Using competitors' brand name as a keyword can backfire, study finds

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Buying keywords of a popular competitors' brand names on search engines such as Google and Bing can backfire according to a new study in the *Articles in Advance section of Marketing Science*, a journal of the Institute for Operations Research and the Management Sciences (INFORMS).

Firms buy specific keywords, including competitors' brand names, on search engines to reach consumers searching for those words. Online advertisements employing such keywords are called search ads. Sometimes a brand such as Nissan Altima will buy search ads to reach customers who conduct a search using a rival's brand name, such as Camry, as the keyword. Such ads can backfire if the advertising brand is much inferior in quality relative to the rival brand.

The Company that You Keep: When to Buy a Competitor's Keyword is by Preyas S. Desai and Richard Staelin, Professors at the Fuqua School of Business, Duke University and Woochoel Shin, professor at the Warrington College of Business Administration, University of Florida. The authors are members of the INFORMS Society for Marketing Science (ISMS).

Firms often buy brand names of better-known rivals' to reach buyers looking for rivals' products or to be seen in the company of more popular companies. However, contrary to common belief, when an inferior brand's ad is seen next to a superior brand's web links, a large difference in reputation is further magnified in the minds of consumers.

The authors explain this observation citing a psychological phenomenon known as assimilation and contrast.

Professor Shin explains, "The proximate placement of two very dissimilar quality brands such as Sony and Haier causes the higher-end brand (Sony) to be rated higher than usual, while the lower-end brand (Haier) to be rated lower than usual." However, he says, "These results would reverse if the two brands were similar in quality, such as Camry and Altima." In the latter case, the advertised brand, Altima, would be rated higher than usual and the reference brand, Camry, would be rated lower than usual. Thus, the choice to advertise a target brand in searches for a rival brand is not obvious but depends on the quality difference between the two brands.

Using a game-theory model, the authors show when a brand should choose to advertise next to a rival brand and when not. The authors conclude that lesser-known brands that want to free-ride on their competitor's fame should not advertise on the rival's brand name if they are significantly inferior to the rival. On the other hand, target brands that are slightly inferior (but not significantly inferior) to a rival brand should advertise in searches for the rival brand.

The authors also find that sometimes a firm should buy its own brand name for defensive reasons, even though the search engine would list its website for free. For example, Toyota might find it beneficial to buy its own brand name as a search term to counter the effects of other competitors buying it. This possibility can lead to two rivals spending money in buying the same search term and canceling out each other's ads. In the end, neither firm benefits from the ad spending, and the only beneficiary is the search engine, which pockets the rivals' ad dollars.

Optimizing the set of keywords to use in search advertising is one of the most challenging problems faced by advertisers. The authors' results

provide advertisers a framework for choosing keywords among brand names.

More information: [pubsonline.informs.org/doi/abs … .1287/mksc.2013.0834](pubsonline.informs.org/doi/abs)

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