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Blogs Can Help Predict Product Sales

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ANN ARBOR, Mich. — While traditional advertising is still the main driver of product sales, blogging and other new media are fast becoming predictors of market outcomes, say Ross researchers.

In a new study, "Marketing Activity, Blogging, and Sales," Puneet Manchanda and Hiroshi Onishi of the Ross School of Business looked at the interaction of mainstream television advertising, consumer-generated media such as blogs, and the sales of new products.

They found that while advertisers may have no direct control over the content of blogs, advertising can affect blogging indirectly by providing new content for bloggers — and, therefore, increasing an advertiser's bottom line.

"Our results suggest that blogs can be a good predictor of market outcomes and managers would do well to consider including them in sales forecasting models," says Manchanda, professor of marketing at Ross. "By understanding the specific relationship between traditional and new media, managers can allocate resources much better to traditional media as they can exploit the multiplier effect of traditional media on new media."

Specifically, their research shows that blogging and TV advertising act as complements, especially pre-launch. In other words, TV advertising amplifies consumer participation (via blogging activity and consequent blog readership), leading to increased buzz about a new product even before it hits the market.

According to Manchanda and Onishi, a one percent increase in the volume of traditional TV marketing leads to a median increase in market outcomes of 0.21 percent, with a majority of the gain coming from the increased blogging generated by pre-launch advertising.

Once the product is available, however, consumers may rely less on traditional media, leading to a much weaker relationship between new and old media at that point, they say.

"We find that pre-launch advertising leads to a significant positive increase in the number of blogs, but interestingly, this pattern changes post-launch," says Onishi, a Ross doctoral student. "As more and more consumers are able to sample a product, it is likely that bloggers are unaffected by traditional advertising since they can rely on their own user experience or the experiences of close others."

In their study, Manchanda and Onishi analyzed data from three different product markets in Japan: green tea drinks, movies, and cellular phones. In all three product markets, they found the volume of blogs is positively correlated with market outcomes.

"The two media — new and traditional — act synergistically," Manchanda says. "When the number of cumulative blogs is relatively large, the effect of the advertising can become positive overall via this interaction."

"From a managerial perspective, this interaction is crucial as managers have no direct control over consumer-generated media. However, if there is a relationship between traditional media, which is under managerial control, and new media, which is not, then managers can better manage resource allocation."



Puneet Manchanda



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