

„Decision Methods For Marketing Budget Allocation Across Products: Insights from Actual Firm Behavior.“

Despite the high managerial relevance of marketing budgeting, researchers still struggle to understand the decision methods that firms apply when they allocate their budgets across products. This study seeks to overcome the shortcomings of cross-sectional manager-survey studies by inferring the prevalence of budget allocation decision methods from actual budget allocation behavior. To this end, the authors model various allocation methods and apply this model to a unique dataset from the U.S. pharmaceutical industry that covers 198 firms and their product portfolios over a 7-year period. The authors find that most firms try to achieve different budgeting objectives simultaneously by combining several budget allocation drivers such as the scale of business or growth perspectives. Only a small minority of firms incorporates the effectiveness of marketing investments on sales in their budgeting decisions. Further analyses show that organizational and market-specific variables correlate with the budget allocation decision regime, with a higher likelihood of combining different allocation drivers for larger and more innovative organizations.