A Quantitative Comparison of Advertising Elasticity for Small and Large American Companies

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Abstract

The purpose of the study was to contrast the advertising elasticities of several small business campaigns to similar campaigns conducted by larger businesses. This purpose was achieved by means of a quantitative, causal-comparative research design in which 328 randomly sampled CEO- and VP of Sales or Marketing-level participants, 164 from small companies and 164 from larger companies, were asked to disclose their companies' advertising spending, advertising campaign dates, and advertising campaign results expressed as revenue attributable to advertising for Facebook, YouTube, Twitter, newsprint, radio, magazine, and television advertising. These data, collected through Survey Monkey, were first stratified and utilized to conduct a matched pairs t test analysis designed to compare small and larger companies' advertising elasticity in the sub-channels of Facebook, YouTube, Twitter, newsprint, radio, magazine, and television advertising. Next, the data were used to fit two linear regression models, (a) Social Media Advertising Elasticity = β_0 + β_1Company Size + β_2Company Industry + β_3Price Trend of Good or Service + β_4Advertising Season + ε; and (b) Traditional Advertising Elasticity = β_0 + β_1Company Size + β_2Company Industry + β_3Price Trend of Good or Service + β_4Advertising Season + ε. The results of the study cast light on the magnitude, significance, and nature of differences in advertising elasticity between small and large companies.