

# MARKETING COLLOQUIA

FALL 2015

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**Thursday, October 8, 2015**

**Where:** 741 JMHH

**When:** 12:00 PM to 1:20 PM

## PRIZE ALLOCATION AND ENTRY IN IDEATION CONTESTS

**ABSTRACT:** Contests are a popular mechanism for the procurement of creative innovation. In marketing, firms often organize contests online, offering prizes to encourage competition and solicit high-quality ideas for ads, new products, and even marketing strategies from participants. I empirically investigate the impact of the number of prizes, prize amount and submission limit on participation and quality outcomes in ideation contests using data from a popular marketing crowdsourcing platform. I develop a structural model of participant entry and sponsor choice in contests with multiple prizes and heterogeneous participants. The structural model allows for multiple equilibria in the participant entry game and a flexible specification of participant information sets. Counterfactual simulations reveal the impact of design parameters on participation and quality outcomes: multiple prizes discourage stronger participants and encourage weaker participants but do not have a substantial impact on outcomes in contests that attract a large number of submissions; a larger prize increases expected total and maximum idea quality but may not substantially increase participation; a submission limit increases the number of entrants but reduces expected total and maximum idea quality. The results provide guidance for the optimal design of ideation contests.