

ANNOUNCEMENT

BACHELOR THESIS

KEYWORDS

- Measuring Advertising Effectiveness
- Digital Advertising

TOPIC: THEORY AND PRACTICE OF MEASURING DIGITAL ADVERTISING EFFECTIVENESS

According to the Interactive Advertising Bureau (IAB), advertising spendings in the United States totaled \$181 billion in 2015, which means that firms spend about \$560 per person on advertising in the US. In order to break even, advertising would need to causally affect \$1,500-2,200 in annual sales per person (Lewis and Rao 2014). This impressive amount of money spent on advertising every year and the required increase in sales for a successful campaign, make clear that firms have a naturally strong interest in measuring the effectiveness of their advertising campaigns.

Unfortunately, measuring advertising effectiveness is not an easy task. It can be very difficult to separate out various factors that might affect sales on top of the effect of advertising. For instance, a very effective advertising campaign might mistakenly considered performing poorly because of bad economic conditions that cause sales to drop overall. On the other hand, sales could increase due to factors entirely unrelated to an ad campaign that only happened to coincide with the increase in sales. Moreover, a marketer's job is to target campaigns across consumers, time and context. Therefore, ads are usually not delivered randomly and, again, economically sizeable biases lurk undetected in commonly employed observational methods (Lewis and Rao 2014).

Measuring the effectiveness of *digital* advertising is, however, easier compared to estimating the effectiveness of more traditional advertising, like TV ads. The reason is that, in the digital world, ad exposure and purchasing outcomes can be measured and analyzed at the individual level, instead of looking at aggregate advertising and sales data.

So, as several works show, measuring (digital) advertising effectiveness is a popular research topic (Lewis, Rao et al. 2011, Braun and Moe 2013, Lewis and Rao 2014, Zantedeschi, Feit et al. 2015).

It seems, however, that there is a disparity of measuring advertising effectiveness among the scientific world and practitioners. While academics focus on disentangling the real effects of advertising by applying computationally sophisticated models, practitioners focus on relatively easily implementable and timesaving methods.

The aim of this thesis, thus, is to provide a systematic overview of methods of measuring digital advertising effectiveness of academics as well as practitioners and to point out

similarities and differences of the applied methods. Additionally, the student should state advantages and disadvantages of these methods. The thesis should be closed with a prospect on: What could be improved by both concerned parties?

LITERATURE & LINKS:

Braun, M. and W. W. Moe (2013). "Online display advertising: Modeling the effects of multiple creatives and individual impression histories." Marketing science **32**(5): 753-767.

Lewis, R. A. and J. M. Rao (2014). "The unfavorable economics of measuring the returns to advertising." Available at SSRN 2367103.

Lewis, R. A., J. M. Rao and D. H. Reiley (2011). Here, there, and everywhere: correlated online behaviors can lead to overestimates of the effects of advertising. Proceedings of the 20th international conference on World wide web, ACM.

Zantedeschi, D., E. M. Feit and E. Bradlow (2015). "Measuring Multi-Channel Advertising Response." Management Science.

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APPLICATIONS:

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