



# Empirical Generalizations about Marketing Impact

*What we have learned from  
academic research*

Edited by  
DOMINIQUE M. HANSENS  
**2009**

Advancing the Science  
of World Class Marketing

## Cross-price Impact: Neighborhood Price Effects

In grocery products, brands that are closer to each other in price have greater cross-price effects than brands that are priced farther apart. In particular, brands that are closest to each other in price have an average absolute cross-price effect of .090, while brands that are priced farther apart (fourth closest in price) have an average absolute cross-price effect of .043. This phenomenon is called the "neighborhood price effect." Absolute cross-price effect is measured as the change in market share (percentage) points of a target brand when a competing brand's price changes by 1% of the category price.

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<i>Evidence base</i>	Meta-analysis of 1,060 cross-price effects on 280 brands from 19 different grocery product categories
<i>Managerial implications</i>	All else equal, brand managers should carefully monitor the discounts of their closely priced neighboring brands and, if necessary, provide offsetting discounts to avoid loss of sales.
<i>Contributor</i>	Raj Sethuraman, Southern Methodist University
<i>Reference</i>	Sethuraman, Raj, V. Srinivasan, and Doyle Kim (1999), "Asymmetric and Neighborhood Cross-Price Effects: Some Empirical Generalizations." <i>Marketing Science</i> 18 (1), 23-41

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## Cross-price Impact: Asymmetric Share Effects

The average absolute cross-price effect of a low-share brand's price cut on the market share of a high-share brand is .069, which is greater than the average absolute cross-price effect of a high-share brand's price cut on the market share of a low-share brand (.043). This phenomenon is called the "asymmetric share effect."

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<i>Evidence base</i>	Meta-analysis of 1,060 cross-price effects on 280 brands from 19 different grocery product categories
<i>Managerial implications</i>	All else equal, manufacturers of low-share brands would have a greater incentive to discount because they can attract a larger pool of consumers.
<i>Contributor</i>	Raj Sethuraman, Southern Methodist University
<i>Reference</i>	Sethuraman, Raj, and V. Srinivasan (2002), "The Asymmetric Share Effect: An Empirical Generalization on Cross-Price Effects." <i>Journal of Marketing Research</i> 39 (3), 379-86

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## Brands and Brand Loyalty

### Brand Price Premium

For grocery products, consumers will pay a price premium for national brands even when the quality of the national brands and the store brands is the same. This premium is called the image premium or reputation premium. Price premium is measured as [price willing to pay for national brand – price of store brand] expressed as a percent of national brand price. The average image premium has been estimated at 26%.

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<i>Evidence base</i>	20 grocery products, 132 consumer and 78 grocery products, aggregate consumer reports data
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<i>Managerial implications</i>	National brand managers can maintain and increase the image premium through advertising and other marketing activities that enhance perceptions of brand equity. Retailers may need to charge a lower price for their store brands (that is, maintain a minimum price differential between national brands and store brands) even if there is no significant perceived quality difference between the two brands.
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<i>Contributor</i>	Raj Sethuraman, Southern Methodist University
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<i>References</i>	Apelbaum, Eidan, Eitan Gerstner, and Prasad Naik (2003), "The Effects of Expert Quality Evaluations versus Brand Name on Price Premiums." <i>Journal of Product and Brand Management</i> 12 (3), 154–65  Sethuraman, Raj (2000), "What Makes Consumers Pay More for National Brands Than for Store Brands: Image or Quality?" Cambridge, Mass.: Marketing Science Institute Report No. 00–110
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