KING STREET ECONOMICS

Use case: Identifying the true effect of expensive TV ads

Case:

A regional moving company that operates in 5 cities took out a TV ad in Cityville last year. They were happy with the revenue numbers coming out of Cityville and are considering paying for new TV ad campaigns in all 5 cities. Ads are more costly in some media markets than others, so the moving company wants to figure out how much additional revenue they should expect from the ad campaign.

Approach without King Street Economics:

The company uses Townopolis, another city with about the same population as Cityville, as a baseline and compares year-over-year growth in both cities. They find the year-over-year growth is higher in Cityville, and that the size of the difference is large enough that, if scaled to all their markets, would more than pay for the cost of the TV ad campaign.

Problems with this approach:

- Cityville and Townopolis may not actually be comparable cities–Cityopolis is exposed to different economic factors that could affect mobility and moving demand, which could change the direction of the effect. Or if Cityville and Townopolis are comparable, Townopolis still may not reflect the broader market
- The calculated effect would then be the wrong size, potentially leading the investment in TV ads to increase sales but not enough to justify the costs
- This approach places excess demands on decision makers to perform analysis, detracts their focus from actually running the firm, and increases the risk faced by the firm

How King Street Economics could help this firm:

- Use advanced statistical modelling to identify the **right** baseline to use as a comparison
- Calculate the actual effect of TV ads relative to that baseline
- Translate the results into an estimate (with confidence intervals) of new revenue from implementing TV ads in all cities in which they operate
- Present results in a clear, easy to digest report with an accompanying slide deck to help executives make an informed decision

Want to find ways you might be leaving money on the table?

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