



As increased quantity and quality of competition make it more difficult than ever to gain competitive advantage, Simon points to a powerful, cost-effective way of achieving just that: to acquire long-lasting, if not permanent, sales and profit benefits from a temporary marketing investment. The examples, the behavioral rationale, and, especially, the seven conclusions invite thought and empirical testing.

Marnik Dekimpe and I have developed a rigorous yet practical method for inferring hysteresis from readily available sales and marketing spending data. We have observed that hysteresis necessitates three conditions in the data: (1) there must be permanent change in sales, (2) there must be only temporary change in marketing effort, and (3) the sales evolution must be related to the marketing effort. So far, we have analyzed about half a dozen marketing data sets using the method. In one case, we did discover hysteresis between the price of a consumer product and its resulting sales evolution. By contrast, the majority of our empirical results point to evolution or immobility in both sales and marketing spending. These preliminary findings suggest that hysteresis in market response is the exception rather than the rule, and invite more study of the conditions under which it may exist. Simon's article is an excellent starting point.

Dominique M. Hanssens
Professor
Anderson Graduate School
of Management
University of California Los Angeles
Los Angeles, California