AEM 4550: Economics of Advertising  
Professor: Jura Liaukonyte

Exam 2 – April 7, 1:25PM

Reading

• Lecture Notes: Lecture 8 (starting with Advertising Costs and Media), Lectures 9 through 13 (including 3/17 Guest Lecture)
• HBS cases
  • HBS Case “Google Inc.”
  • HBS Case “Paid Search Advertising”
  • HBS Case “Air France Internet Marketing: Optimizing Google, Yahoo!, MSN, and Kayak Sponsored Search”
  • HBS case: "Amazon, Apple, Facebook, and Google"
  • HBS case: “Hulu: An Evil Plot to Destroy the World?”
  • Freakonomics Podcast "The Maddest Men of All"
• Video on Real Time Bidding
• Guest Lecture Slides

Some highlighted topics

Beyond the problems solved and discussed in HW3 and HW4 the following list should serve as a reminder of what we covered in lectures 8 through 13.

Advertising Costs – understand each of the following terms
• Coverage
• Reach/cumulative reach
• Frequency
• CPM/CPM-TI
• GRP

3 ways to schedule the same amount of ads
3 stages of Network ad time market

• Advertising Avoidance

Online Advertising
• Search advertising pricing
• Cost Per Click vs. Cost Per Action
• Advertising Payment Methods
• Search Engine advertising
• Click Fraud
• Online Advertising Models
• Measurability
• Google Advertising
• AdSense and AdWords

Know how to calculate and what they are:
• Cost-per-Click
• Click-Through Rate
• Transaction Conversion Rate
• Net Revenue
• Return on Ad $ Spent (ROA)
• Average Revenue per Transaction or Booking
• Probability of Booking
• Cost per booking

Big Data
Real Time Bidding

Importance of Brand Equity
Measuring Brand Equity
Brand equity outcomes

Know the steps how to calculate Brand Value:
• Segmentation,
• Financial analysis,
• Demand analysis,
• Brand strength analysis,
• Calculation of the net present value of brand earnings.

Advertising Content
• Humor in ads
• Celebrities in ads
• Fear in ads
• Comparative advertising

Advertising regulation

Format of the Exam

The format of the exam will be the following:

• 2 questions (with subparts) where you will need to solve for something and explain results
• 2-3 questions about a case
• 2 (with subparts) questions testing your understanding of the rest of the material

Remember that I will formulate questions in such a way that there is only one correct answer