while foreign brands' effectiveness remains negative.

5. Experimental Robustness Tests

We had three main goals with our experimental robustness tests. First, we sought to broaden the generalizability of our findings. Thus, we tested our hypotheses with an election that took place outside of the U.S. using a different focal product. Second, we sought to further reduce any potential remaining endogeneity concerns. As such, we conducted experiments. Finally, we sought additional evidence that a drop in foreign brand advertising effectiveness and an increase in domestic brand price promotion effectiveness after a national-populist election victory are the drivers behind the shifts we observed in our secondary data.

We made use of the June 2024 EU parliamentary elections in France. Without knowing the results, we created two experiments. Our findings suggest that heightened nationalistic sentiments after an election lead to more favorable attitudes towards domestic brands among

high national-populist identity individuals, enhancing the effectiveness of price promotions. In contrast, low national-populist identity participants do not show a significant increase in the effectiveness of price promotions for domestic brands, indicating that the observed effect is driven by individuals with strong national-populist sentiments.

6. General Discussion

Our research makes several contributions, particularly in the context of national elections with national-populist victors. While existing literature predominantly focuses on the influence of marketing activities on election outcomes (Gordon and Hartmann 2013), our study shifts the perspective to examine the repercussions of national elections. Our findings contribute to the understanding of advertising, price promotions, brand positioning, and the interplay between corporate political advocacy and marketing in the wake of national-populist election victories.

A key finding of our research is the observable impact of a national-populist election victory on the reduced efficacy of advertising for foreign brands, compared to domestic brands. That this decline is most pronounced in counties where the national-populist party won aligns with our theoretical proposition that domestic country bias surges among those who support the victorious party. This bias undermines the potency of advertising for foreign brands, as these brands struggle to appeal to consumers whose preferences have shifted post-election. Furthermore, our study is novel in demonstrating that national-populist victories also increase the effectiveness of price promotions for domestic brands, contrasting with foreign brands. This phenomenon was particularly pronounced among individuals with high national identity, whose heightened nationalistic sentiments amplified the positive impact of price promotions.

Our research has relevant implications for marketers. Following a national-populist victory, foreign brand managers should recognize that the typical advantage gained from advertising is likely to be reduced. However, they can strategically target areas where demographics are less aligned with the populist party to maintain effectiveness. The results from our research suggest that a foreign brand moving from -1SD to +1SD in advertising spend-share increased market share by .47% prior to the election while after the election the same change in spending increased market share by only .29%. This is a substantial decrease that managers should know when planning their activities in the face of a national-populist election victory.

Conversely, domestic brand managers should leverage the increased effectiveness of price promotions in the immediate aftermath of a national-populist victory. Foreign brands also saw an increase in price promotion effectiveness. Using the same assumptions for the Texas automobile market, the change in price promotion effectiveness for domestic brands would account for an increase in revenue of approximately \$49.1 million over eight weeks, while the change in price promotion effectiveness for foreign brands would account for an increase in revenue of approximately \$7.8 million over eight weeks.

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