

Exclusive marketing contracts best when competition is fierce

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(PhysOrg.com) -- Agencies selling marketing services are often faced with the dilemma of whether to sell a service exclusively to a single firm in a given market category or to work with more than one.

Using a [mathematical model](#), a new study by a professor from the University of Toronto's Rotman School of Management shows that choice should depend on how different the firms and products potentially being marketed are from each other; how much of their target customer [market](#) they are already capturing and; how much more of that market a marketing service company can reach for a firm. The study was recently published in the *International Journal of Research in Marketing*.

Study author David Soberman found that marketing companies make higher profits by selling exclusive marketing contracts in a given category when firms and products in the category are very similar to each other. Likewise, if there is a high degree of market "differentiation" between companies and products, non-exclusive contracts is the way to go.

As an example, a Toronto marketing agency sold an electronic list of tea drinkers exclusively so that Red Rose could use it in a direct marketing campaign. Since there is little product difference in Canada's mainstream tea market, the exclusivity of the list allowed Red Rose to extend its reach to tea drinkers who would not otherwise think of Red Rose first when considering tea products - and boosted the impact of its

marketing efforts.

"This gives insight on what the right strategy should be without engaging in trial and error," said Soberman, a professor of marketing at Rotman. "It explains why in certain markets we see more exclusive agreements ... One of the most lucrative places for marketing service firms is in markets where there is low differentiation."

The complete study is available at: [www.rotman.utoronto.ca/newthin ...arketingagencies.pdf](http://www.rotman.utoronto.ca/newthin...arketingagencies.pdf) .

Provided by University of Toronto ([news](#) : [web](#))

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