1. What are the concrete question(s) studied in this paper?

The study of the paper tested the hypotheses that advertising that informs consumers of a brand's inherent characteristics should primarily affect inexperienced consumers, those who have not purchased the brand in the past. The consumers who have consumed the brand more times should know more about its experience characteristics and be affected less by advertising that informs them about these characteristics. On the other hand, it posits that prestige or image effects of advertising should affect both inexperienced and experienced consumers relatively equally.

2. How does author use the types of consumers (experienced vs. non-experienced) to identify the actual effects of advertising (informative, prestige)?

The author used a newly introduced product, Yoplait 150 yogurt. This product provides satisfied characteristics for distinguishing and measuring informative and prestige effects of advertising in consumer good markets. First, Yoplait 150 was first introduced in April 1987, about 15 months before the end of Nielsen data. It is considered as a newly product during the study. Second, its comparatively short shelf life and high storage cost can avoid household inventories or stockpiling behavior. Third, it was a heavily advertised yogurt as the data suggested (the large variation in the number of advertising exposures per household).

Simply, the author divided various quantities purchased series into daily initial purchases (purchases by inexperienced consumers) and daily repeat purchases (purchased by experienced consumers) and ran separate OLS regression of those two on a market dummy, time trend, average price (across all shopping trips in that day), and number of recent advertising exposure (in the past four days). He found that these advertisements primarily affected inexperienced consumers (initial purchases regression). More comprehensively, the author later exploited the panel nature of the data and a consumer-choice model by modeling a panel logit model with a binary dependent variable indicating whether consumer $i$ purchased Yoplait150 on shopping trip $t$. He incorporate two variables to measure informative and prestige effects of advertising, that are an interaction of Advertising* Experienced and an interaction of Advertising* Inexperienced. The coefficient of Advertising* Experienced, which can be interpreted as measuring image and prestige effects of advertising, found insignificant. The difference of two coefficients (Advertising* Inexperienced- Advertising* Experienced), measuring the informative effects of advertising, found positively significant effect.
3. What are some of the examples of search and experience characteristics in the advertising for yogurt? Why is this distinction (experience vs. search) important?

*Search characteristics* are observable and verifiable to consumers. In Yoplait’s case, the relatively low calories and low fat of Yoplait 150 can be search characteristics in the advertising. Consumers can verify the accuracy of information on the Internet. The taste of Yoplait 150 is another search characteristics. The inexperienced consumers would expect different price from regular Yoplait. Such knowledge might be acquired from many places, including past advertising, friends, the Internet. Although obtaining information about its taste, texture and flavor from advertisement, friends, consumers’ review on the Internet might be key purchasing factors, these attributes of Yoplait 150 are explicitly still unknown until the consumers have an opportunity to try. The characteristics are called experience characteristics. *Experience characteristics* are not generally known to consumers before trying the product.

The distinction of two characteristics is important for product advertising. For example, search characteristics are inherited in a newly introduced product. Informative effect of advertising would be dominant to explicitly inform consumers of product’s existence. Consumers who have consumed the product more times should know more about its experience characteristics and be affected more by prestige effect of advertising rather than informative effect of advertising. Having the right advertising to the right product and consumers can achieve the optimal advertising expenditure.

4. What is the bottom line of the paper?

With sophisticated econometric techniques, the paper shed the light on differential effect of two types of consumer (experienced and inexperienced) in response to informative and prestige effects of advertising in consumer good markets. Each type of consumer inherits different characteristics, which are effectively responsive to particular advertising effect.