



**Sam Houston State University
Department of Economics and International Business
Working Paper Series**

Media Substitution in Advertising: A Spirited Case Study

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SHSU Economics & Intl. Business Working Paper No. SHSU_ECO_WP06-06
September 2006

Abstract:

This paper uses an unusually rich sample of liquor brands in the U.S. over the period 1994 to 2004 to test substitutability of advertising media. The liquor industry in the U.S. has experienced a substantial increase in case sales and advertising expenditures since the mid-1990s, raising numerous public policy concerns. Moreover, the mix of advertising media used by liquor brands also changed substantially following the industry's decision in 1996 to begin using radio and television media. We find that the advertising media used by liquor firms are highly substitutable, meaning that partial media bans, such as a ban on television advertising, would prove ineffective in reducing liquor case sales.